



**Special Inspector General
for Iraq Reconstruction**

**Quarterly Report and
Semiannual Report to the
United States Congress**

[January 30, 2008]

AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO





MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

I am pleased to submit to the Congress, Secretary Rice, Secretary Gates, and the American people the 16th Quarterly Report from the Special Inspector General for Iraq Reconstruction (SIGIR). In November 2007, I traveled to Iraq to continue SIGIR's oversight of the U.S. relief and reconstruction program. This was my 18th visit in the past four years, and I will leave on my 19th trip in mid-February.

2008 will be a "Year of Transfer" in Iraq, bringing with it the continued evolution of the U.S. program. This evolution means that the Government of Iraq (GOI) must assert ever greater responsibility for national security and economic planning, including the full funding and sustainment of ongoing relief and reconstruction efforts. The U.S. role, at this stage, is supportive, aimed chiefly at capacity-building initiatives within the economic, political, and security spheres.

Three issues that could affect the Year of Transfer are: (1) a potential budget windfall from higher oil prices, (2) consequences from pending legal and legislative developments regarding Iraq's governance, and (3) the continuing shift of primary provincial security responsibilities to Iraqi control. Average oil production in Iraq this quarter hit a post-war high of 2.38 million barrels per day, enhancing the likelihood that Iraq's national income in 2008 will significantly exceed expectations.

Section 3 of this Report contains summaries of SIGIR's seven new audit products, two of which continued SIGIR's programmatic review of major Iraq Relief and Reconstruction Fund (IRRF) contracts. One report examined the work of Parsons Delaware, Inc., under its large design-build contract for projects in the buildings, health, and education sectors. The report reveals that Parsons completed only 3 of the 11 task orders issued under the contract. The other contract review examines the reconstruction work of Parsons Infrastructure & Technology Group, Inc., on a project managed by the Air Force Center for Engineering and the Environment, finding that the contract's goals were largely met. A third Parsons audit will be released in the upcoming quarter.

SIGIR inspection teams assessed and reported on six projects this quarter. Four of the six were funded by the Commander's Emergency Response Program (CERP), and two were funded by the Iraq Security Forces Fund (ISFF). The review of the Erbil Police Academy revealed—once again—that an effective quality assurance program by the government is essential to ensuring a project's success. Since the inspections program began in 2005, SIGIR has completed 108 project assessment reports, 96 limited on-site inspections, and 425 aerial assessments.

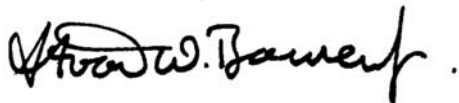
SIGIR's investigators continue to make progress on 56 open investigations, 36 of which have been referred to the Department of Justice. To date, SIGIR cases have produced 14 arrests, 14 indictments, 5 convictions, 5 imprisonments, and \$17.2 million in court-ordered restitutions, forfeitures, and recoveries. Five individuals are scheduled for trial in March 2008, and three more in April.

On the legislative front, the Congress approved the National Defense Authorization Act, providing SIGIR with expanded oversight jurisdiction and an extended life span. Pursuant to this legislation, SIGIR now has jurisdiction over, among other things, all reconstruction moneys appropriated to the ISFF, CERP, and Economic Support Fund. SIGIR, a temporary oversight organization, has long worked under the shadow of

an imminent sunset, which has presented continuing management challenges. This quarter, the Congress acted to ameliorate these challenges, authorizing that SIGIR shall continue until 180 days after less than \$250 million in U.S. funding is left to spend on Iraq reconstruction. This effectively extends SIGIR for several years.

In light of this expanded jurisdiction and tenure, SIGIR is entering a new phase of strategic planning for its oversight mission. The ISFF is the chief focus of new congressional appropriations for Iraq; therefore, SIGIR will continue to expand its review of this large fund. The new legislation also calls for increased coordination and cooperation among the oversight entities reviewing spending in Iraq. I look forward to working with my colleagues to develop audit plans that meet this important congressional mandate.

Submitted January 30, 2008.

A handwritten signature in black ink, reading "Stuart W. Bowen, Jr." with a period at the end. The signature is written in a cursive style.

Stuart W. Bowen, Jr.

Special Inspector General for Iraq Reconstruction

SIGIR SUMMARY OF PERFORMANCE
AS OF DECEMBER 31, 2007

AUDITS

| | |
|-----------------------------|--------------|
| Reports Issued | 108 |
| Recommendations Issued | 315 |
| Dollars Saved and Recovered | \$57,900,000 |
| Dollars Put to Better Use | \$40,000,000 |
| Challenged Payments | \$7,560,000 |

INSPECTIONS

| | |
|------------------------------------|-----|
| Project Assessments Issued | 108 |
| Limited On-site Assessments Issued | 96 |
| Satellite Imagery Products Created | 425 |

INVESTIGATIONS

| | |
|--------------------------------------|--------------|
| Investigations Initiated | 336 |
| Investigations Closed or Referred | 280 |
| Open Investigations | 56 |
| Arrests | 14 |
| Indictments | 14 |
| Convictions | 5 |
| Court-ordered Restitution/Forfeiture | \$17,242,000 |

HOTLINE CONTACTS

| | |
|-------------------------------|------------|
| Fax | 15 |
| Telephone | 68 |
| Walk-in | 110 |
| E-mail | 371 |
| Referrals | 26 |
| Mail | 28 |
| Total Hotline Contacts | 618 |

NON-AUDIT PRODUCTS

| | |
|--------------------------------|----|
| Congressional Testimony | 25 |
| Lessons Learned Reports Issued | 3 |

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*The complete version of this SIGIR Quarterly and Semiannual Report is available on the SIGIR website: www.sigir.mil. It is the official version of the report, containing all appendices and corrections.

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INTRODUCTION: THE YEAR OF TRANSFER

2008 will be a **Year of Transfer** in Iraq. Over the coming year, a number of important milestones will need to be met, including:

- transferring reconstruction planning, management, and funding responsibilities to Iraqi control¹
- continuing to improve the transfer of U.S.-provided reconstruction programs, projects, and assets from U.S. to Iraqi control
- completing the transfer of provincial security responsibilities from Coalition to Iraqi forces

SIGIR will continue to monitor and report on these various issues, with particular emphasis on the status of sustaining U.S.-provided assets. Successfully meeting this sustainment challenge will ensure that the significant investment of U.S. taxpayer dollars in Iraq produces long-term benefits for the Iraqi people.

Three key developments will affect the Year of Transfer:

- Iraq's national income for 2008 could rise well above expectations because of recent increases in oil prices and oil production.
- Iraq's "regions law," scheduled to become effective in mid-April, could significantly alter Iraq's governance and legal structures.
- Successfully surging Iraqi forces could enable Iraq to assume primary civil and military security responsibilities for all 18 provinces.

The success of the continuing relief and reconstruction effort in Iraq depends substantially on the Government of Iraq's (GOI's) capacity to take responsibility for effectively employing its own resources in support of a national recovery plan. Although the GOI now leads this critical effort, the United States continues to provide targeted support for Iraq's national recovery in the security, economic, and political spheres.

Rise in Income

This quarter, Iraq's average oil production reached a post-war quarterly record of 2.38 million barrels per day (MBPD), while average daily exports maintained the previous quarter's record of 1.94 MBPD. Taken together, these developments could cause a significant rise in available revenue for the GOI in 2008 and further underscore the need for the GOI to pass the pending hydrocarbon law.

Iraq's 2008 budget is approximately \$48 billion, an increase of approximately 18% over 2007, with more than 84% funded by oil revenue.² To calculate this year's budget, the GOI estimated an oil price of \$57 per barrel. The U.S. Department of Energy now estimates that the average price for 2008 will be \$85 per barrel. The potential increase in revenue brought by higher oil prices could generate a national income windfall for Iraq, providing new funds for Iraq's relief and reconstruction.



The Government of Iraq has named 2008 the year of reconstruction and anticorruption.

The balance of Iraq's budget is funded by unspent money from previous years that remains in the Development Fund for Iraq (DFI) account and rolls over. The 2008 budget identifies approximately \$6 billion that rolled over from 2007. In addition, the GOI maintains reserves in the Central Bank of Iraq, which the IMF projects to be approximately \$27 billion.³

The possible rise in Iraq's revenue emphasizes the need for the GOI to pursue its fight against corruption with renewed vigor. Prime Minister Nouri al-Maliki has dubbed 2008 the year of reconstruction and anticorruption. A recent three-day GOI conference in Baghdad on fighting corruption is a hopeful sign that the GOI leadership will seriously address this critical issue. Section 3 of this Report updates SIGIR's continuing oversight of U.S. support to Iraq's anticorruption efforts.

Governance in Iraq

On January 12, 2008, Iraq's Council of Representatives met a key governance benchmark

by passing the Justice and Accountability Act. This Act addresses de-Ba'athification reform, providing a regulatory framework within which former members of the Ba'ath Party can reintegrate into Iraq's public life. Many former Ba'ath Party members already have received waivers from the GOI and can work in government or receive pensions,⁴ but the passage of this important legislation institutes a formal process for reintegration and promotes broader reconciliation.

Four pending legislative and constitutional measures could substantially affect governance in Iraq this year:

- the regions law
- the provincial powers law
- the elections law
- Article 140 of the Iraq Constitution

The **regions law**, scheduled to become effective in April, permits one or more of Iraq's provinces to form into a region ruled by a legislative council with substantial legal authority to govern the territory comprising the region. The creation of new regions in Iraq could alter the nation's balance of power, shifting authority away from the central government. For example, if a regional law conflicts with a federal law, the regional law would control, except in matters that are constitutionally vested to federal control. Iraq's Constitution provided regional status to Kurdistan, but the formation of other, similar regions later this year could open up new areas

of federal contention, including the powers to tax, to provide security, and to manage oil and gas assets.

Passage of the long-anticipated **provincial powers law**, an Iraqi benchmark, would clarify the relationships between and among the local, provincial, and federal governments, especially regarding the governance authority of local councils. SIGIR's October 2007 Provincial Reconstruction Team (PRT) audit found that "a key obstacle to developing governance capacity was the lack of a provincial powers law to define the rights and responsibilities of government offices and hold provincial officials accountable for their actions." On February 22, the act is scheduled for a second reading in the Council of Representatives.

Iraq's pending **elections law**, also a benchmark, has long been under development by the GOI. It would mandate new provincial elections that could correct current representational imbalances within certain provincial councils. These imbalances, caused in part by the Sunni boycott of the January 30, 2005 elections, are particularly acute in Diyala and Ninewa provinces. The GOI recently indicated that it will hold "rolling elections" across the country in 2008.

Article 140 of the Iraq Constitution addresses disputes over territorial and mineral interests in Kirkuk and surrounding areas. The new deadline to resolve these disputes is June 30, 2008, by which date the GOI must conduct a census to assess the area's ethnic breakdown and hold

a referendum to assess the will of the citizens regarding their governance.

Resolving the foregoing constitutional and legislative issues will affect how Iraq continues to manage its relief and reconstruction program and, to a lesser extent, how the United States can continue to provide support.

Expanding Iraqi Security Authority

July 2008 is likely to be a watershed month for security in Iraq. By then, the U.S. military surge is expected to be drawing down, and the process for transferring primary security responsibility to Iraq's security forces will be well on its way toward completion. Initially scheduled to be completed in June 2006, the transfer of provincial security responsibilities to the GOI has been postponed several times, and concluding the process is now "conditions based." Shifting the responsibility for provincial security to sovereign Iraqi authority raises important questions about the continuing protection of U.S. personnel supporting the reconstruction effort, especially those deployed in PRTs.

Also by July, the United States and Iraq are expected to have reached agreement on continuing arrangements for longer-term security support. This agreement will address legal immunities and the status and mission of U.S. forces in Iraq.⁵ How the immunity issue is resolved will affect the U.S. capacity to continue to provide effective support.

IRAQ RECONSTRUCTION UPDATE

The GOI has assumed the preponderant burden for funding relief and reconstruction activity in Iraq, and Iraqi authorities thus are taking the lead in making contracting decisions and developing reconstruction initiatives. Consonant with this development, General David Petraeus, the commanding general in Iraq, observed recently that Iraqis should provide solutions to Iraqi problems. The United States supports the implementation of these solutions by providing substantial support for relief and reconstruction. This quarter SIGIR issued seven audits and six inspections reviewing various aspects of this support.

SIGIR Audits

Last year, SIGIR initiated a series of audit reports on significant Iraq relief and reconstruction contracts to examine outcomes and management practices, with an eye toward identifying items for further investigation. Two reports previously issued in this series are:

- SIGIR 07-009, Review of Bechtel's Spending under Its Phase II Iraq Reconstruction Project
- SIGIR 07-016, Interim Review of DynCorp International, LLC, Spending Under Its Contract for the Iraqi Police Training Program

This quarter, SIGIR released two more reports in the series:

- SIGIR 08-010, Outcome, Cost, and Oversight of Iraq Reconstruction Contract W914NS-04-D-0006
- SIGIR 08-004, Outcome, Cost, and Oversight of Reconstruction of Taji Military Base and Baghdad Recruiting Center

In the first, SIGIR reviewed the work performed by **Parsons Delaware, Inc.**, under one of ten design-build construction contracts awarded in 2004 for work on Iraq's infrastructure. The design-build contracts were issued in defined sectors, such as the electric and the water resources sectors. Parsons received the contract for projects in the buildings, health, and education sectors.

Of the 11 construction task orders issued under the \$500 million contract, 3 were completed, and 8 were terminated for convenience with work completed to varying degrees. Parsons successfully completed work to renovate three Iraqi ministerial buildings and to rehabilitate eight maternity and pediatric hospitals, but four task orders to rehabilitate 12 maternity and pediatric hospitals were terminated for the convenience of the government with work incomplete. The most serious problems occurred on the 3 task orders to build 141 primary healthcare



SIGIR reviewed the work performed by Parsons Delaware, Inc., under 2004 contracts for work on Iraq's infrastructure.

centers (PHCs) throughout Iraq. SIGIR previously audited this program, reporting in April 2006 that approximately \$186 million was spent on the PHC project over a two-year period with limited success.

SIGIR's other contract review this quarter looked at reconstruction work performed by **Parsons Infrastructure & Technology Group, Inc.**, under a contract managed by the Air Force Center for Environmental Excellence, now known as the Air Force Center for Engineering and the Environment (AFCEE). The Multi-National Security Transition Command-Iraq (MNSTC-I) used AFCEE to conduct facility construction and repair work at the Taji Military Base and to renovate the Baghdad Recruiting Center. The government expressed satisfaction with the overall project, particularly regarding the oversight work accomplished by AFCEE. Although these two projects cost \$11.1 million more than originally estimated, AFCEE officials justified the increase because of changes in the scope of work and security issues.

The work under this contract was effectively completed, but SIGIR auditors uncovered several problems with the contracting process, including:

- limitations to full-and-open competition in awarding subcontracts, which left the government vulnerable to inflated subcontract prices
- limited oversight of subcontractors
- weak contract-billing systems

SIGIR Inspections

SIGIR has an ongoing series of inspections of projects supporting the Iraqi Security Forces. As part of that series, SIGIR inspectors visited three projects this quarter, identifying one in particular that provided a good example of best practices.

The inspection of the **Erbil Police Academy** determined that the project had many positive indicators suggesting that it will meet contract specifications. The academy was well designed, had a clear scope of work, and benefited from a good quality control program. Perhaps the most uniquely positive factor was the evident involvement and support of local Iraqi officials manifested through a cost-sharing agreement. SIGIR also assessed **Iraqi Army Facilities at Diyanah and Debecha**, finding that these projects evidenced good planning and construction practices. SIGIR's inspection concluded that



The Government of Iraq has designated \$18 billion of the 2008 budget for capital projects related to essential services.

the facilities, when completed, should meet the overall operational and capacity requirements for battalion-sized units.

The Evolving CERP Program

Since its inception in 2003, the Commander's Emergency Response Program (CERP) has played an important role in the U.S. reconstruction effort in Iraq, funding more than 18,000 projects, of which 14,000 are now completed. The Coalition Provisional Authority (CPA) created the CERP to support small-scale humanitarian relief and reconstruction projects. As the Iraq Relief and Reconstruction Fund has drawn down, however, there has been a complementary upward trend in the use of the CERP for larger projects—those valued at \$500,000 or more. Since 2004, projects estimated to cost \$500,000 or more, which amount to less than 3% of all CERP projects, have consumed nearly 37% of CERP funds.⁶

This quarter, SIGIR reviewed the management of larger, more costly CERP projects and found difficulties regarding their transfer to Iraqi control and their subsequent sustainment.

Moreover, the audit found that CERP program guidance provided limited instruction on addressing these issues. SIGIR auditors learned that brigade commanders generally coordinated these large CERP projects quite well through informal channels, and that some commanders had initiated policies and procedures to address transition and sustainment.

Improving Infrastructure Services

Prime Minister Maliki has committed the GOI to improving infrastructure services across Iraq in 2008, and the GOI's budget underscores this priority. The GOI designated \$18 billion of the 2008 budget for capital projects related to essential services, of which more than \$1 billion will be used in Baghdad. Moreover, recent progress in security and increases in national revenue have created an opportunity to upgrade Iraq's essential services.

To further the service improvement effort in Baghdad, the Prime Minister created the Baghdad Essential Services Committee, which is now under the direction of Dr. Ahmed Chalabi.

Among other things, this Committee seeks to settle long-standing conflicts between the Ministry of Oil and the Ministry of Electricity. During the IG's visit to Iraq in November 2007, Dr. Chalabi briefed SIGIR on plans to revitalize the service sector in Baghdad in 2008.

The Progress of the Provincial Reconstruction Teams

SIGIR's previous PRT audits recognized the important potential that these civil-military teams possess for building critical capacity within Iraq's provincial and local governments. But the audits also identified a need to define goals and performance measures for the PRTs and to develop milestones for achieving the goals and meeting these measures. The Office of Provincial Affairs, which oversees the PRT program, is working to address the recommendations. Making PRT objectives more concrete and measurable will enhance decision-making about the future use of PRTs during the Year of Transfer. Moreover, 2008 will be a critical year for the PRTs to develop plans for operating in areas that fall under provincial Iraqi control.

