Roughly $420 million in ESF remains to be obligated. In addition to emphasizing quick-response programs at the provincial level, the ESF finances several significant projects, including a power project in Basra, the completion of the oil Pipeline Exclusion Zone from Baiji to Baghdad, and hospitals in Erbil, Diyala, and Missan. Less than $150 million remains available in the CERP. Of the more than 1,400 CERP-funded projects ongoing, at least half are valued at less than $2,500, and most are aimed at economic development in Iraq’s neighborhoods and villages.

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SIGIR Inspections directorate assessed three schools, two Primary Healthcare Centers, and a courthouse this quarter. Although one CERP-funded school’s statement of work was simply a handwritten note below the signature line on a $400,000 contract, the project nevertheless resulted in a well-functioning facility. Another school inspection identified missing equipment but also found a well-functioning facility.

Reform of Overseas Contingency Operations
This quarter’s audits and inspections provided tangible evidence of the need to improve integration of U.S. reconstruction and stabilization operations in current and future overseas contingency operations (OCOs). SIGIR’s recent publication *Hard Lessons: The Iraq Reconstruction Experience* identified and documented the flaws inherent in the ad hoc approach that characterized the U.S. reconstruction effort in Iraq. Six years of U.S. involvement in Iraq reveal the urgent need for a new, more unified management structure to coordinate the U.S. government’s response to OCOs.

Integration of the civilian–military response is the core issue. Both DoD and DoS recognize that reform is needed and are developing their capacities to respond to OCOs. By now, no unified command structure has been developed to integrate the U.S. response to OCOs. As the United States gradually steps back from Iraq and engages even more deeply in the other theaters of operations, the need for an integrated approach to OCOs will only grow more urgent.

Notwithstanding these daunting challenges, Ambassador Hill inherits an Iraq more stable and prosperous than the country his three preceding Chiefs of Mission encountered. The security environment can generally be safer now than at any time since the 2003 invasion, the GOI recently approved its largest budget in six years, and the January 31 provincial elections were a success.

Security Issues
The new Security Agreement shifted responsibility for Iraq’s national security to the GOI and the Ministries of Defense and Interior. U.S. forces continue to operate in a strategic overwatch role, and significant U.S. aid continues to support Iraqi army and police operations. Although average attack levels are at post-invasion lows, recent upticks in violence in Baghdad, Diyala, and Nineveh provinces exemplify the fragility of the current security situation. Notably, bombs in Baghdad and Diyala reportedly killed more than 75 people on April 23, 2009, marking the highest one-day civilian casualty total in more than a year. Some of the recent attacks arose from arrests by Iraqi (Shia) police of Sunni Sons of Iraq leadership. These violent eruptions underscore the need to ensure that SOF personnel are re-integrated into new positions within the Iraqi system, pursuant to the GOI’s agreement to do so.

Reconstruction Efforts
Many U.S.-funded reconstruction projects continue across Iraq, with an emphasis on governance and capacity building. More than $4 billion supports U.S. projects in Iraqi provinces that are now standing up new Provincial Councils following January’s peaceful elections. These elections occurred in 14 of 18 provinces, significantly remedying the representational imbalances caused by the Sunni boycott of the 2005 elections. Section 1 of the Quarterly Report provides an overview of these developments.

As the Congress considers the Administration’s recent request for nearly $1 billion in new funding for Iraq reconstruction, the GOI will rely on its recently approved $58.6 billion budget to provide services and invest in critical infrastructure. This quarter, the Ministry of Electricity set new post-invasion power production records, but ever-increasing demand means that outputs still are not sufficient to meet needs. The Ministry of Oil continues to operate in the absence of hydrocarbon legislation, which has dampened its capacity to attract international investment.

Continuing U.S. financial support is concentrated in three funds: the Iraq Security Forces Fund (ISFF), the Commander’s Emergency Response Program (CERP), and the Economic Support Fund (ESF). The Department of Defense (DoD) did not request any new funding for the ISFF this year, of which $3 billion remains to be obligated, including $1 billion in bridge funding that DoD has requested be extended until the end of FY 2010. More money will be appropriated by the new budget for the CERP and ESF.
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