The Role of the International Community

SIGIR's mandate includes the duty to report on international contributions to Iraq. Meeting this mandate has become increasingly difficult because of the challenge in obtaining accurate

data. Iraq has management control over most of its donor relationships, but the GOI has had difficulty accumulating accurate data on donor status. Thus, SIGIR now derives its reporting from information provided by the Department of State (DoS).

As of December 31, 2007, the international community had pledged approximately \$15.826 billion toward the reconstruction of Iraq. Of the total pledges from the international community, \$4.56 billion has been committed, and \$2.49 billion had been disbursed, according to the Development Assistance Database.⁷

The International Compact with Iraq, created in May 2007, defines Iraq's plan for the future of donor assistance and provides benchmarks on which this future assistance can be conditioned. The international community continues to monitor the GOI's implementation of the Compact, and the GOI's success at meeting its benchmarks will shape the support provided by the international community.

This quarter, Iraq completed the early repayment of its entire outstanding IMF obligation of \$470.5 million. The IMF also approved a successor Stand-By Arrangement for Iraq for \$744 million, noting that Iraqi authorities have kept their economic program reasonably on track by tightening monetary policy, appreciating the dinar, and reducing most direct budgetary fuel subsidies.

ANTICORRUPTION EFFORTS

In July 2006 and July 2007, SIGIR issued reports on the U.S. Embassy's support of Iraq's anti-corruption programs,⁸ identifying a lack of coordination among U.S. agencies and urging more forthright leadership to support Iraq's fight against corruption.

SIGIR's July 2006 audit report recommended, among other things, that DoS appoint a senior leader to direct the program and to provide continuity in its program administration.

The July 2007 update report found that limited progress had been made on implementing previous recommendations. Of particular concern, SIGIR found that the Embassy still lacked a comprehensive, integrated plan for supporting Iraq's anticorruption agencies.

This quarter, SIGIR issued another review of the program, finding that the Embassy is taking steps to address identified problems and to implement pending recommendations. Specifically, a new Embassy initiative will create a comprehensive, integrated anticorruption strategy for 2008 to help the GOI and the Iraqi people combat corruption. The Ambassador elevated emphasis on support for anticorruption efforts by deploying new personnel and assets and appointing a new senior-level person as anti-corruption coordinator. The coordinator reports to the Deputy Chief of Mission and manages all mission anticorruption support activities. SIGIR will conduct another review this spring to assess progress in implementing these improvements.

SECURITY

Improving security conditions in Iraq this quarter stemmed from the U.S. military's success in implementing its surge strategy. Indeed, virtually all indicators of violent activity declined in 2007, underscoring the overall success of the surge's targeted strategy. The Department of Defense reports that progress continues in increasing the size and role of Iraqi security forces, with more than 441,000 members already trained.

Security Conditions Still Hinder Reconstruction Activities

Despite the palpably improved security climate, violence continues to impede the efforts of agencies working on Iraq's relief and reconstruction. In a January 2008 audit, the Government Accountability Office noted that:

State and USAID efforts are affected by U.S. Embassy restrictions imposed on their movement. Embassy security rules limits, and in some cases bars, U.S. civilian advisors from visiting the ministries outside the Green Zone.⁹

In a similar vein, poor security conditions have impeded SIGIR inspectors' access to project sites. The inability of oversight agencies and other teams to visit projects to ensure quality control, examine contract compliance, and monitor the progress of construction is symptomatic of a larger issue: security conditions, although generally improved, still directly limit the work of managers, operators, and overseers.

Concerned Local Citizen Initiative

Perhaps the most significant security development in 2007 was the creation of the U.S.-supported Concerned Local Citizen groups (CLCs). The CLCs are predominantly Sunni security elements operating in areas previously plagued by sectarian violence. Approximately 70,000 persons have joined the CLC effort, greatly enhancing the pacifying effects of the surge. CERP has funded the CLCs, but this quarter, the U.S. Agency for International Development determined that Community Stabilization Program funds also could be used to support them.¹⁰ Discussions are underway with the GOI to transition financial support for CLCs to Iraq.

LEGISLATIVE DEVELOPMENTS

The Congress recently passed the National Defense Authorization Act (NDAA), expanding SIGIR's jurisdiction and extending SIGIR's tenure. Under the NDAA, SIGIR now has oversight of all reconstruction funds in Iraq, including the ISFF, CERP, and Economic Support Fund. The NDAA also re-defined SIGIR's termination to be 180 days after the point in time at which less than \$250 million in U.S. funds remains to be spent on Iraq's reconstruction.

The Congress approved expanded protections for whistleblowers in Iraq. The governing provision gives contractor employees expanded whistleblower protections when communicating concerns about alleged wrongdoing to SIGIR.

The Senate passed legislation this quarter that implements reforms based on findings and recommendations arising from SIGIR's lessons learned report on contracting.

THE HUMAN TOLL

Although the security situation in Iraq has improved, violence continues to pose a deadly threat.

- The Department of Labor (DoL) reported 43 new death claims this quarter for civilian contractors working on U.S.-funded projects in Iraq. Since Iraq reconstruction began, 1,123 death claims have been filed with DoL. Reported deaths in this category were about 23% below the quarterly average.¹¹
- DoS reported that seven U.S. civilians died in Iraq this quarter. Since the beginning of the U.S. reconstruction effort, 242 U.S. civilian workers have died in Iraq. Non-military U.S. citizen deaths reported this quarter were 42% below the quarterly average.¹²
- Two journalists and four media support workers were killed in Iraq this quarter. Since March 2003, 125 journalists and 49 media support workers have been killed in Iraq.¹³
- On January 3, 2008, the UN World Food Programme launched a \$126 million program to feed the most vulnerable of the more than 2.2 million Iraqis displaced by violence. According to UN officials, 750,000 people displaced within Iraq will benefit from the program, as well as more than 360,000 others who fled to Syria.¹⁴ The Arab League also recently initiated a fund-raising and public awareness campaign to help displaced Iraqis.¹⁵

UPDATE ON IRAQ RECONSTRUCTION

OVERVIEW

2A U.S. FUNDING FOR IRAQ RECONSTRUCTION

IRAQ SECURITY FORCES FUND (ISFF)

COMMANDER'S EMERGENCY RESPONSE PROGRAM (CERP)

ECONOMIC SUPPORT FUND (ESF)

IRAQ RELIEF AND RECONSTRUCTION FUND (IRRF)

BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT

AFFAIRS FUNDING (INL)

2B U.S. SUPPORT FOR IRAQ'S DEVELOPMENT

RECONSTRUCTION MANAGEMENT

PROVINCIAL RECONSTRUCTION TEAMS

ECONOMIC DEVELOPMENT

REFUGEES, IDPs, AND HUMAN RIGHTS

SERVICES

ELECTRICITY

OIL AND GAS

WATER

FACILITIES

HEALTH CARE

EDUCATION

CAPACITY DEVELOPMENT

2C IRAQ'S GOVERNANCE ACTIVITIES

IRAQI BUDGET

PROVINCIAL IRAQI CONTROL

DEMOCRACY AND CIVIL SOCIETY

2D INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

SECTION

2

OVERVIEW

The Special Inspector General for Iraq Reconstruction (SIGIR) reports on the obligation and expenditure of funds provided for Iraq's relief and reconstruction from three sources: U.S. appropriations, Iraqi funds, and international donations. As of December 31, 2007, the amounts contributed from these three sources for the reconstruction program totaled \$113.945 billion, including \$47.485 billion in U.S. appropriated funds, \$50.634 billion in Iraqi funds, and \$15.826 billion in international support for Iraq reconstruction.

This section provides an update on support for Iraq's reconstruction by three key stakeholder groups:

The United States:

The *U.S. Funding* section reviews reconstruction appropriations by fund and summarizes the use of U.S. tax dollars in Iraq. The section provides details on the Iraq Security Forces Fund (ISFF), Commander's Emergency Response Program (CERP), Economic Support Fund (ESF), Iraq Relief and Reconstruction Fund (IRRF), and funding for the Bureau of International Narcotics and Law Enforcement Affairs (INL).

The section on *U.S. Support for Iraq's Development* summarizes progress in key programs and projects, providing an overview of U.S. management of the efforts in Iraq. The review includes

information on Reconstruction Management; Provincial Reconstruction Teams; Economic Development; Refugees, IDPs, and Human Rights; Services; and Capacity Development.

Iraq:

The *Iraq's Governance Activities* section provides information on how Iraq is managing and implementing services and expanding governance. This section updates the status of the Iraqi Budget, Provincial Iraqi Control, and Democracy in Iraq.

International Donors:

The *International Support for Iraq Reconstruction* section discusses donor contributions and efforts. It includes the status of the International Compact with Iraq, the Stand-By Arrangement with the International Monetary Fund (IMF), and debt relief provided by donor countries.

Appendix D cross-references budget terms associated with the IRRF, ISFF, ESF, CERP, INL, and international support for Iraq reconstruction. IRRF sectors have also been defined differently by the Gulf Region Division, the Department of State, Public Law (P.L.) 108-106, and SIGIR. Appendix E provides a cross-reference of these sectors.

For an overview of the sources of funds provided by these stakeholders, see Figure 2.1.

U.S. Appropriated Funds (\$47.485 billion)

Since 2003, the Congress has appropriated U.S. funding for Iraq’s relief and reconstruction to 4 major funds and 30 smaller accounts, including:

- Iraq Security Forces Fund (ISFF)—\$15.440 billion
- Commander’s Emergency Response Program (CERP)—\$2.661 billion
- Economic Support Fund (ESF)—\$3.287 billion
- Iraq Relief and Reconstruction Fund (IRRF)—\$20.914 billion
- Other Relief and Reconstruction Funds (including 30 accounts)—\$5.183 billion

Appendices G and H include more comprehensive information about the sources of U.S. appropriated funding, including IRRF apportionments, a historical perspective of relief and reconstruction accounts, operating expenses, and obligated and expended funding activities.

Iraqi Funds (\$50.634 billion)

As of December 31, 2007, the Government of Iraq (GOI) has provided \$50.634 billion for the reconstruction of its country. Today, the contribution provided through the Iraqi capital budget represents the most critical component of the reconstruction program. Thus far, Iraq has not been able to fully execute its annual budgets, particularly for capital improvements. Iraqi funds fall within these categories:

- vested (frozen) funds of \$1.724 billion

- seized funds, including confiscated cash and property, of \$0.927 billion
- Development Fund for Iraq (DFI) support of \$9.331 billion (including the DFI Transition sub-account), drawn primarily from oil proceeds and repatriated funds
- Iraqi capital budget funding of \$38.65 billion from 2003 to 2008 (Final 2008 capital budget has not yet been passed.)

More details are provided in Table 2.1 and Section 2c, Iraq’s Governance Activities. For an accounting of seized, vested, and the DFI transition sub-account, see Appendix I, “Iraqi Funds Obligated for Reconstruction Activity by CPA.”

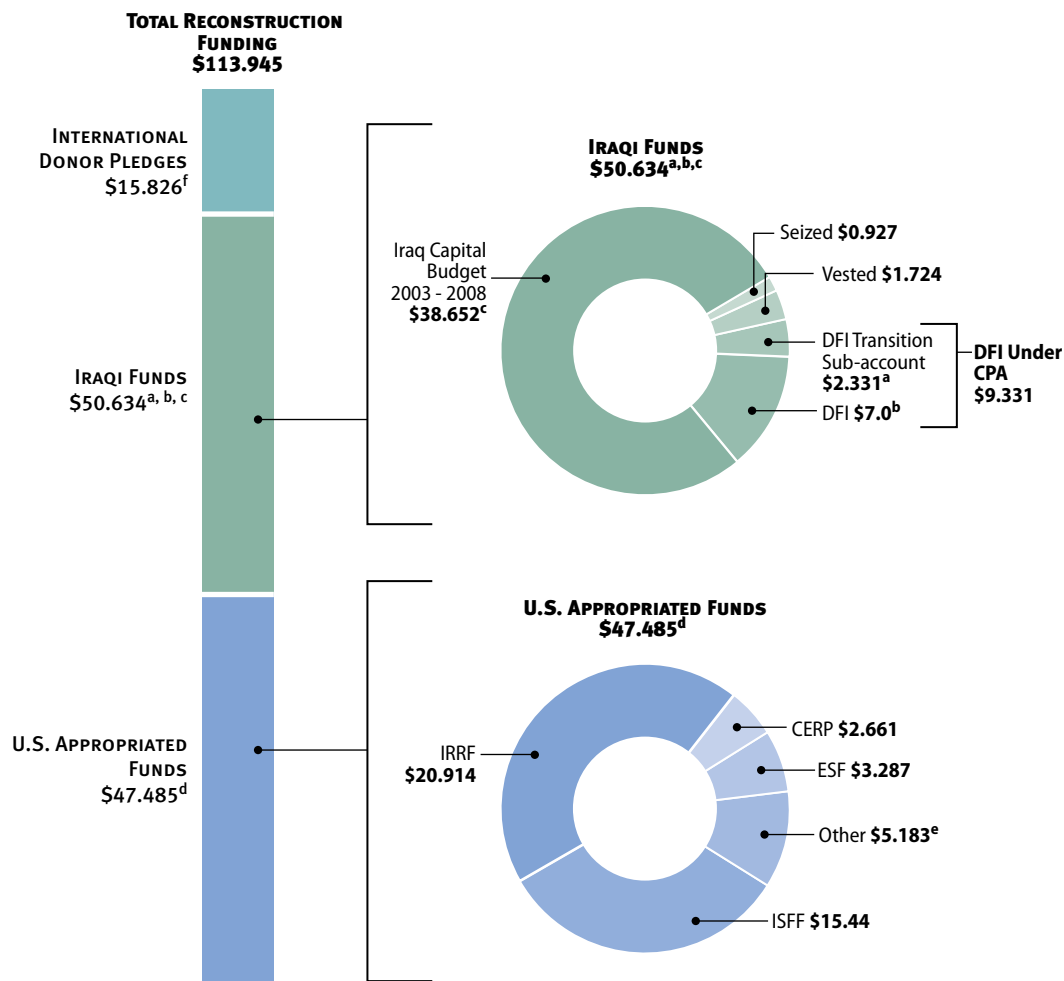
International Support for Iraq Reconstruction (\$15.826 billion)

The continuing success of the Iraq reconstruction program will depend significantly on assistance from the international community. The International Compact with Iraq—a five-year Iraqi-developed plan to achieve stability, sound governance, and economic reconstruction in Iraq—is now the primary mechanism for coordinating international support for Iraq. Currently, the total amount of donor support pledged is \$15.826 billion.

For an update on the activities of international donors and a detailed overview of debt relief, see the discussion of International Support for Iraq Reconstruction in Section 2d.

Figure 2.1

SOURCES OF IRAQ RECONSTRUCTION FUNDING - \$113.945 BILLION
\$ Billions



a. Includes August 11, 2004 transfer of \$86 million cash from the Central Bank of Iraq for CERP at the authorization of the Ministry of Finance.
 b. 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 (July 28, 2005, p. 2).
 c. Table 2.1 includes a breakdown of Iraqi capital budget expenditures, CY 2003-2008.
 d. Where Iraq-only appropriations are unavailable, SIGIR assigned 85% for Iraq based on historical trends.
 e. May include humanitarian aid or other types of assistance.
 f. NEA-I, response to SIGIR data call, January 4, 2008.
 Note: This quarter, SIGIR changed methodology for reporting international donor pledges. Beginning with the January 2008 Quarterly and Semiannual Report to Congress, SIGIR will use the official U.S. government source — DoS:NEA-I — as the sources for pledge data. The dollar change from last quarter is due to the revised reporting method.

IRAQI CAPITAL BUDGETS FOR RECONSTRUCTION, CY 2003-2008

| CALENDAR YEAR | IRAQ CAPITAL BUDGET (DINARS) | CONVERSION RATIO ^a | IRAQ CAPITAL BUDGET (\$ US) | DOCUMENT SOURCE(S) |
|---------------|------------------------------|-------------------------------|-----------------------------|---|
| 2003 | Not Provided in Dinars | NA | \$609,500,000 | "Republic of Iraq: Budget Revenues and Expenses 2003," July-December |
| 2004 | 5,114,323,000,000 | 1,500 | \$3,409,548,667 | "Presidency of the Iraqi Interim National Assembly: The State General Budget for 2005" |
| 2005 | 7,550,000,000,000 | 1,500 | \$5,033,333,333 | "Presidency of the Iraqi Interim National Assembly: The State General Budget for 2005" |
| 2006 | 9,272,000,000,000 | 1,500 | \$6,181,333,333 | "GOI 2006 Budget" (as approved by TNA and written into law December 2005); U.S. Treasury, response to SIGIR data call, 1/4/2008 |
| 2007 | 12,675,560,005,000 | 1,260 | \$10,059,968,258 | "GOI Budget 2008: Overview of Revenue and Expenditure, 2007-2008;" U.S. Treasury, response to SIGIR data call, 10/15/2007 |
| 2008 | 16,030,822,000,000 | 1,200 | \$13,359,018,333 | "GOI Budget 2008: Overview of Revenue and Expenditure, 2007-2008" |
| Total | | | \$38,652,701,925 | |

^aSource of dinar/\$US conversion ratio: U.S. Treasury, response to SIGIR, January 21, 2008.

TABLE 2.1

U.S. FUNDING FOR IRAQ RECONSTRUCTION



section

2a

U.S. FUNDING FOR IRAQ RECONSTRUCTION

SIGIR is required to report on the oversight of and accounting for U.S. taxpayer funds expended on Iraq’s relief and reconstruction under Public Law (P.L.) 108-106, Section 3001 (as amended). In December 2006, P.L. 109-364 expanded SIGIR’s oversight to include all funds made available for FY 2006 for the reconstruction of Iraq, including the ISFF, CERP, ESF, and other sources for reconstruction. The new National Defense Authorization Act expands

SIGIR’s jurisdiction to all monies appropriated to these funds since 2003.

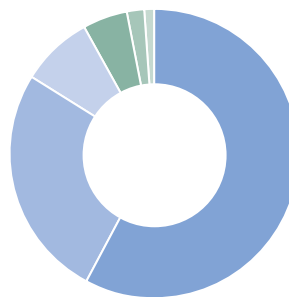
The funds appropriated for the U.S. reconstruction program in Iraq now total \$47.485 billion. Nearly half of this funding went to the IRRF, of which less than 10% remains for expenditure. Figure 2.2 shows the status of funds under SIGIR’s oversight authority, and Figure 2.3 shows a timeline for all major U.S. funds appropriated for relief and reconstruction to date.

Figure 2.2

SUMMARY OF SIGIR OVERSIGHT

\$ Billions, % of \$32.037 Billion

Sources: P.L. 108-106, P.L. 109-13, P.L. 109-234, P.L. 109-102, P.L. 108-11, P.L. 109-148



| | | | |
|--------|-----------------------|----------|-----|
| IRRF 2 | P.L. 108-106 | \$18.439 | 58% |
| ISFF | P.L. 109-13, 109-234 | \$8.398 | 26% |
| IRRF 1 | P.L. 108-11 | \$2.475 | 8% |
| ESF | P.L. 109-102, 109-234 | \$1.545 | 5% |
| CERP | P.L. 109-148, 109-234 | \$0.708 | 2% |
| Other | P.L. 109-102, 109-234 | \$0.472 | 1% |

CERP = Commander’s Emergency Response Program

IRRF 1 & 2 = Iraq Relief and Reconstruction Fund

ISFF = Iraq Security Forces Fund

ESF = Economic Support Fund

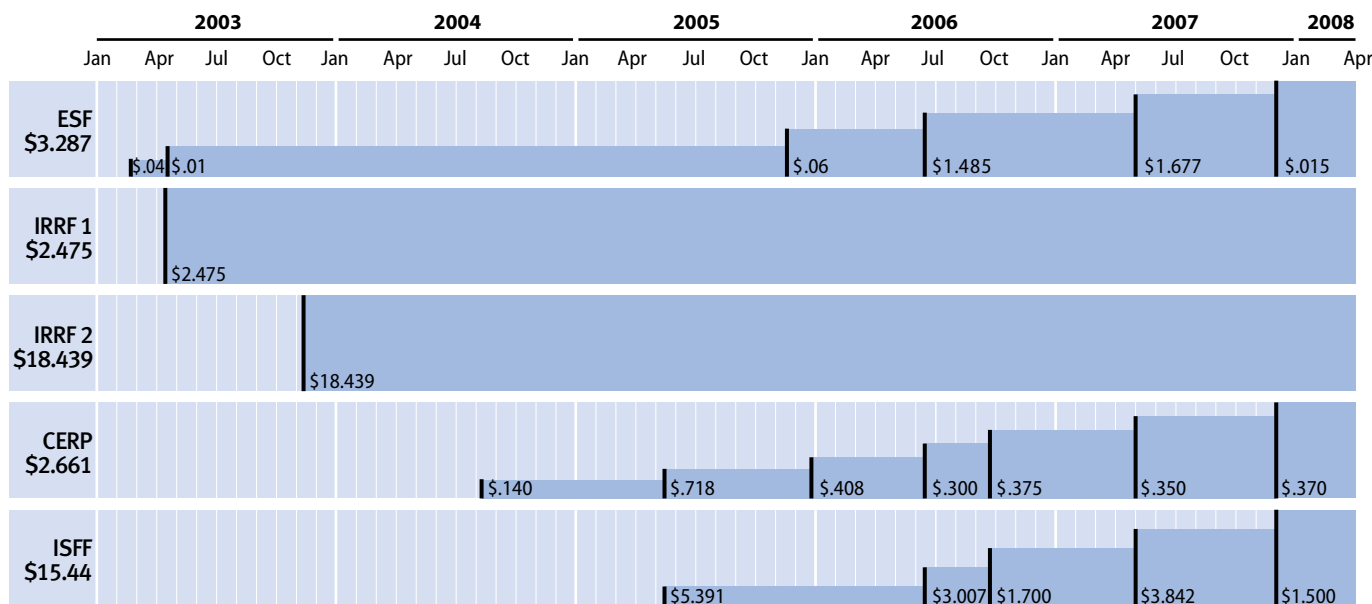
P.L. = Public Law

U.S. FUNDING FOR IRAQ RECONSTRUCTION

Figure 2.3

TIMELINE OF U.S. APPROPRIATIONS

\$ Billions



On December 26, 2007, the President signed P.L. 110-161 into law, providing \$2.176 billion in new funding for the reconstruction effort in Iraq:

- \$1.5 billion to the ISFF
- \$.370 billion to the CERP
- \$.195 billion for migration and refugee assistance
- \$.080 billion for international disaster and famine assistance
- \$.016 billion for non-proliferation, anti-terrorism, demining, and related programs
- \$.015 billion for the ESF

Table 2.2 provides the status of the IRRF and identifies the primary funds associated with SIGIR's oversight, including the ISFF, ESF, CERP, and others.

For updated information available on the U.S. appropriations for Iraq relief and reconstruction, including 29 non-IRRF, ISFF, ESF, and CERP activities, see Table 2.3.

U.S. FUNDING FOR IRAQ RECONSTRUCTION

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

| U.S. FUND | APPROPRIATED | ALLOCATED | OBLIGATED | EXPENDED |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|
| IRRF 1 | \$2.475 | \$2.475 | \$2.232 | \$2.139 |
| IRRF 2 | 18.439 | 18.306 | 17.823 | 16.706 |
| IRRF Total | \$20.914 | \$20.781 | \$20.055 | \$18.845 |
| ISFF FY05 | \$5.391 | \$5.315 | \$5.259 | \$5.090 |
| ISFF FY06 | 3.007 | 3.007 | 3.000 | 1.813 |
| ISFF FY07 | 5.542 | 5.492 | 2.451 | 1.199 |
| ISFF FY08 | 1.500 | - | - | - |
| ISFF Total | \$15.440 | \$13.814 | \$10.698 | \$8.102 |
| ESF FY03 | \$0.050 | - | \$0.050 | \$0.050 |
| ESF FY06 Supplemental | 1.485 | 1.485 | 1.186 | 0.527 |
| ESF FY06, State | 0.060 | 0.060 | 0.060 | 0.005 |
| ESF FY07 Supplemental | 1.554 | 1.554 | 0.986 | 0.020 |
| ESF FY07, Continuing Resolutions | 0.123 | 0.105 | 0.100 | 0.010 |
| ESF FY08 | 0.015 | - | - | - |
| ESF Total | \$3.287 | \$3.205 | \$2.383 | \$0.612 |
| CERP FY04 | \$0.140 | - | \$0.030 | \$0.030 |
| CERP FY05 | 0.718 | - | 0.733 | 0.621 |
| CERP FY06 | 0.708 | - | 0.473 | 0.363 |
| CERP FY07 | 0.725 | - | 0.787 | 0.430 |
| CERP FY08 | 0.370 | - | 0.145 | 0.033 |
| CERP Total | \$2.661 | - | \$2.168 | \$1.477 |
| Other Funding | \$5.183 | \$0.261 | \$0.151 | \$0.025 |
| Total U.S. Appropriated | \$47.485 | \$38.061 | \$35.455 | \$29.060 |

Sources: IRRF 1 and 2: Allocated, Obligated, and Expended figures all from DoS, *Iraq Weekly Status* (1/3/2008). ISFF FY 2005 - FY 2007: Allocated, Obligated, and Expended figures all from Corps of Engineers Financial Management System, ISFF Funds Execution Report (1/8/2008); DoD, *Secretary of the Army Update* (9/30/2007). CERP FY 2004 - FY 2007: Obligated and Expended figures (no Allocated detail for CERP) all from MNC-I, response to SIGIR data call (1/4/2008). Other Funding: Allocated, Obligated, and Expended figures all from INL, response to SIGIR data call (1/4/2008). ESF: Allocated, Obligated, and Expended figures from ITAO, response to SIGIR data call (1/4/2008); USAID, response to SIGIR data call (1/4/2008); ITAO, *Essential Indicators Report* (1/1/2008).

Notes:

1. Numbers are affected by rounding.
2. CERP FY 2005 funding included Iraq and Afghanistan. The division of funds was the decision of CENTCOM and not called for in the law. Therefore, SIGIR is unable to entirely reflect transfers, de-obligations, and re-obligations.

TABLE 2.2

U.S. FUNDING FOR IRAQ RECONSTRUCTION

U.S. APPROPRIATIONS FOR IRAQ RELIEF AND RECONSTRUCTION

| PUBLIC LAW # | EMERGENCY APPROPRIATIONS FOR THE ACT FOR THE RECONSTRUCTION OF IRAQ AND AFGHANISTAN, 2004 | | EMERGENCY SUPPLEMENTAL APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE ON TERROR AND TSUNAMI RELIEF, 2005 | | APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE, FY 2006 | | EMERGENCY SUPPLEMENTAL APPROPRIATIONS FOR FY 2006 | | DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, FY 2007 | | RECOVERY AND IRAQ ACCOUNTABILITY APPROPRIATIONS ACT, 2007 | | 2007 FOREIGN ASSISTANCE CONTINUING RESOLUTIONS | | TOTAL APPROPRIATIONS ACT, 2008 |
|--|---|-----------------|--|-----------------|---|---------------|---|-----------------|---|------------|---|---|--|--------------|--------------------------------|
| | DATE OF ENACTMENT | PL. 108-111 | 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. 110-92, PL. 110-116, PL. 110-137, PL. 110-149 | PL. 110-161 | | |
| Iraq Relief and Reconstruction Fund (IRRF 2) ^a | 20-Feb-03 | | \$18,439,000,000 | | | | | | | | | | | | \$18,439,000,000 |
| Iraq Security Forces Fund (ISFF) | | | | \$5,391,000,000 | | | \$3,007,000,000 | \$3,842,300,000 | | | | | | | \$15,440,300,000 |
| Economic Support Fund (ESF) ^b | | \$40,000,000 | \$10,000,000 | | \$60,390,000 | | \$1,485,000,000 | | | | | | | | \$3,287,140,000 |
| Commander's Emergency Response Program (CERP) ^c | | | | \$718,000,000 | \$408,000,000 | | \$300,000,000 | | | | | | | | \$2,661,000,000 |
| Iraq Relief and Reconstruction Fund (IRRF 1) | | \$2,475,000,000 | | \$140,000,000 | | | | | | | | | | | \$2,475,000,000 |
| Coalition Provisional Authority (CPA) ^d | | \$908,000,000 | | | | | | | | | | | | | \$908,000,000 |
| Diplomatic and Consular Programs | | | | \$49,659,000 | \$56,908,000 | | | | | | | | | | \$856,567,000 |
| Project and Contracting Office ^e | | | | | | | \$200,000,000 | | | | | | | | \$830,000,000 |
| Natural Resources Risk Remediation Fund (NRRRF) | | \$489,300,000 | | | | | | | | | | | | | \$489,300,000 |
| Department of State, International Narcotics Control and Law Enforcement (DoS/INL) | | \$20,000,000 | | | | | \$91,400,000 | | | | | | | | \$281,448,000 |
| International Disaster and Famine Assistance | | \$143,800,000 | | | | | | | | | | | | | \$273,800,000 |
| Migration and Refugee Assistance | | | | | | | | | | | | | | | \$260,000,000 |
| Democracy Fund (State) | | | | | | | | | | | | | | | \$250,000,000 |
| New Iraqi Army ^f | | | | | | \$210,000,000 | | | | | | | | | \$210,000,000 |
| Iraq Freedom Fund (Reconstruction and Rehabilitation only) ^g | | | | | | | | \$150,000,000 | | | | | | | \$150,000,000 |
| Special Inspector General for Iraq Reconstruction (SIGIR) | | | \$75,000,000 | | | | \$24,000,000 | \$35,000,000 | | | | | | | \$134,000,000 |
| USAID Administrative Expenses | | \$21,000,000 | | | \$24,400,000 | | \$79,000,000 | | | | | | | | \$124,400,000 |
| Child Survival and Health Programs Fund | | \$90,000,000 | | | | | | | | | | | | | \$90,000,000 |
| PL 480 Title II Food Aid Operations | | \$68,000,000 | | | | | | | | | | | | | \$68,000,000 |
| Voluntary Peacekeeping Operations | | \$50,000,000 | | | | | | | | | | | | | \$50,000,000 |
| Alhurra-Iraq Broadcasting | | | \$40,000,000 | | | | | | | | | | | | \$40,000,000 |
| Emergency Refugee and Migration Assistance ^h | | \$37,000,000 | | | | | | | | | | | | | \$37,000,000 |
| Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR) | | | | | | | | \$7,000,000 | | | | | | \$16,000,000 | \$35,350,000 |
| Education and Cultural Exchange Programs | | | | | | | | | | | | | \$20,000,000 | | \$20,000,000 |
| Overseas Humanitarian, Disaster and Civic Aid | | | \$17,000,000 | | | | | | | | | | | | \$17,000,000 |

U.S. FUNDING FOR IRAQ RECONSTRUCTION

| FUNDING MECHANISM | EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT, 2003 | | EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT, 2004 | | EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT, 2005 | | EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT, 2006 | | EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT, 2006 | | EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT, 2007 | | EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT, 2008 | | TOTAL APPROPRIATIONS |
|---|---|---|--|--|--|---|---|---|---|---|---|--|---|--|----------------------|
| | CONSOLIDATED APPROPRIATIONS RESOLUTION, 2003 | WARTIME SUPPLEMENTAL APPROPRIATIONS ACT, 2003 | EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT FOR THE DEFENSE AND FOR THE RECONSTRUCTION OF IRAQ AND AFGHANISTAN, 2004 | DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 2005 | EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT FOR THE DEFENSE ON TERROR AND TSUNAMI RELIEF, 2005 | APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE, FY 2006 | APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE, FY 2006 | EMERGENCY SUPPLEMENTAL APPROPRIATIONS FOR FY 2006 | DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, FY 2007 | RECOVERY AND IRAQ ACCOUNTABILITY APPROPRIATIONS ACT, 2007 | U.S. TROOP READINESS, VETERANS, CARE, KATRINA | 2007 FOREIGN ASSISTANCE CONTINUING RESOLUTIONS | CONSOLIDATED APPROPRIATIONS ACT, 2008 | | |
| Defense Contract Audit Agency (DCAA) ^b | | | | | | | | | | | | | | | \$16,372,000 |
| International Affairs Technical Assistance | | | | | | | | \$13,000,000 | | | | | | | \$2,750,000 |
| United States Agency for International Development, Office of Inspector General (USAID OIG) | \$3,500,000 | | \$1,900,000 | | \$2,500,000 | | | | | | | | | | \$2,500,000 |
| DoD Office of Inspector General | | | | | | | | \$5,000,000 | | | | | | | \$5,000,000 |
| Combatant Commander Initiative Fund (CINC Initiative Fund) | \$3,612,000 | | | | | | | | | | | | | | \$3,612,000 |
| Department of State, Office of Inspector General | | | | | | | | \$1,000,000 | | | | | | | \$1,300,000 |
| Department of Justice, Litigation Support | | | | | | | | | | | | | | | \$1,648,000 |
| International Military and Education Training (IME) | | | | | | | | | \$693,000 | | | | | | \$1,138,000 |
| Legal Activities and U.S. Marshals (Salaries and Expenses) | | | | | | | | \$1,000,000 | | | | | | | \$1,000,000 |
| TOTAL | \$108,000,000 | \$3,343,212,000 | \$19,480,900,000 | \$350,000,000 | \$6,185,559,000 | \$117,991,000 | \$408,000,000 | \$5,206,400,000 | \$2,075,000,000 | \$7,832,870,000 | \$201,336,000 | \$2,175,950,000 | \$47,485,218,000 | | |

^a \$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.

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

^c The Congress appropriated \$500 million in CERF funding under P.L. 110-161; DoD allocated \$370 million for Iraq and \$130 million for Afghanistan.

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

^e With conference reports for P.L. 109-234 and P.L. 110-281, reconstruction support funding is provided for Project and Contracting Office activities.

^f With conference reports for P.L. 109-234 and P.L. 110-281, reconstruction support funding is provided for Iraq projects at 15% for legal and administrative costs.

^g P.L. 110-281 conference report includes \$50 million in drawdowns for task force on preventive business and stability operations in Iraq, and \$100 million to help DoD defray the administrative/security costs of helping support Provincial Reconstruction Teams.

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

TABLE 2.3

IRAQ SECURITY FORCES FUND

The Iraq Security Forces Fund (ISFF) supports the development of the Iraqi Security Forces (ISF),¹⁶ the Ministry of Defense (MOD), and the Ministry of Interior (MOI). It aims to help Iraq create a self-sufficient force capable of protecting its territorial integrity and keeping the peace. The ISFF funds equipment, supplies, services, training, facility and infrastructure repair, renovation, and construction projects for both ministries.¹⁷

Funding Status

The Congress has appropriated \$15.44 billion to the ISFF, including the latest \$1.5 billion increment provided through the Omnibus Appropriation (P.L. 110-161) executed at the end of December 2007:

- \$5.39 billion in P.L. 109-13 (2005)
- \$3.007 billion in P.L. 109-234 (2006)
- \$5.54 billion in P.L. 109-289 (2006) and P.L. 110-28 (2007)¹⁸
- \$1.5 billion in P.L. 110-161 (December 2007)

The ISFF is a two-year appropriation and, therefore, FY 2007 funds are available until the end of September 2008.¹⁹

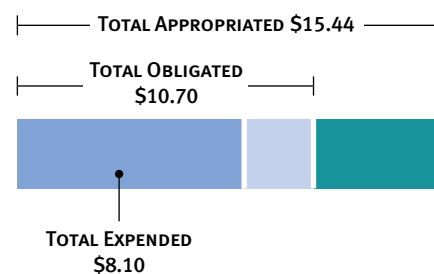
For the status of the entire ISFF, see Figure 2.4.

Figure 2.4

STATUS OF ISFF FUNDS

\$ Billions

Sources: P.L. 109-13; P.L. 109-234; P.L. 109-289; P.L. 110-28; P.L. 110-161; Corps of Engineers Financial Management System, ISFF Funds Execution Report (1/8/2008)



Notes:

1. Numbers are affected by rounding.
2. The last update for ISFF Quick Response Fund (QRF) obligated and expended figures was provided by DoD, *Secretary of the Army Update*, on September 30, 2007.

As of January 8, 2008, approximately 77% of the ISFF has been obligated, and 58% has been expended (excluding the recent appropriation). For the status of obligated and expended ISFF funds, see Figure 2.5.

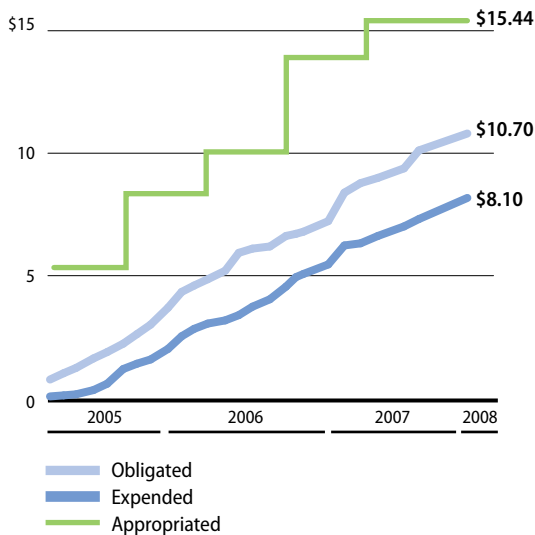
For the status of ISFF allocations to support the ISF, see Figure 2.6.

Figure 2.5

TIMELINE OF ISFF OBLIGATIONS AND EXPENDITURES

\$ Billions

Sources: DoD, *Secretary of the Army Updates* (8/31/2005 – 9/30/2007); GRD, *2207 Finance Report* (6/3/2007); Corps of Engineers Financial Management System, *ISFF Funds Execution Report* (1/8/2008)



Notes:

1. Numbers are affected by rounding.
2. DoD, *Secretary of the Army Updates* were not available for the months of October 2007 and November 2007.

TOP TEN CONTRACTORS

In the October 2007 Quarterly Report, SIGIR noted the difficulty in obtaining a comprehensive list of the top ten contractors engaged in activities funded through the ISFF. SIGIR compared information gathered from three entities that oversee ISFF contracts—the Multi-National Security Transition Command-Iraq (MNSTC-I), Joint Contracting Command-Iraq/Afghanistan (JCC-I/A), and Gulf Region Division (GRD) of the U.S. Army Corps of Engineers. In comparing the data, SIGIR found significant discrepancies among them and thus could not develop a complete compilation of top ISFF contractors.

This quarter, SIGIR again requested data from MNSTC-I, JCC-I/A, and GRD and was again unable to compile a reliable list. The list of top ten contractors provided by MNSTC-I accounted for only 4% of ISFF obligations, and the list provided by JCC-I/A accounts for only 7%.

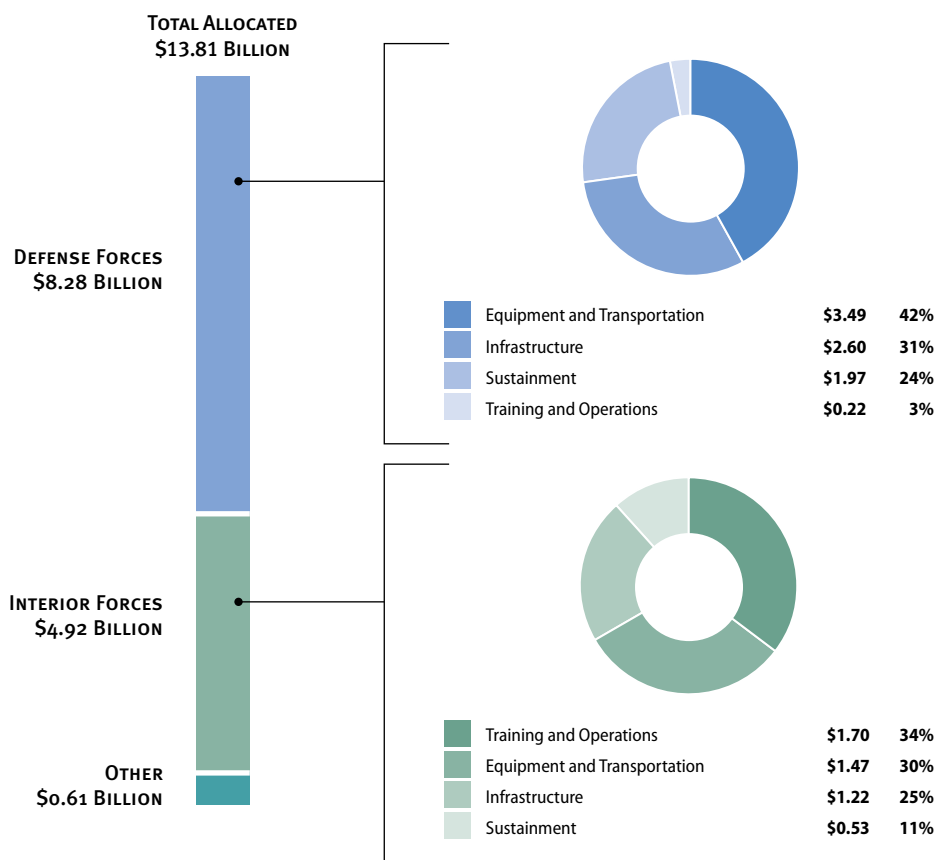
GRD provided the most comprehensive ISFF contract data, accounting for 98% of ISFF obligations. However, as SIGIR noted last quarter, GRD’s source data does not always list contractor names.²⁰

Figure 2.6

ALLOCATIONS OF ISFF FUNDS

\$ Billions

Source: Corps of Engineers Financial Management System, ISFF Funds Execution Report (1/8/2008)



Notes:

1. Numbers are affected by rounding.
2. Source for Quick Response Fund allocated figures is DoD, *Secretary of the Army Update* (9/30/2007).
3. The total allocated does not take the \$1.5 billion increment provided through the December 2007 Omnibus Appropriation (P.L. 110-161) into account.

The top ten ISFF contractor list, shown in Table 2.4, accounts for more than 34% of ISFF obligations. Of the listed companies, only one contractor, Ameco, is new to the list.

Funding Uses and ISFF Programs

The ISFF chiefly supports these four activities:²¹

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

Other related activities that receive the ISFF funding include:

- Quick Response Fund
- Detainee Operations
- Lift and Sustain²²

- Disarmament, Demobilization, and Reintegration

EQUIPMENT AND TRANSPORTATION

Since its inception in 2005, the ISFF has provided approximately \$4.96 billion for equipment and transportation. In FY 2007, \$733 million was obligated to the MOD and \$83.1 million to the MOI. The MOI funds were largely obligated to support repair efforts and organizational equipment requirements.²³

For an overview of the ISFF obligations for MOI and MOD funds in equipment and transportation, see Figure 2.7.

In a November 2007 audit, the DoD Office of Inspector General (DoD OIG) reported that “MNSTC-I does not have a process for tracking ISFF-purchased equipment during the transfer

TOP TEN ISFF CONTRACTORS FOR GRD (\$ MILLIONS)

| CONTRACTOR | OBLIGATED | EXPENDED |
|--------------------------------------|-----------|----------|
| Contract to DoS for INL Support | \$696 | \$696 |
| Environmental Chemical Corporation | \$679 | \$474 |
| AECOM, Government Services, Inc. | \$484 | \$374 |
| Contract to DoS for INL Support | \$386 | \$386 |
| Tetra International, LLC | \$257 | \$191 |
| Ameco | \$236 | \$95 |
| Iraqi Contractor | \$235 | \$210 |
| Toltest, Inc. | \$231 | \$169 |
| Innovative Technical Solutions, Inc. | \$227 | \$153 |
| Contract to DoD for DSCA | \$224 | \$224 |

Source: USACE, response to SIGIR data call, January 4, 2008.

Note: Numbers are affected by rounding.

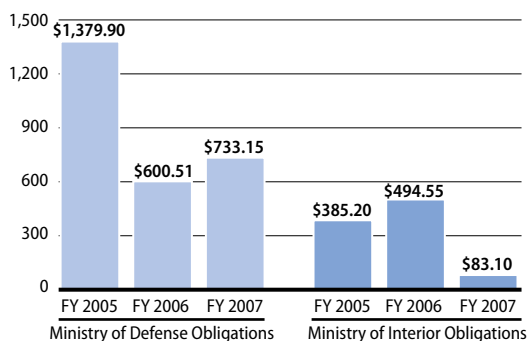
TABLE 2.4

Figure 2.7

ISFF OBLIGATIONS FOR EQUIPMENT AND TRANSPORTATION

\$ Millions

Source: MNSTC-I, Section 3303 Report to Congress (1/7/2008)



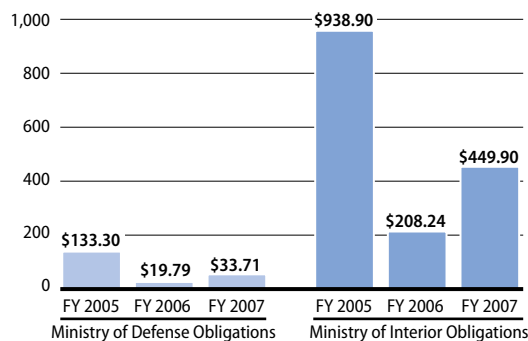
Note: Numbers are affected by rounding.

Figure 2.8

ISFF OBLIGATIONS FOR TRAINING AND OPERATIONS

\$ Millions

Source: MNSTC-I, Section 3303 Report to Congress (1/7/2008)



Note: Numbers are affected by rounding.

of that equipment to ISF.²⁴ Moreover, MNSTC-I could not validate that equipment was successfully transferred to or received by the ISF.²⁵ Overall, the audit “noted that MNSTC-I could not always demonstrate that the delivery of services, equipment, and construction was properly made” to the ISF.²⁶

TRAINING AND OPERATIONS

Since 2005, ISFF training and operations funding has primarily been used for contracted instructor support, information technology, communication equipment, and ministerial capacity development. In this category for FY 2007, the ISFF obligated \$33.71 million to the MOD and \$449.9 million to the MOI. Of the \$33.71 million for the MOD, 41% was uncatagorized, and the remaining 59% was obligated for ministerial capacity development, logistics operations, life support services, and Iraqi Air Force training. Approximately 86% of the ISFF training funds dedicated to the MOI went to the Department of State’s Bureau of International Narcotics and Law Enforcement Affairs (INL), which provides advisors for police and border enforcement efforts.²⁷

For an overview of the ISFF obligations for training and operations for the MOI and MOD, see Figure 2.8.

This quarter, there has been a significant rise in reported ISF personnel figures. According to DoD’s September 2007 Report, *Measuring Stability and Security in Iraq*, the ISF numbered 359,600 personnel.²⁸ By January 23, 2008, the reported ISF trained number rose to 441,779.²⁹

The surge has created opportunities for “recruiting and force expansion,”³⁰ and the GOI has authorized an increase in ISF strength to 555,789.³¹ According to DoD, the increase in authorized personnel results from the:³²

- consolidation of security forces from other ministries
- GOI’s decision that more troops and police were needed to respond to changing security conditions³³
- success of the military surge combined with greater use of Concerned Local Citizen groups (CLCs), which has spurred an increase in recruits

Ministry of Interior

The MOI oversees the Iraq police, including the Iraqi Police Service (IPS), the National Police (NP), the Department of Border Enforcement (DBE), and the Directorate of Ports of Entry (POE). As of January 23, 2008, there were 244,061 trained MOI personnel;³⁴ the previous quarter, DoD reported that the number of

trained police was 194,200.³⁵ The GOI has established a goal for final end-strength to be 343,711 personnel.³⁶

Standing up a viable police force has been a key component of U.S. policy in Iraq. However, the pervasive influence of militia and sectarian allegiances limited the overall success of this effort. Additionally, a steep rise in police recruitment has placed greater strain on the existing noncommissioned officer corps, because there are not enough leaders to supervise new recruits.³⁷

Within the MOI, the IPS is the largest force and has more than 176,000 trained personnel.³⁸ This quarter, more than 10,000 police have graduated from training courses:³⁹

- 9,411 police graduated from Basic Recruit Training—approximately 4% fewer than last quarter
- 718 graduated from the Transition Integration Program
- 82 graduated from the Officer Transition Integration Program

Within the NP, as of January 23, 2008, there were approximately 36,504 trained and 33,861 authorized personnel.⁴⁰ This quarter, almost 2,800 have graduated from NP training, including:⁴¹

- 1,786 Basic Recruit Training graduates—57% more than last quarter
- 807 National Police Specialized Training graduates
- 193 officer graduates

To address the influence of sectarianism, the United States continues to work with the Iraqis to retrain (or “re-blue”) the NP through a four-phase initiative to retrain every brigade. The Civilian Police Assistance Training Team (CPATT), MNSTC-I’s subordinate command that oversees all U.S. police efforts, is currently managing Phase III of this program, which began on October 20, 2007. The first class of 430 retrained personnel graduated on December 18, 2007. All eight brigades are expected to be retrained by March 2009.⁴²

Ministry of Defense (MOD)

The MOD reported 194,233 trained personnel as of January 23, 2008, of a total authorized level of 208,111.⁴³ Training for the Iraqi Army is decentralized: it is conducted at regional, combat, and divisional centers.⁴⁴ The program focuses on basic combat training, military occupational specialty qualification (MOSQ) training, leadership training, and other specialties.⁴⁵

MOD conducts basic combat training at nine locations; 67,846 soldiers completed the basic training in 2007.⁴⁶ MOSQ training occurs at seven sites, and 3,800 soldiers graduated in 2007.⁴⁷ The MOD conducts officer leadership training at seven locations and specialty training at six locations.⁴⁸

The Coalition Military Assistance Training Team (CMATT) reported that seven of eight cycles for the basic, noncommissioned officer, and MOSQ trainings will be completed in 2008.⁴⁹ Approximately 18,800 graduates are expected to be trained each cycle.⁵⁰

INFRASTRUCTURE

Most of the ISFF has been obligated for infrastructure requirements and logistics support.⁵¹ In FY 2007, approximately \$393.5 million was obligated for MOD infrastructure (a 48% decrease from the previous year and a 63% decrease from 2005).⁵² The MOI received \$52.5 million, an 89% reduction in funding between FY 2006 and FY 2007.⁵³ For an overview of ISFF obligations for infrastructure, see Figure 2.9.

SUSTAINMENT

Logistics, maintenance, and life support have been the focus of ISFF obligations for sustainment activities. As of December 31, 2007, the MOD obligated just more than \$1.2 billion for sustainment, and the MOI obligated approximately \$430 million.⁵⁴ For an overview of the

ISFF obligations for sustainment between 2005 and 2007 for the MOI and MOD, see Figure 2.10.

Logistics

The capacity of the ISF to provide its own logistical support has progressed slowly.

A SIGIR audit in October 2006⁵⁵ and a recent report by the Government Accountability Office (GAO) identified insufficient Iraqi capacity to sustain the ISF.⁵⁶ In September 2007, the Independent Commission on the Security Forces of Iraq issued a report that identified the lack of logistics experience and expertise within the Iraqi armed forces as “substantial” and concluded that it “hampers their readiness and capability.”⁵⁷

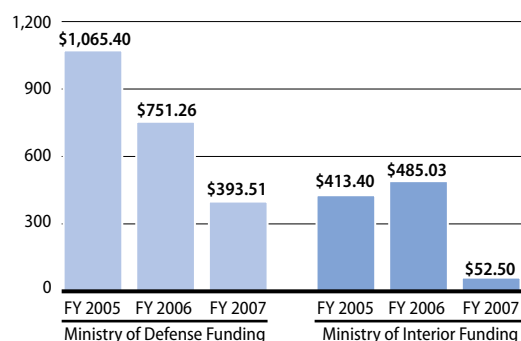
The original U.S. goal was to “implement logistics capabilities within the Iraqi Army, to

Figure 2.9

ISFF OBLIGATIONS FOR INFRASTRUCTURE

\$ Millions

Source: MNSTC-I, Section 3303 Report to Congress (1/7/2008)



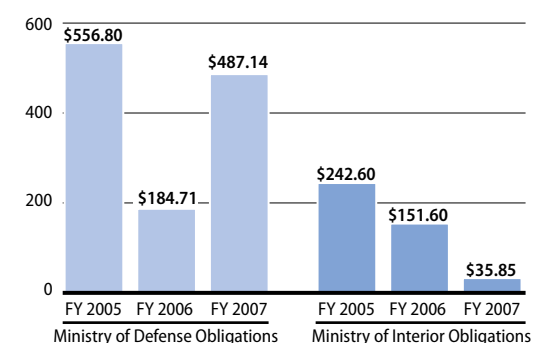
Note: Numbers are affected by rounding.

Figure 2.10

ISFF OBLIGATIONS FOR SUSTAINMENT

\$ Millions

Source: MNSTC-I, Section 3303 Report to Congress (1/7/2008)



Note: Numbers are affected by rounding.

transition...to the Ministry of Defense control periodically...and to transfer all capabilities by January 1, 2008.”⁵⁸ The GAO identified “persistent violence” and “a lack of ministerial capacity” as impediments to the development of necessary logistics capabilities.⁵⁹ Moreover, mid-course adjustments to methods of achieving desired end-state capabilities have pushed back expected transition timeframes.⁶⁰

Approximately 150 U.S. advisors work with the MOD to assess base management functions, provide advice on logistics, and monitor the progress of Iraqi Army maintenance programs.⁶¹ Approximately one-fifth of these advisors work in Iraq’s primary supply and maintenance depots, providing training and advice in operations, inventory control, and synchronization.⁶² Logistics bases are also being established “in order to provide future third-line logistics support to Iraqi Army Divisions; this will include Iraqi transport regiments.”⁶³ By December 4, 2007, approximately 1,600 MOD personnel graduated from logisticians training,⁶⁴ and CMATT has targeted 13 bases to be dedicated primarily for providing logistics support.⁶⁵

MNSTC-I reported that the MOI has one formal logistics unit. The National Police established a sustainment brigade of 2,600 personnel in September 2007. As of January 2008, 400 personnel (15%) had been hired. The brigade is designed as a mobile unit capable of self-deploying in support of maintenance, transportation, health treatment, and fuel storage and distribution.⁶⁶ The United States provides 37 advisors to the MOI to support administration and logistics development.⁶⁷

SIGIR Oversight

This quarter, SIGIR Inspections evaluated three ISFF projects in Erbil—the Erbil Police Academy and Iraqi Army facilities in Diyanah and Debecha. Although the projects were only partially completed when inspected by SIGIR, those overseeing the projects indicated that they were being constructed and managed in accordance with contract requirements.

At the Erbil Police Academy, project planners involved officials of the Kurdistan Regional Government (KRG) in the initial planning of the project, and in turn, the KRG partnered with the United States to build selected elements of the project. This partnership will help ensure project success.

SIGIR inspections at Diyanah and Debecha determined that both projects had adequate planning for construction and sustainment and had effective quality control and quality assurance mechanisms in place. These factors resulted in compliance with the contract objectives. SIGIR also noted that the contractor and U.S. government officials see no reason why the facilities should not be handed over to the Iraqis.

SIGIR’s audit team is currently examining the process for identifying the number of trained and equipped ISF. These are the objectives of the SIGIR review:

1. Examine the DoD 9010, *Measuring Stability and Security in Iraq*, which was released on December 2007, with specific focus on the statements and data related to the number of Iraqi Security Forces reported to have been trained and equipped.

2. Determine the methodology and assumptions used to develop the supporting data on trained and equipped security forces.
3. Examine the methodology and assumptions used in the report to determine their impact on the accuracy of the report's trained and equipped information.

SIGIR began work on this audit product in December 2007 and plans to complete its review by March 2008.

Other Agency Oversight

DoD OIG and the GAO also released reports on the ISFF this quarter.

On November 30, 2007, DoD OIG released its third audit on the ISFF, "Management of the Iraqi Security Forces Fund in Southwest Asia-Phase III." DoD OIG examined whether MNSTC-I "properly accounted for the services, equipment, and construction purchased"⁶⁸ for the ISF and "whether the delivery of services, equipment, and construction was properly

made."⁶⁹ The auditors also assessed the management control program related to the ISFF's administration.⁷⁰ After examining a range of services, equipment purchases, construction projects, and other ISFF applications, the audit concluded that the MNSTC-I could "not always demonstrate" that it had adequate controls in place and could "not always" properly account for management, and delivery of services.⁷¹

The GAO issued a report on November 30, 2007, "Operation Iraqi Freedom: DoD Assessment of Iraqi Security Forces' Units as Independent Not Clear Because ISF Support Capabilities Are Not Fully Developed." GAO examined the factors affecting the ISF's path to and preparedness for independence. Specifically, GAO assessed the progress of ISF logistical, intelligence, and command and control capabilities. Overall, GAO determined that although the MOD and MOI have made progress, the ministries' efforts remain hampered by "persistent violence and sectarianism, along with immature ministerial capacity development."⁷²

COMMANDER'S EMERGENCY RESPONSE PROGRAM

To date, the Congress has appropriated \$2.66 billion to the Commander's Emergency Response Program (CERP) in Iraq, including \$370 million through an Omnibus Appropriation passed in late December 2007.⁷³

The CERP was created to allow commanders direct access to funding for small-scale, humanitarian relief and reconstruction projects that could have immediate positive effects while limiting contracting bureaucracy.⁷⁴ Since its inception in 2003, an increasing share of CERP funding has been expended on larger projects—those valued at \$500,000 or more. These higher-cost projects include a mix of construction and non-construction activities. The average cost of all CERP projects thus has increased over time. SIGIR issued an audit this quarter on higher-cost CERP projects, a summary of which is in Section 3 of this Report.

Background

CERP initially was funded by the Development Fund for Iraq (DFI), mainly from Iraqi oil revenues. The CERP also used seized funds that belonged to the former regime in Iraq. In late 2003, the United States began to appropriate funds to CERP.

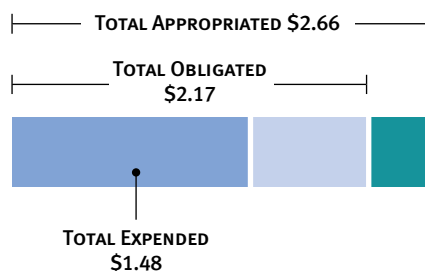
Water projects have received the most CERP funding, amounting to approximately 26% of all CERP obligations or more than \$560 million. Electricity projects received the next largest increment, amounting to more than \$290 million.⁷⁵ For the status of funding, see Figure 2.11.

Figure 2.11

STATUS OF CERP FUNDS

\$ Billions

Sources: 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; MNC-I, Response to SIGIR Data Call (1/4/2008)



Note: Numbers are affected by rounding.

CERP Now Funding Many High-value Projects

In 2007, the CERP funded 6,364 reconstruction projects.⁷⁶ Table 2.5 shows the average total budgeted cost of CERP projects by year, both for non-construction and construction projects. According to GRD, non-construction projects include installing and training, capacity development, support services, procurement, and more.⁷⁷

CERP funds are spent in Iraqi provinces where Coalition forces are present. Since 2004, Baghdad has received more than any other province, averaging \$179.22 million obligated per year.⁷⁸ Figure 2.12 shows how CERP funding was used in the four provinces where the highest FY 2007 CERP obligations were reported:

- Anbar: \$99 million
- Baghdad: \$330 million
- Basrah: \$110 million
- Salah al-Din: \$45 million

Although the original CERP guidance states that activities should primarily be small-scale, urgent, humanitarian relief and reconstruction projects for the benefit of the Iraqi people, SIGIR found that a substantial amount of CERP funding is now devoted to large-scale projects. Since 2004, projects estimated to cost \$500,000 or more represent less than 3% of all CERP projects but nearly 37% of total dollars obligated for the program.⁷⁹

CERP guidance directs commanders to focus funds on projects that improve water and sanitation, electricity, and civic cleanup and projects that employ the most Iraqis over an extended period of time. Projects are selected based on:

- how quickly they can be executed
- how many Iraqis would be employed
- how many Iraqis would benefit
- the visibility of the project

Large-scale projects meet a number of these criteria, particularly the employment of large numbers of Iraqi citizens. However, SIGIR auditors identified challenges regarding the coordination of program activities and planning for the transition of completed projects to the GOI. Transfer of these assets requires both the physical handover of completed projects as well as planning for their long-term maintenance and sustainment.⁸⁰

SIGIR has reported that the GOI has yet to fully prepare to take over the management and funding of many U.S. projects; additional efforts are needed to ensure their viability. Although MNC-I officials have said that they have increased their emphasis on transition and sustainment of CERP projects, SIGIR raised concerns that the guidance still contains little specific direction on unit responsibilities in these areas.⁸¹

AVERAGE TOTAL BUDGETED COST OF CERP PROJECTS BY YEAR

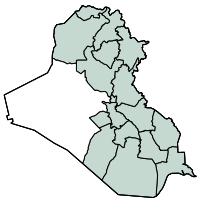
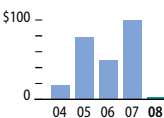

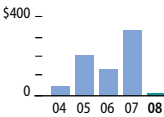

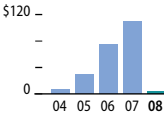

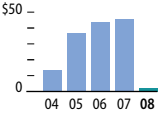
| | 2004 | 2005 | 2006 | 2007 |
|--------------------------------|----------|-----------|-----------|-----------|
| Average Construction Value | \$70,499 | \$147,350 | \$182,071 | \$174,713 |
| Average Non-construction Value | \$42,370 | \$70,963 | \$75,386 | \$76,393 |

Source: IRMS, *CERP Excel Workbook*, January 3, 2008.
 Notes: Figures are from the Iraq Reconstruction Management System (IRMS), a program management tool. IRMS is an unaudited source.

TABLE 2.5

Figure 2.12

CERP OBLIGATIONS BY PROVINCE

| PROVINCE | MAP | MAJOR USES BY CATEGORY | 2004 – 2008 CERP OBLIGATIONS BY PROVINCE (\$ MILLIONS) | CONDOLENCE PAYMENT OBLIGATIONS |
|--------------|---|--|--|--|
| ANBAR |  | <ul style="list-style-type: none"> Since 2004, CERP obligations total almost \$245 million for projects in Anbar. Water projects represent 18% of obligations in Anbar; electricity projects, more than 15%. |  | Anbar has received more obligations for condolence payments than any other province: \$21.35 million, or 55% of all condolence funds. |
| BAGHDAD |  | <ul style="list-style-type: none"> Since 2004, CERP obligations total almost \$720 million for projects in Baghdad. Water projects represent 33% of obligated funds in Baghdad; electricity projects, approximately 14%. |  | Baghdad has received 15% of all condolence payment obligations, a total of \$5.58 million. |
| BASRAH |  | <ul style="list-style-type: none"> Since 2004, CERP obligations total over \$222 million for projects in Basrah. Water projects represent 33% of obligated funds in Basrah; electricity projects, more than 20%. |  | Only one condolence payment project was funded by CERP in Basrah; no funds have been obligated for condolence payments in this province. |
| SALAH AL-DIN |  | <ul style="list-style-type: none"> Since 2004, CERP obligations total more than \$141 million for projects in Salah al-Din. Almost 19% of obligations in Salah al-Din funded water projects; approximately 18% funded transportation and communications. |  | Salah al-Din has received almost 7% of condolence payment obligations — approximately \$2.6 million. |

Source: IRMS, *MNC-I Quarterly Report*, January 14, 2008.

CERP Dollars at Work

CERP funds may be used to assist the Iraqi people in 20 areas.⁸² Table 2.6 shows the categories for permissible use of CERP dollars.

CERP ADDRESSES DIFFICULT SECURITY CONDITIONS

CERP enables commanders rapidly to allocate resources that address local needs, but its uses have been adapted to address needs arising from the difficult security conditions. Condolence payments and Concerned Local Citizen (CLC) groups are CERP-funded non-construction activities that responded to the security climate in Iraq.

Concerned Local Citizen Groups

Concerned Local Citizen groups—also known as Awakening Groups—are part of the military surge strategy. They assist U.S. forces in the protection of Iraqi civilians. As of January 9, 2008, more than 80,000 Iraqis were participating in the program.⁸³

DoD reports that CLC groups are crucial to counterinsurgency efforts in Iraq and their successes warrant continued support. Plans to transition members of CLC groups into permanent security roles are pending, but MNC-I reports that CLC groups already are cooperating with local Iraqi Police and Iraqi Army groups. This cooperation could promote the pending transition.⁸⁴

MNF-I estimates that the monthly cost of CLC groups is \$6.25 million.⁸⁵ CLC members

are paid no more than \$350 per month for their services, which is \$62 less than an entry-level position with the Iraqi Police.⁸⁶ Currently, no formal CLC training program exists, and any training conducted is specific to local commander specifications for the tasks that each group will perform.

The CLC program is supported by CERP-funded Critical Infrastructure Security (CIS) contracts or GOI security contracts,⁸⁷ with 75%

THE 20 PERMISSIBLE USES OF CERP FUNDING

| |
|--|
| Agriculture |
| Civic Cleanup Activities |
| Civic Support Vehicles |
| Condolence Payments to Individual Citizens |
| Economic, Financial, and Management Improvements |
| Education |
| Electricity |
| Food Production and Distribution |
| Healthcare |
| Irrigation |
| Micro-grants |
| Other Urgent Humanitarian or Reconstruction Projects |
| Payments to Individuals Released from Detention |
| Protective Measures (including fences, lights, and barrier materials) |
| Repair of Civic and Cultural Facilities |
| Repair, or Payment for Repair, of Property Damages Caused by Operations of Coalition Forces and/or Support |
| Rule of Law and Governance |
| Telecommunications |
| Transportation |
| Water and Sanitation |

Source: SIGIR Audit 08-006, "Commander's Emergency Response Program in Iraq Funds Many Large-Scale Projects," January 2008.

TABLE 2.6

of CLC groups funded by the CERP.⁸⁸ Coalition forces do not provide CLC groups with training, weapons, or ammunition, nor do they direct CLC operations.⁸⁹ Typically, CLC groups receive 90-day contracts, but these agreements may be renewed until the purpose of the contract has been met.⁹⁰

Since the CLC program began, there has been a 28% increase in insurgent weapons caches found.⁹¹ CLC groups also are evaluated based on the decreasing levels of violence in their areas of operation and by these measurements:⁹²

- number of tips about insurgent activities and/or caches
- number of checkpoints manned
- assessment of relationship with the local ISF
- acceptance of community
- standards of personal behavior

Significantly, the number of CLC groups has more than doubled since September 2007. As Figure 2.13 shows, 295 CLC groups were reported to be operating in Iraq as of December 2007.

Condolence Payments

Condolence payments are issued to Iraqi civilians to compensate for property damage, injury, or death incurred from operations performed by U.S., Coalition, or supporting military forces.⁹³ Since 2004, the CERP has provided over \$38 million for condolence payments—more than half for Iraqis in Anbar province, who have

received \$21.35 million. More than \$5.5 million has been provided in Baghdad.⁹⁴ In 2007, \$10.8 million was budgeted—an increase of more than 30% over 2006.⁹⁵

CERP INFRASTRUCTURE DEVELOPMENT

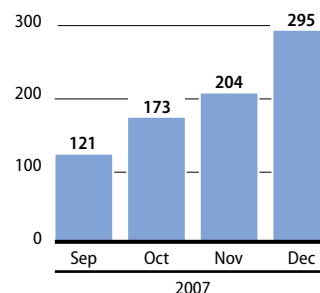
Valued at more than \$560 million, water projects have made up over 26% of CERP project obligations since 2004. Baghdad received over \$230 million in CERP water projects—more than any other province in Iraq.⁹⁶

To date, SIGIR has released a total of eight CERP inspections. Three CERP inspections examined water projects this quarter. Inspectors visited two sites and found deficiencies; security conditions prevented them from visiting the third inspection site.

SIGIR made two visits to the CERP-funded **Mansour Pump Station** during inspections conducted this quarter. At the time of the first visit, three of four vertical pumps were not operational, although three separate con-

Figure 2.13

NUMBER OF CLC GROUPS IN IRAQ
Source: MNC-I, Response to SIGIR Data Call (12/18/2007)



MICRO-GRANTS BY REGION

| MULTI-NATIONAL DIVISION (MND) | AVERAGE COST PER MICRO-GRANT | NUMBER OF MICRO-GRANTS UNDER \$5,000 | NUMBER OF MICRO-GRANTS OVER \$5,000 | TOTAL NUMBER OF MICRO-GRANTS ISSUED |
|-------------------------------|------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| MND-Central | \$4,008 | 95 | 29 | 124 |
| MND-South East | \$2,500 | 7 | 1 | 8 |
| MND-Central South | \$2,374 | Unknown | Unknown | 29 |
| MND-Baghdad | \$2,346 | 679 | 6 | 685 |
| MND-North | \$2,127 | 347 | 5 | 352 |

Note: MNF-West and MND-North East did not participate in the Micro-Grant Program.
Source: MNF-I, response to SIGIR data call, December 26, 2007.

TABLE 2.7

tracts—valued at \$432,900—had been awarded to remedy the problem. To correct problems identified in the first three contracts, a fourth was issued for \$250,500. The three original contracts were issued to different contractors. SIGIR inspectors found that the fourth contract contained duplicative work. On the second visit to the station, SIGIR inspectors found two pumps working but identified a potentially dangerous generator situation and indications of potential fraud.

Inspectors also found deficiencies at the **Al Ghazaliyah G-7 Sewage Lift Station**, including sewer water backing up onto neighborhood streets, a situation which the construction of the facility was intended to eliminate. The station generator was not operational during site visits. SIGIR inspectors were unable to deter-

mine whether this was caused by equipment problems, inadequate contract work, or a lack of available power.

MICRO-GRANTS FUNDED BY THE CERP

Micro-grants provide financial assistance to “disadvantaged” Iraqi entrepreneurs.⁹⁷ The goals of the micro-grant program are to enhance economic activity, combat Iraqi unemployment,⁹⁸ and engage Iraqi business owners. Grants may be issued in cash, as in-kind contributions (material goods), or both. Micro-grants are usually valued at less than \$5,000, according to MNC-I.⁹⁹

The Multi-National Division (MND) in Baghdad issued the most micro-grants in 2007 (685).¹⁰⁰ Table 2.7 shows the number of micro-grants issued in each region for 2007 and in the first quarter of 2008. The table also shows the average cost per micro-grant.

ECONOMIC SUPPORT FUND

Appropriations to the Economic Support Fund (ESF) account for nearly 7% of the total U.S. funding for reconstruction in Iraq. This quarter, the Congress provided an additional \$14.95 million to the ESF for reconstruction activities in Iraq.¹⁰¹ Including this quarter’s appropriation, the Congress has provided approximately \$3.287 billion to the ESF since 2003. The Department of State (DoS) administers the ESF.

Programs supported by the ESF have emerged as significant components of the U.S. strategy in Iraq. More than 35% of ESF appropriations have been allocated to programs supporting Provincial Reconstruction Teams (PRTs) in Iraq. Moreover, the ESF has been an increasingly important funding mechanism for non-construction activities as the IRRF closes out. For the status of the ESF, see Figure 2.14.¹⁰²

DoS has used interagency agreements with GRD and DoJ to execute several ESF programs.¹⁰³ Interagency agreements legally “obligate” funds at the time of the agreement. For purposes of this section, SIGIR considers ESF “obligations” for interagency agreements as funds “committed.” SIGIR views funds that have been actually awarded under contracts as “obligated.”

Background

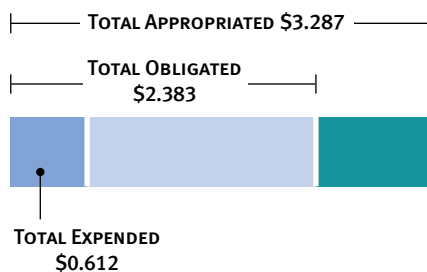
The ESF is a bilateral economic assistance account managed by DoS that supports U.S. foreign policy objectives by providing funds to:¹⁰⁴

- Increase the role of the private sector in the economy, reduce government controls over markets, enhance job creation, and improve economic growth.
- Develop and strengthen the institutions necessary for sustainable democracy.
- Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy and to help sustain the neediest sectors of the population during the transition period.

Figure 2.14

STATUS OF ESF FUNDS

\$ Billions
Sources: ITAO, Response to SIGIR Data Call (1/4/2008); USAID, Response to SIGIR Data Call (1/4/2008)



Notes:
1. Numbers are affected by rounding.
2. Funding details were not available for approximately 3% of appropriated funds.

CONGRESSIONAL APPROPRIATIONS TO THE ECONOMIC SUPPORT FUND FOR IRAQ

| U.S. FUND | PUBLIC LAW(S) | APPROPRIATED |
|---|---|------------------------|
| ESF FY 2003 | P.L. 108-7 | \$0.040 billion |
| ESF FY 2003 Supplemental | P.L. 108-11 | \$0.010 billion |
| ESF FY 2006 Appropriations for DoS | P.L. 109-102 | \$0.060 billion |
| ESF FY 2006 Supplemental | P.L. 109-234 | \$1.485 billion |
| ESF FY 2007 Supplemental | P.L. 110-28 | \$1.554 billion |
| ESF FY 2007 Continuing Resolutions | P.L. 110-92, P.L. 110-116, P.L. 110-137, P.L. 110-149 | \$0.123 billion |
| ESF FY 2008 Consolidated Appropriations Act | P.L. 110-161 | \$0.015 billion |
| Total | | \$3.287 billion |

Note: Numbers are affected by rounding.

TABLE 2.8

The ESF has provided funding for Iraq’s relief and reconstruction since the start of the war. Table 2.8 provides a timeline of ESF appropriations.

Implementing agencies, such as USAID, GRD, and others, actually carry out ESF projects.¹⁰⁵ As the primary executing agencies of the ESF, GRD and USAID received approximately 90% of ESF allocations.¹⁰⁶ For an overview of their programs, see Table 2.9.

TOP TEN ESF CONTRACTORS

The top ten ESF contractors have obligated virtually half of all appropriations to the fund. Table 2.10 shows the largest ESF contracts awarded by GRD and USAID.

CHALLENGES EXECUTING ESF FUNDS

Multiple agencies execute ESF funds using different types of contracting tools. A July 2007 SIGIR review found that it took longer to move FY 2006 ESF funds from appropriations to field activities than for CERP and ISFF. Chal-

lenges faced by agencies that execute ESF funds include:¹⁰⁷

- **Delayed arrival of funds.** FY 2006 Supplemental funds were not allotted until late 2006, delaying the availability of funding. For FY 2007 Supplemental funds, \$1.6 billion became available after the clearance of the second congressional waiver in September 2007.¹⁰⁸
- **Iraq program initialization.** Many ESF efforts require contractors to deploy in Iraq, where setting up a program staff is challenging. Some programs require numerous contracts with extended contract processing, and the nature of some contracts is such that expenditures are made as the project progresses.
- **GOI commitment.** Many ESF programs aim to develop governance capacity in Iraq. The commitment of the GOI to partner with U.S. assistance programs is critical to success and takes time.

ESF ALLOCATIONS TO GRD AND USAID PROGRAMS (\$ MILLIONS)

| USAID PROGRAMS | TOTAL ESF ALLOCATION |
|--|----------------------|
| Community Stabilization Program | \$514 |
| PRT Local Governance Program | 245 |
| Capacity Development Programs | 200 |
| Community Action Program | 135 |
| PRT Quick Response Fund | 100 |
| Inma – Private Sector Agribusiness Development | 95 |
| Democracy and Civil Society Programs | 88 |
| Economic Governance II – Policy & Regulatory Reforms | 88 |
| Provincial Economic Growth Program | 60 |
| Iraqi Refugees (Jordan) | 30 |
| Marla Ruzicka Iraqi War Victims Fund (transferred to IRRF) | 25 |
| Total for USAID | \$1,580 |
| GRD Programs | |
| PRT/PRDC Projects | \$790 |
| O&M Sustainment Program | 285 |
| Infrastructure Security Protection Program | 247 |
| Plant-Level Capacity Development & Technical Training | 60 |
| Total for GRD | \$1,382 |
| Total for GRD and USAID Programs | \$2,962 |

Sources: ITAO, response to SIGIR data call, October 15, 2007; OMB, response to SIGIR data call, January 2, 2008; USAID, response to SIGIR data call, October 17, 2007.

Notes:

1. Numbers are affected by rounding.
2. This quarter, ESF received \$14.95 million in appropriations; \$5 million went to the Marla Ruzicka Iraqi War Victims Fund and \$10 million for Iraqi scholars through the Middle East Partnership Initiative account. OMB, response to SIGIR data call, January 2, 2008. The \$5 million for the Ruzicka Fund is accounted for in the table above, but not in the status of ESF programs in Table 2.11 because the obligated and expended details were not available at time of publication.

TABLE 2.9

TOP TEN ESF CONTRACTORS (\$ MILLIONS)

| CONTRACTOR | PARTNERING AGENCY | OBLIGATED | EXPENDED |
|--------------------------------------|-------------------|----------------|--------------|
| International Relief and Development | USAID | \$514 | \$108 |
| Research Triangle Institute | USAID | 245 | 41 |
| Management System International | USAID | 200 | 37 |
| CHF International | USAID | 145 | 34 |
| Development Alternatives, Inc. | USAID | 130 | 1 |
| Louis Berger Group | USAID | 116 | 13 |
| BearingPoint, Inc. | USAID | 85 | 25 |
| Wamar International | GRD | 59 | 24 |
| Parsons Brinckerhoff | GRD | 58 | 16 |
| Iraqi Contractor - 4767 | GRD | 55 | 20 |
| Totals | | \$1,607 | \$319 |

Sources: USACE, response to SIGIR data call, January 4, 2008; USAID, *Activities Report*, January 11, 2008.

Note: This list is produced by compiling contract-level obligation data provided by GRD and USAID.

TABLE 2.10

- **Absence of adequate security.** Payments made on contracts lag because the ability to check and verify project status is difficult given the security situation in the past.

Funding Uses

ESF programs in Iraq are aligned in three tracks:

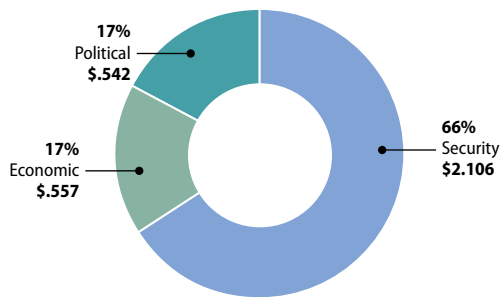
- **Security:** strengthen the coordination between the GOI and local groups and assist in securing critical infrastructure to improve the GOI’s ability to deliver essential services
- **Economic:** promote development through sustainment of assets, training programs, increased access to finance, and other economic and capacity-building activities
- **Political:** assist the GOI in strengthening core ministry functions and support governance-building initiatives

As shown in Figure 2.15, programs in ESF’s security track received the largest allocation of funds—66% compared to 17% for economic track programs and 17% for political track programs. Table 2.11 provides a list of each track’s ESF programs, their funding status, and an update for each program’s activities, as reported by the agencies executing the programs and other available reports.

Figure 2.15

ALLOCATIONS OF ESF FUNDS BY TRACK

\$ Billions, % of \$3.204 Billion Allocated
 Source: ITAO, Response to SIGIR Data Call (1/4/2008);
 USAID, Response to SIGIR Data Call (1/4/2008);
 ITAO, *Essential Indicators Report* (1/1/2008)



Notes:
 1. Numbers are affected by rounding.
 2. The total amount represented is approximately 97% of all appropriated ESF funds for Iraq totaling \$3.287 billion. Program and track-level details were not available for the \$50 million in FY 2003 ESF funds, nearly \$18 million in FY 2007 Continuing Resolution funds, and the recently appropriated \$15 million in FY 2008 funds.

STATUS OF ESF PROGRAMS IN THE SECURITY TRACK (\$ MILLIONS)

| ESF PROGRAM | STATUS OF PROGRAM ALLOCATIONS | ALLOCATION AS % OF ESF APPROPRIATIONS | PROGRAM UPDATE SINCE LAST QUARTER |
|--|---|---------------------------------------|---|
| PRT/PRDC PROJECTS | <p>Total Allocated \$790.0 Total Obligated \$247.2 Total Expended \$52.2</p> <p>Source: ITAO, response to SIGIR data call, January 4, 2008. Note: Only \$100 million of the \$475 million in FY 2007 funds allocated for this program have been transferred to GRD from DoS through an interagency agreement. GRD, response to SIGIR data call, January 16, 2008.</p> | 24% | <ul style="list-style-type: none"> Provincial Reconstruction Development Councils (PRDCs) have approved 201 projects, totaling over \$304 million in FY 2006 funds. The National Embassy Team (NET) has approved 200 projects, totaling over \$288 million; 141 projects have started, with values over \$181 million. For FY 2007 funds, 203 projects have been approved by the PRDCs with total budgeted costs of nearly \$302 million. The NET has approved at least 82 projects with approved costs valued at more than \$154 million, as of December 31, 2007. |
| COMMUNITY STABILIZATION PROGRAM | <p>Total Allocated \$514.0 Total Obligated \$514.0 Total Expended \$113</p> <p>Source: USAID, response to SIGIR data call, January 4, 2008.</p> | 16% | <ul style="list-style-type: none"> USAID reports that the total number of Iraqis employed since the program's inception is nearly 320,000 as of November 30, 2007. The Community Stabilization Program is currently operational in ten cities: Baghdad, Qadas, Kirkuk, Mosul, Falluja, Ramadi, Al Qaim, Habaniyah, Ba'quba, and Basrah. |
| INFRASTRUCTURE SECURITY PROTECTION PROGRAM | <p>Total Allocated \$247.0 Total Obligated \$107.9 Total Expended \$39.4</p> <p>Sources: ITAO, <i>Essential Indicators Report</i>, December 4, 2007; GRD, "Essayons Forward: Oil interdictions down since Pipeline Exclusion Zone construction began," December 2007, p. 11.</p> | 8% | <ul style="list-style-type: none"> As of December 1, 2007, four of the six project segments for the \$28 million Kirkuk-to-Baiji pipeline exclusion zone (PEZ) are 50% completed, and two are at 20%. As of December 4, 2007, planning was underway for the proposed PEZ from Baiji to Baghdad. This PEZ will include seven pipelines and will ensure flow of LPG, gasoline, natural gas, and crude oil to Baghdad once complete. |
| LOCAL GOVERNANCE PROGRAM | <p>Total Allocated \$245.0 Total Obligated \$245.0 Total Expended \$51</p> <p>Sources: DoS, <i>Section 2207 Report</i>, October 2007; USAID, response to SIGIR data call, January 4, 2008.</p> | 7% | <ul style="list-style-type: none"> The Local Governance Program assisted in the development of a draft Local Governance Code that was agreed to by all 18 provinces. The draft code, detailing the responsibilities of local and provincial councils, was presented to the Council of Representatives (CoR) by the Local Government Association, which has continued to lobby for its adoption. |

STATUS OF ESF PROGRAMS IN THE SECURITY TRACK (\$ MILLIONS)

| ESF PROGRAM | STATUS OF PROGRAM ALLOCATIONS | ALLOCATION AS % OF ESF APPROPRIATIONS | PROGRAM UPDATE SINCE LAST QUARTER |
|---|---|---------------------------------------|--|
| COMMUNITY ACTION PROGRAM | <p>Total Allocated \$135.0 Total Obligated \$135.0 Total Expended \$30</p> <p>Source: USAID, response to SIGIR data call, January 16, 2008.</p> | 4% | <ul style="list-style-type: none"> Community Action Program (CAP) I was completed on September 30, 2007. It completed more than 4,800 projects, benefiting 18,356,907 Iraqis. USAID reported that more than 490 CAP II projects have been initiated since October 2007. |
| PRT QUICK RESPONSE FUND | <p>Total Allocated \$125.0 Total Obligated \$119.2 Total Expended \$2.72</p> <p>Sources: ITAO, response to SIGIR data call, January 4, 2008.</p> | 4% | <ul style="list-style-type: none"> As of December 31, 2007, there was \$1.76 million obligated through 29 direct procurements with \$10.24 million total committed through the program. The Iraq Rapid Assistance Program (IRAP)—USAID’s part of the Quick Response Fund program—was awarded on September 27, 2007. As of December 30, 2007, IRAP has awarded 34 grants, totaling \$4,278,412. |
| IRAQI REFUGEES (JORDAN) | <p>Total Allocated \$30.0 Total Obligated Not Available Total Expended Not Available</p> <p>Source: ITAO, response to SIGIR data call, October 10, 2007.</p> | 1% | <ul style="list-style-type: none"> Last quarter, \$30 million of the FY 2006 ESF was reallocated from the Infrastructure Security Protection Program to this program. This is part of the \$130-million United Nations Education appeal, which aims to enroll an additional 150,000 Iraqi children in Jordanian and Syrian schools. |
| MARLA RUZICKA IRAQI WAR VICTIMS FUND | <p>Total Allocated \$20.0 Total Obligated \$20.0 Total Expended \$9.0</p> <p>Source: DoS, Section 2207 Report, October 2007, p. I-26. All ESF allocations to this program are subsequently transferred to the IRRF.</p> | 1% | <ul style="list-style-type: none"> This program continues to provide medical supplies to local health clinics and hospitals to treat victims of conflict. USAID continues to assist victims of Coalition actions. |

STATUS OF ESF PROGRAMS IN THE POLITICAL TRACK (\$ MILLIONS)

| ESF PROGRAM | STATUS OF PROGRAM ALLOCATIONS | ALLOCATION AS % OF ESF APPROPRIATIONS | PROGRAM UPDATE SINCE LAST QUARTER |
|--|--|---------------------------------------|--|
| CAPACITY DEVELOPMENT | <p>Total Allocated \$245.0 Total Obligated \$244.48 Total Expended \$46.96</p> <p>Source: USAID, response to SIGIR data call, January 4, 2008.</p> | 7% | <ul style="list-style-type: none"> For USAID's Tatweer program, as of November 30, 2007, 5,364 trainees had completed 219 training courses. As of November 30, 2007, 152 staff members from 5 ministry offices of inspectors general have been trained. USAID's National Capacity Development program has continued initiatives aimed at strengthening government functions by increasing the number and types of training courses offered to Iraqi officials. |
| DEMOCRACY AND CIVIL SOCIETY | <p>Total Allocated \$175.5 Total Obligated \$159.9 Total Expended \$36.78</p> <p>Sources: USAID, response to SIGIR data call, January 4, 2008; DoS, Section 2207 Report, October 2007, pp. III-12, III-13.</p> | 5% | <ul style="list-style-type: none"> On October 9, 2007, USAID awarded the Iraq Community-based Conflict Mitigation contract and work started in December 2007. The contract consists of three components: 1) community conflict assessments followed by quick-impact projects, 2) development of a Peace and Conflict Mitigation Network, and 3) youth peace-building ministries. Additional USAID efforts included ongoing support of the Independent High Electoral Commission of Iraq in building the capacity of 19 provincial electoral offices. DoS Bureau of Democracy, Human Rights, and Labor activities included support for the expansion of the Women's Leadership Institute in opening a satellite office in Erbil. |
| ECONOMIC GOVERNANCE II, POLICY & REGULATORY REFORMS | <p>Total Allocated \$88.2 Total Obligated \$85.0 Total Expended \$19.0</p> <p>Source: USAID, responses to SIGIR data call, January 4, 2008, and January 16, 2008.</p> | 3% | <ul style="list-style-type: none"> In late November 2007, USAID received all Ministry of Finance approvals to proceed with Iraqi census plans. USAID advisors are implementing the final, GOI-approved Census Project Action Plan. In early December 2007, the GOI directed all ministries and state-owned enterprises to begin collecting census information. Another program effort is the development of a computerized system to manage project information for use in provincial budget preparation and execution. The system was deployed to four pilot provinces. |
| REGIME CRIMES LIAISON OFFICE | <p>Total Allocated \$33.0 Total Obligated \$32.38 Total Expended \$20.44</p> <p>DoS, Section 2207 Report, October 2007, p. III-14.</p> | 1% | <ul style="list-style-type: none"> This program started supporting the 1991 Uprising Case and made structural preparations for the consolidation of witness security camps. The program also facilitated an international law training symposium sponsored by the United Nations Development Program. |

STATUS OF ESF PROGRAMS IN THE ECONOMIC TRACK (\$ MILLIONS)

| ESF PROGRAM | STATUS OF PROGRAM ALLOCATIONS | ALLOCATION AS % OF ESF APPROPRIATIONS | PROGRAM UPDATE SINCE LAST QUARTER |
|--|---|---------------------------------------|--|
| OPERATIONS AND MAINTENANCE (O&M) SUSTAINMENT | <p>Total Allocated \$285.0 Total Obligated \$261.1 Total Expended \$107.7</p> <p>GRD, response to SIGIR data call, January 4, 2008.</p> | 9% | <ul style="list-style-type: none"> As of December 31, 2007, 47 projects were awarded. The distribution of those awarded projects is in these sectors: 16 in electricity, 15 in water, 10 in transportation; 4 in health care; 2 in communication. Unfunded projects of high priority in FY 2008—identified by GRD—include the Circuit Rider Program and the Generator Repair and O&M Program. |
| INMA – PRIVATE SECTOR AGRIBUSINESS DEVELOPMENT | <p>Total Allocated \$94.9 Total Obligated \$92.5 Total Expended \$5.0</p> <p>Source: USAID, response to SIGIR data call, January 16, 2008.</p> | 3% | <ul style="list-style-type: none"> The project is currently mobilizing. USAID reported that, as of January 15, 2008, two projects are completed; three projects are in the process of implementation; and three projects are approved to be implemented. Projects vary in nature from vegetable production to butcher service centers to maize production for feedlots. |
| PLANT-LEVEL CAPACITY DEVELOPMENT & TECHNICAL TRAINING | <p>Total Allocated \$60.0 Total Obligated \$45.5 Total Expended \$23.5</p> <p>Source: GRD, response to SIGIR data call, January 4, 2008.</p> | 2% | <ul style="list-style-type: none"> Of the \$60 million allocated for this program, \$45.5 million, via 41 contracts, has been awarded as of December 31, 2007. Of the 41 contracts, 60% have been awarded in the water sector, 35% in the electricity sector, and 5% in the transportation sector. |
| PROVINCIAL ECONOMIC GROWTH PROGRAM | <p>Total Allocated \$59.5 Total Obligated \$23.8 Total Expended \$5.5</p> <p>Source: USAID, response to SIGIR data call, January 16, 2008.</p> | 2% | <ul style="list-style-type: none"> USAID reported this quarter that Izdihar, the current project, is scheduled to complete on March 31, 2008. As such, a demobilization plan is being drafted by the implementer. It will be terminated by March 31, 2008. Work on the new evaluation team has been reviewed by the General Counsel's Office, and a follow-on contract is expected to be awarded in January 2008. |
| TARGETED DEVELOPMENT PROGRAM | <p>Total Allocated \$57.4 Total Obligated Not Available Total Expended Not Available</p> <p>Source: U.S. Embassy, "Staff Notice 007-284: The Targeted Development Program," December 1, 2007.</p> | 2% | <ul style="list-style-type: none"> As of December 1, 2007, sponsoring Mission elements or nongovernmental organizations may submit proposals for projects supporting economic, social, and governance initiatives in conflict areas in Iraq. A Program Review Board oversees the management of the program and reviews the proposals; ITAO provides general administrative oversight. Grant values usually range from \$150,000 to \$3,000,000. |

Source: Funding numbers are compiled from GRD, USAID, and ITAO responses to SIGIR data call, January 4, 2008.

Notes:

- Numbers are affected by rounding.
- Allocations data on the appropriate track and program for \$50 million in ESF FY 2003 funds, about \$18 million of FY 2007 CR funds, and about \$15 million in the recent FY 2008 appropriation were not available. Also, although \$5 million appropriated this quarter was allocated to the Marla Ruzicka Iraqi War Victims Fund, the obligations and expenditure details were not available. Accordingly, only 97% of ESF appropriations are accounted for in the table above.
- This table accounts for approximately \$562 million in expenditures. The \$50 million of FY 2003 funds that was expended is not included in the table because specific program and track-level details were not available at time of publication.

TABLE 2.11

Focus on ESF Programs

This section highlights several key ESF programs carried out by GRD and USAID.

PRT-RELATED PROGRAMS

The ESF funds three key initiatives that support the PRTs in Iraq. The combined allocations for these programs total \$1.160 billion, or 35%, of total appropriations to the ESF. Two initiatives—the **PRT/Provincial Reconstruction Development Council (PRDC) program** and the **PRT Local Governance Program (LGP)**¹⁰⁹—received allocations from both the FY 2006 and FY 2007 Supplemental appropriations acts totaling \$1.035 billion. The third, the **Quick Response Fund (QRF)**,¹¹⁰ which provides rapid resource funding similar to the CERP, received \$125 million from the FY 2007 Supplemental appropriation.

Other ESF programs, such as the **Community Stabilization Program (CSP)** and the **Community Action Program (CAP)**, are working to provide support to the PRTs through the integration of projects with those conducted by the PRTs.¹¹¹

PRT COORDINATION OF ESF FUNDS

PRTs coordinate with local and provincial governments to match ESF programs with local needs. The U.S. Embassy reported this quarter that:¹¹²

- Short-term, small capacity-development efforts are typically met using QRF funding because this mechanism is the quickest way of approving grants or small direct purchases under \$200,000.

- Larger short-term projects, typically involving technical assistance or oversight, require use of CERP or PRT/PRDC funds because the scope of this work tends to be “brick and mortar” reconstruction—requiring technical assistance of GRD as well as capacity-building training for strategic planning.
- Capacity development with an emphasis on vocational training and/or civil society developmental needs is often addressed using CSP or LGP funding.

The Embassy also reported that 48 trained cashiers/sub-cashiers are now assigned to individual PRTs to account for ESF grants. This oversight allows PRTs to better implement coordinated ESF programs.¹¹³

PRT/PRDC PROJECTS

The PRT/PRDC projects aim to improve provincial and local governance by strengthening Iraq’s capacity to deliver essential services.

The Iraqi-led PRDCs select the projects, the National Embassy Team (NET) approves projects, and the Embassy coordinates the expenditure of the \$315 million in FY 2006 Supplemental allocated funds and the \$475 million in FY 2007 Supplemental allocated funds. Although \$475 million has been allocated in FY 2007 funds, only \$100 million of this amount has been transferred to GRD from DoS through an interagency agreement.¹¹⁴ With the exception of Baghdad and Basrah, planned PRT/PRDC allocations from FY 2007 funds increased 106%

over amounts allocated to the provinces using FY 2006 funds.

Table 2.12 shows the programmed amounts of FY 2006 funds and FY 2007 planned amounts for each province for this program.

FY 2006 and FY 2007 funding for this program totals \$790 million.¹¹⁵

- FY 2006 funds of \$315 million; \$225.2 million has been obligated, and \$50.2 million has been expended
- FY 2007 funds of \$475 million; \$22 million has been obligated, and \$2 million has been expended

PRDCs have approved over 400 projects valued at \$495 million, and the NET has approved more than 280 projects valued at \$442 million.¹¹⁶ For more details on the PRT/PRDC projects, see the discussion of Provincial Reconstruction Teams in Section 2b.

QUICK RESPONSE FUND

DoS and USAID are jointly executing Quick Response Fund (QRF) projects to accelerate capacity at the local government level.

As of December 31, 2007, \$10.24 million has been committed through the QRF,¹¹⁷ and \$2.72 million has been expended.¹¹⁸ PRT projects receive funding through grants, direct procurements, and micro-purchases. Table 2.13 shows the status of three of the tools available to organizations that seek funding from the QRF.

Micro-purchases offer the PRTs a tool for procuring items or services of up to \$25,000 that

the PRT team leaders deem necessary to support QRF activities.¹¹⁹ The micro-grants currently under consideration would allow PRTs to identify small organizations to receive grants of up to \$5,000.¹²⁰

DoS is responsible for all micro-purchases and small grants valued up to \$50,000.¹²¹ USAID implements grants between \$50,000 and \$200,000; direct procurements are managed by the Embassy, which implements them or directs that JCC-I/A implement them.¹²² The Embassy Technical Evaluation Committee, an interagency team, reviews 3-15 grant proposals per week for the use of QRF funds.¹²³ Fifteen of the PRTs/ePRTs submitted grant proposals that have been approved, and 24 of the PRTs/ePRTs are actively using at least one of the available award vehicles in QRF.¹²⁴

INFRASTRUCTURE SECURITY PROTECTION PROGRAM

The objective of the \$247 million Infrastructure Security Protection (ISP) Program is to mitigate the opportunity of attack or theft by deterring or impeding attempts to interdict key infrastructure in the oil, water, and electricity sectors.¹²⁵ The program is executed by GRD in collaboration with ITAO and the Energy Fusion Cell, and allocations include \$110 million for oil pipeline exclusion zones—which aim to prevent illegal tapping and sabotage of pipelines—\$51 million for hardening of projects, and \$66 million for integrity and support projects.¹²⁶

Projects being supported by the remaining

PRT/PRDC PROGRAM – ESF FY 2006 ALLOCATIONS AND FY 2007 PLANNED ALLOCATIONS

| PROVINCE | FY 2006 SUPPLEMENTAL ALLOCATION | FY 2007 SUPPLEMENTAL PLANNED ALLOCATION | % CHANGE FROM 2006 ALLOCATION |
|--------------------------|---------------------------------|---|-------------------------------|
| Ninewa | \$9,110,000 | \$18,000,000 | 98% |
| KRG | \$31,730,000 | \$54,000,000 | 70% |
| Tameem (Kirkuk) | \$8,930,000 | \$18,000,000 | 102% |
| Salah al-Din | \$8,930,000 | \$18,000,000 | 102% |
| Diyala | \$8,930,000 | \$18,000,000 | 102% |
| Baghdad | \$118,000,000 | \$80,000,000 | -32% |
| Anbar | \$15,930,000 | \$50,000,000 | 214% |
| Babylon (Babil) | \$8,930,000 | \$18,000,000 | 102% |
| Missan | \$8,930,000 | \$18,000,000 | 102% |
| Muthanna | \$8,930,000 | \$18,000,000 | 102% |
| Najaf | \$8,930,000 | \$18,000,000 | 102% |
| Kerbala | \$8,930,000 | \$18,000,000 | 102% |
| Wassit | \$8,930,000 | \$18,000,000 | 102% |
| Qadisiya | \$8,930,000 | \$18,000,000 | 102% |
| Basrah | \$40,000,000 | \$30,000,000 | -25% |
| Thi-Qar | \$8,930,000 | \$18,000,000 | 102% |
| Planning and Development | \$2,000,000 | - | -100% |
| Reserve | - | \$120,000,000 | N/A |
| Totals | \$315,000,000 | \$550,000,000 | 75% |

Source: DoS, *Section 2207 Report*, October 2007, p. III-1; GRD, response to SIGIR data call, January 16, 2008.

Notes:

1. This figure includes the planned allocations for FY 2007 funds.
2. According to GRD, in an upcoming amendment to transfer additional FY 2007 Supplemental funds to GRD for the program, the DoS will be enabling the Director of ITAO to reallocate these funds among the provinces; thus, allocations are notational and not firm allocations for FY 2007 funds.
3. Currently only \$475 million has been allocated for PRT/PRDC projects as of January 2008. Only \$100 million of this amount was transferred to GRD from DoS through an interagency agreement.

TABLE 2.12

STATUS OF QRF TOOLS, AS OF DECEMBER 31, 2007

| TOOL | DESCRIPTION | AMOUNT DEPLOYABLE | UPDATE |
|--------------------|--|-------------------------|--|
| Small Grant | One-time payment to an NGO/GOI to carry out activity Tracked at the Embassy; implemented by PRT/ePRT Post review and authorization of all grants Grants over \$25,000 reviewed by Washington, D.C. | < \$50,000 | 29 small grants, totaling \$774,514, approved by the Embassy |
| Grant | One-time payment to an NGO/GOI to carry out activity Tracked at the Embassy; implemented and monitored by USAID Office of Provincial Affairs review and handoff to USAID | \$50,000 - \$200,000 | 68 grant proposals, totaling \$6.27 million, approved by the Embassy; over 35 approved grant proposals, valued at \$4.37 million, turned over to USAID/Iraqi Rapid Assistance Program for implementation |
| Direct Procurement | Activity complex enough to require a contract/lengthy statement of work; PRT team leads approve purchase request Procurement order plausibility and implementation means made by USAID, JCC-I/A, or General Services Officer, depending on core competency USAID implementer, DoD's Regional Contract Command will handle monitoring component | < \$200,000 | \$1.76 million obligated for 29 direct procurements |

Source: U.S. Embassy, Provincial Reconstruction Team Portal, "Guidelines for Administration of the PRT/ePRT Quick Response Fund Program," August 12, 2007, p. 2; U.S. Embassy, response to SIGIR data call, January 12, 2008; ITAO, response to SIGIR data call, January 4, 2008.

TABLE 2.13

funds include repair kits and oil terminal improvements.¹²⁷ A sample of ISP projects completed this quarter includes:¹²⁸

- Water Treatment Plant Security Improvements in Al Hussain (\$850,000)
- Transmission Towers Protection near Qadissiyah (\$856,902)
- 9th Strategic Infrastructure Battalion (SIB) Headquarter Force Protection FOB Security Improvements (\$338,588)
- 9th SIB 3rd Company Force Protection (\$368,898)

OPERATIONS AND MAINTENANCE SUSTAINMENT PROGRAM

The Operations and Maintenance (O&M) Sustainment program, executed by GRD, received \$285 million in the FY 2006 Supplemental appropriation to assist Iraqis in sustaining U.S.-funded infrastructure projects in key essential services sectors, such as electricity, water, health, transportation, and communications. Additional funding was not requested in the FY 2007 Supplemental appropriation.¹²⁹ Table 2.14 provides a list of O&M projects completed this quarter.

The progress made in O&M sustainment appears to vary based on the sector. The “MOE has an above-average grasp on the myriad issues affecting the Iraqi electric grid and is working very hard to improve the system.”¹³⁰ It also appears that O&M sustainment is improving in the electricity sector, considering the higher

output levels this quarter.¹³¹ For the water sector, although the GOI is capable of operating facilities in the short-term, “managing operational and strategic issues in the U.S.-funded infrastructure in the face of accelerating social, economic, and technological changes may present a challenge to the GOI in the long term.”¹³²

SIGIR continues to raise concerns about the sustainment of U.S. assets once transferred to the GOI. A SIGIR audit released in July 2006 found that available U.S. resources for supporting O&M of IRRF-funded assets after transferring the assets to the GOI may be insufficient, and sustainment funding must be available through capacity development activities to support the projects until Iraqi ministries are prepared to assume the role.¹³³ SIGIR will issue an update on asset transfer during the next quarter.

COMMUNITY STABILIZATION PROGRAM

The Community Stabilization Program (CSP) is funded by \$514 million of the ESF—\$135 million from the FY 2006 Supplemental and \$379 million from FY 2007 ESF appropriations. As of December 31, 2007, \$113 million had been expended.¹³⁴ The program engages young Iraqis to participate in program activities instead of violent conflict and is currently operating in Baghdad, Kirkuk, Mosul, Fallujah, Ramadi, Al Qaim, Habaniyah, Ba’quba, and Basrah. Examples of CSP’s efforts include creating jobs in small-scale manufacturing, auto repair,

ESF O&M PROJECTS COMPLETED THIS QUARTER

| PROJECT NAME | PROVINCE | ACTUAL COMPLETION | TOTAL COST |
|---|------------|-------------------|-------------|
| Electrical Power Engineering Training | Nationwide | 12/18/2007 | \$1,015,800 |
| Repair 2 Gen Rotors - New Mullah | Nationwide | 10/31/2007 | \$864,544 |
| Rte Sonics Electrical Repair | Baghdad | 11/1/2007 | \$315,800 |
| Black 5107, Electric BPA FY08 | Baghdad | 11/21/2007 | \$200,000 |
| Generator Wiring and O&M | Baghdad | 11/3/2007 | \$63,000 |
| Al Bumaydee Backup Generator Platform | Anbar | 12/10/2007 | \$21,000 |
| Al Muhammad Al Shabeeb Backup Generator Platform | Baghdad | 12/10/2007 | \$21,000 |
| Albualwan Backup Generator Platform | Kerbala | 12/2/2007 | \$21,000 |
| Talib Al Kawad Backup Generator Platform | Baghdad | 12/1/2007 | \$21,000 |
| Al Bahadadai Generator Platform | Anbar | 11/11/2007 | \$21,000 |
| Khamis Al Suhail Backup Generator Platform | Babylon | 11/11/2007 | \$21,000 |
| Fira Shia Backup Generator Platform | Baghdad | 11/11/2007 | \$21,000 |
| Al Buasal Backup Generator Platform | Baghdad | 11/10/2007 | \$21,000 |
| Al Muhammad Dahre Al Faraj Al Halbusi Backup Generator Platform | Baghdad | 11/10/2007 | \$21,000 |
| Isa Kadem Taha Backup Generator Platform | Baghdad | 12/10/2007 | \$17,000 |

Source: IRMS, *ITAO Rollup*, 1/2/2008.

TABLE 2.14

and similar occupations. The CSP Business Development program has funded two employment centers in Baghdad, placing graduates in apprenticeship programs with local businesses and providing vocational training for local Iraqis. Vocational training targets youths, aged

17 to 25, and women; trades include plumbing, masonry, and electrical installation.¹³⁵ Table 2.15 provides the number of Iraqis employed, trained, and awarded apprenticeships by province, as reported by USAID.

STATISTICS FOR USAID'S CSP, AS OF NOVEMBER 30, 2007

| | NINEWA | ANBAR | DIYALA | TAMEEM | BAGHDAD | TOTALS |
|-------------------------------------|--------|--------|--------|--------|---------|---------|
| Iraqis Employed | 10,885 | 41,164 | 1,768 | 26,485 | 239,281 | 319,583 |
| Iraqis Provided Vocational Training | 1,146 | 806 | | 345 | 10,978 | 13,275 |
| Iraqis Awarded Apprenticeships | 100 | 676 | | 307 | 3,977 | 5,060 |

Source: USAID, response to SIGIR data call, January 4, 2008.

TABLE 2.15

IRAQ RELIEF AND RECONSTRUCTION FUND

On April 16, 2003, the Congress passed Public Law (P.L.) 108-11, establishing the Iraq Relief and Reconstruction Fund (IRRF 1). The law authorized five agencies to use the \$2.475 billion in the IRRF 1: DoD, DoS, USAID, the Department of Treasury, and the U.S. Trade and Development Agency.

USAID was responsible for about 70% of the IRRF 1. In November 2003, the Congress provided a second appropriation to the IRRF (IRRF 2), funding an additional \$18.44 billion for relief and reconstruction in Iraq. DoD was responsible for around \$13 billion in the IRRF 2.

Status of Funds

As of December 26, 2007, an estimated \$243 million (9%) of the IRRF 1 remained unobligated. This represents no change from last quarter. In October 2007, SIGIR Audit 07-011 reported

that IRRF 1 funds have expired since September 2004. The expired account balance remains available to make legitimate obligation adjustments—documenting previously unrecorded obligations and making upward adjustments in previously under-recorded obligations.

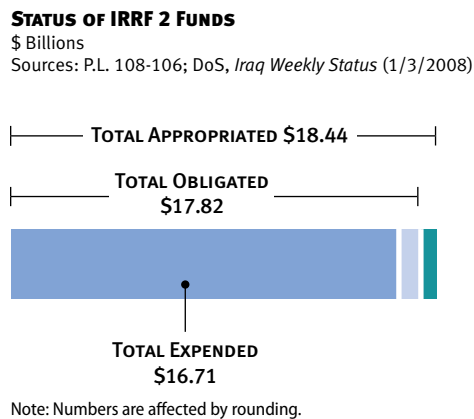
Approximately \$616 million of the IRRF 2 has not been obligated (3%), and approximately \$1.12 billion has yet to be expended (6%). Most of the unexpended IRRF funds are obligated for ongoing work in the electricity and water sectors. The U.S. Troop Readiness, Veterans Care, Katrina Recovery, and Iraq Accountability Appropriations Act (P.L. 110-28) makes IRRF 2 funds available for obligation until September 30, 2008. Figure 2.16 and Figure 2.17 show the status of the IRRF 2 funds and the timeline of obligations and expenditures since July 2004.

Funding Uses

Most IRRF-funded reconstruction projects are now complete. Of the \$18.44 billion in appropriated IRRF 2 funds, \$18.31 billion has been allocated to reconstruction sectors. Both GRD and USAID are executing the remaining IRRF 2 work, which includes smaller-scale infrastructure construction, operations and maintenance sustainment, and capacity development.¹³⁶

For the sector allocation of the IRRF 2, see Figure 2.18.

Figure 2.16



The security and justice sector received the largest share of IRRF 2 allocations—nearly 40% of the total. Electricity has the second largest allocation, an estimated 23% of the IRRF. In September 2004, the Congress approved reprogramming \$3.46 billion in IRRF allocations. The security and justice sector received the largest increase of the reallocation (\$1.8 billion), most of which was used to train and equip Iraqi forces.¹³⁷

Figure 2.17

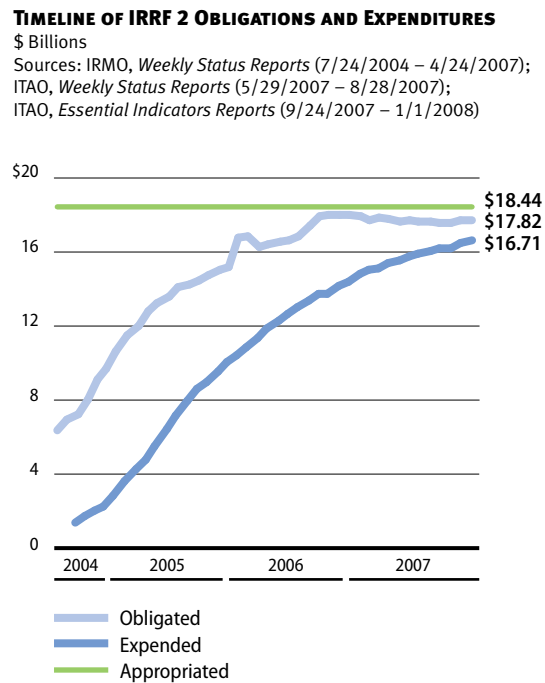
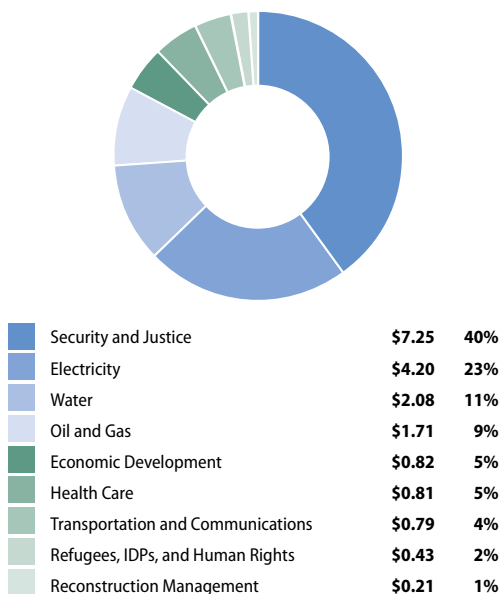


Figure 2.18

IRRF 2 CURRENT ALLOCATIONS BY SECTOR

\$ Billions, % of \$18.31 Billion Allocated
Source: DoS, *Iraq Weekly Status* (1/3/2008)



Notes:
1. Numbers are affected by rounding.
2. DoS currently reports that \$18.31 billion has been allocated to IRRF 2—down from last quarter’s report of \$18.32 billion. The change is a result of deobligations for future use in IRRF 2 programs.
3. The Reconstruction Management category includes administrative fees and expenses specifically related to the IRRF. A section—also titled “Reconstruction Management”—later in this Report, is unrelated to this IRRF allocation category.

Justice, public safety infrastructure, and civil society activities received an additional \$470 million in this realignment, and democracy-building activities received \$380 million. At the time of the reallocation in September 2004, most funds were moved from the water and electricity sectors into the security sector. SIGIR reported in April 2007 that this shift in 2004 funding was designed to meet the immediate need of improving security. The reallocation cut funds to the water sector by \$1.9 billion and reduced electricity sector funding by approximately \$1 billion.¹³⁸

Key U.S. Projects

As construction projects financed under IRRF 2 approach completion and closeout, Coalition and Iraqi partners in each sector are working to facilitate transition to Iraqi control. GRD oversees IRRF essential service projects still underway in Iraq, most of which focus on electricity, water, and oil and gas.

In the electricity sector, many remaining IRRF 2 projects are aimed at reaching the U.S. goal of reconstructing 132 transmission substations.¹³⁹ These include the refurbishment of the **Al Rasheed Substation**, which was completed this quarter. The Ministry of Electricity must complete connecting the 400-kV/132-kV overhead lines to power the substation. As of December 7, 2007, 100 transmission substations had been completed.¹⁴⁰

This quarter, GRD completed work on the **Amara 400-kV Substation** and the **Al Hammar 132-kV Substation**. After successful testing, both will be turned over to the Ministry of Electricity. Work is also underway at the **Ghammas Substation**, which is estimated to be completed by August 2008.¹⁴¹

Top Ten IRRF 2 Contractors

The ten IRRF contractors listed in Table 2.16 were awarded the largest contracts funded by the IRRF 2. These same firms were reported as the top contractors in SIGIR’s October 2007 Quarterly Report, but obligated and expended totals have been adjusted to reflect recent contract activity.

SIGIR Oversight

This quarter, SIGIR issued four audits related to the IRRF:

- Two audits examined major Iraq reconstruction contracts as part of SIGIR’s mandate to report on funds made available to the IRRF.
- Another audit assessed the differences in services and fees for management and administration charged by GRD and AFCEE on Iraq reconstruction contracts.
- The fourth audit looked at GRD’s process for determining award fees for its Sector Project and Contracting Office contracts.

For summaries of these audits, see Section 3 of this Report.

TOP TEN IRRF 2 CONTRACTORS (\$ MILLIONS)

| CONTRACTOR | OBLIGATED | EXPENDED |
|--------------------------------------|-----------|----------|
| Bechtel National, Inc. | \$1,214 | \$1,177 |
| FluorAMEC, LLC | \$965 | \$932 |
| Parsons Global Services, Inc. | \$686 | \$635 |
| Kellogg, Brown & Root Services, Inc. | \$633 | \$609 |
| Parsons Iraq Joint Venture | \$619 | \$607 |
| Washington Group International | \$508 | \$501 |
| Development Alternatives, Inc. | \$439 | \$436 |
| Environmental Chemical Corporation | \$352 | \$349 |
| Anham Joint Venture | \$259 | \$259 |
| Symbion Power, LLC | \$251 | \$193 |

Sources: Corps of Engineers Financial Management System, All Items Report for PMCON and All Items Report for PMNCN, January 8, 2008; USAID, *Activities Report* (1/11/2008).
 Note: This list is produced by compiling contract-level obligation data provided by GRD and USAID only.

TABLE 2.16

BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS FUNDING

The Congress appropriates funding to the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) to provide assistance for several kinds of initiatives, including those in support of judicial, anticorruption, and corrections projects.

Funding Status

To date, INL has received more than \$2.8 billion in direct appropriations and transfers from the Iraq Security Forces Fund (ISFF) and Iraq Relief and Reconstruction Fund (IRRF). For a summary of dollars appropriated and transferred for INL work in Iraq, see Figure 2.19.

The Office of Management and Budget (OMB) reports that more than \$281 million has been appropriated directly to INL's International Narcotics Control and Law Enforcement fund

(INCLE).¹⁴² The status of INCLE¹⁴³ funding as provided by INL, shown in Figure 2.20, does not include \$20 million appropriated under P.L. 108-11. As of January 4, 2008, almost 58% had been obligated, and nearly 10% had been expended.

TOP INL CONTRACTORS

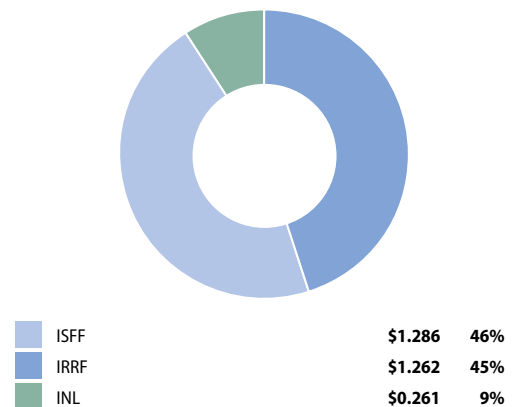
INL expends most of its funding by using contractors. This quarter, SIGIR requested contractor information from both INL and the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A). JCC-I/A told SIGIR that it does not track

Figure 2.19

INL APPROPRIATIONS AND TRANSFERS

\$ Billions, % of \$2.809 Billion

Source: INL, Response to SIGIR Data Call (1/4/2008)



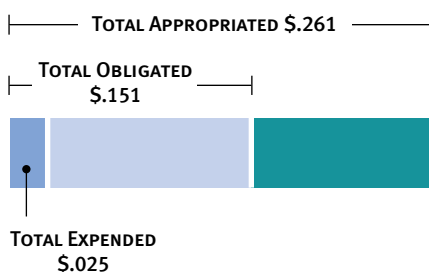
Note: Numbers are affected by rounding.

Figure 2.20

STATUS OF INCLE FUNDS

\$ Billions

Sources: INL, Response to SIGIR Data Call (1/4/2008)



Note: Numbers are affected by rounding.

INL contractors, and INL provided information for three companies, shown in Table 2.17. DynCorp International, LLC (DynCorp), received the largest share of these funds—98.7%.¹⁴⁴

Funding Uses

Through INL projects and programs, the United States works with the GOI to improve Iraq’s criminal justice system, primarily through police training; construction and refurbishment of prisons, courthouses, and witness protection facilities; and initiatives to implement the rule of law and to bolster anticorruption institutions.

POLICE

The INL police effort in Iraq has been funded with nearly \$2.3 billion¹⁴⁵ from three sources:

- \$798 million allocated directly from the IRRF
- \$1.33 billion in DoD transfers from the ISFF and IRRF
- \$162 million of additional ISFF funds through the Jordan International Police Training Center for civilian police work

TOP INL CONTRACTORS (\$ MILLIONS)

| CONTRACTOR | OBLIGATED | EXPENDED |
|--------------|-----------|----------|
| DynCorp | \$1,402 | \$1,095 |
| BearingPoint | \$16 | \$13 |
| PAE | \$2 | \$1 |

Source: INL, response to SIGIR data call, January 4, 2008.

Note: Numbers affected by rounding.

TABLE 2.17

INL’s primary role in law enforcement is to supply advisors to the Civilian Police Assistance Training Team (CPATT), which is part of MNSTC-I. INL funding provides 883 International Police Advisors (IPAs) for the civilian police training effort.¹⁴⁶ According to INL, “CPATT and MNC-I identify the Iraqi police mission requirements and provide operational direction to the IPAs. INL supports this mission by providing the IPAs and overseeing contractor performance.”¹⁴⁷

IPAs operate as part of Police Transition Teams (PTTs) assessing, training, and mentoring the Iraqi police, as well as advising trainers at the police academies.¹⁴⁸ IPAs also provide civilian expertise as a complement to military trainers and advisors.¹⁴⁹ DoD reported that a shortage of PTTs affects 17% of MOI forces.¹⁵⁰ Further, it reports that “one reason for this gap is the level of funding for, and availability of, IPAs and availability of military personnel for the PTTs.”¹⁵¹

Beginning in May 2007, INL deployed civilian experts on customs, immigration, and port and border operations. Currently, all 71 advisors are operating in the field.¹⁵²

Last quarter, SIGIR issued an interim report after suspending its review on INL's administration of a \$1.2 billion contract with DynCorp for police training. INL did not yet have sufficient information to identify what DynCorp provided under the contract or how funds were spent. INL has a number of initiatives to improve its management and oversight of the contract and to recoup funds that may have been inappropriately paid to DynCorp. SIGIR plans to reopen the review in April 2008.

JUDICIARY AND ANTICORRUPTION

This quarter, the U.S. Embassy reorganized its anticorruption initiative to improve coordination between the United States and the GOI's anticorruption bodies. The reorganization created a new office, which includes a senior coordinator position, the coordinator's deputy, and additional staff to strengthen anticorruption programs and streamline collaboration across and within the Coalition and the GOI.¹⁵³

Building the capacity of Iraq's judicial sector, which faces enormous investigative caseloads, has been INL's primary challenge.¹⁵⁴

U.S. program leaders report that more effective Iraqi Security Forces have produced a sharp rise in the number of suspects entering the court system. But insufficient judicial security, an inadequate number of investigative judges

and judicial investigators, a lack of investigatory training, and docket backlog all contribute to the slow pace of hearings.

INL has been working with the GOI to improve training for judicial investigators and investigative judges. However, the shortage of Iraqi judicial staff presents a challenge for the training efforts. Over the past two quarters, INL has reported on the inability to implement the process, partially because of GOI funding and security challenges, but also because the Iraqis cannot afford for personnel to take time off for training.¹⁵⁵ This quarter, INL worked with a range of Iraqi, American, and international organizations to design training programs:¹⁵⁶

- to design and implement a program for the joint training of police and judicial investigators to improve investigatory skills
- to identify, develop, and establish related support for investigators in Anbar province
- to support Provincial Reconstruction Teams in expanding judicial training programs into the provinces
- to align judicial training objectives

The U.S. Embassy reported that the GOI has appointed 160 new judges and graduated 170 more from the Judicial Training Institute this quarter.¹⁵⁷ Approximately 100 courthouses are now open around the country, up 7 from last quarter.¹⁵⁸ Kirkuk's Major Crimes Court cleared a backlog of 18-24 months by mid-October 2007. Also, only those offenses that could legitimately be deemed "major crimes" were being tried in

that Major Crimes Court. Other cases were being sent to their respective courts.¹⁵⁹

Judicial Security

In the October 2007 Quarterly Report, SIGIR highlighted the danger facing judges, their bodyguards, and staff. Since the Report, another judge was assassinated, bringing the total killed since 2003 to 34.¹⁶⁰ More than 30 judicial security guards have been killed since 2003. INL continues to provide secure housing for 40 judges and their families.

To improve judicial security, INL has been working to develop the Judicial Protection Service (JPS), which is modeled after the U.S. Marshals Service. Last quarter, SIGIR noted that the Ministry of Interior (MOI) had not issued weapons permits for JPS staff, and to date, it has still not issued them.¹⁶¹ This seriously impedes judicial security.

Iraq's Higher Judicial Council (HJC) is having difficulty obtaining funding from the Ministry of Finance to hire full-time government

personnel for the JPS program.¹⁶² Instead, the HJC relies on contractors, who are underpaid, under-trained,¹⁶³ and impermanent.¹⁶⁴ INL and the U.S. Embassy are working with HJC's efforts to secure adequate funding from the Ministry of Finance.¹⁶⁵

To improve judicial security, INL has entered into a \$2.6 million partnership agreement¹⁶⁶ with the U.S. Marshals Service to upgrade court-houses. Last quarter, INL noted that upgrades were intended for courthouses in Ba'quba, Basrah, Kirkuk, and Mosul. This quarter, INL reported that it had difficulty in verifying whether the GOI owned or leased those court-houses. The courthouse in Basrah has been removed from the list, and a courthouse in Hilla has been scheduled for upgrades.¹⁶⁷

INL projects are also refurbishing and constructing witness protection facilities. Since last quarter, all four facilities reported progress, and one was completed. For updated information on facilities, see Table 2.18.

CONSTRUCTION OF WITNESS PROTECTION FACILITIES

| CITY | ESTIMATED COMPLETION | % COMPLETED | CHANGE SINCE LAST QUARTER |
|----------|----------------------|-------------|---------------------------|
| Rusafa | 2/24/2008 | 48% | Up 16% |
| Mosul | 3/9/2008 | 55% | Up 33% |
| Basrah | 4/15/2008 | 66% | Up 17% |
| Al Karkh | Completed | 100% | Up 2% |

Source: U.S. Embassy, response to SIGIR data call, January 4, 2008.

TABLE 2.18

CORRECTIONS

INL has received approximately \$205 million for corrections work. Corrections work includes both advisory services and construction.

INL provides advisors, training, and monitoring to improve processes within the prison system,¹⁶⁸ and it has expended \$11.3 million of the \$21 million obligated for FY 2007 for corrections advisors.¹⁶⁹

INL has an interagency agreement with USACE-GRD for prison construction. Of the five projects under the agreement, only the construction of the prison in Nassriya is underway. Three projects are either in the contracting or design process, and the remaining project is pending. For the status of these projects, see Table 2.19.

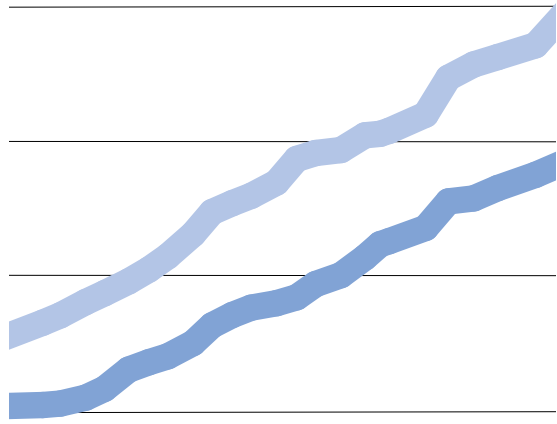
PRISON CONSTRUCTION (\$ MILLIONS)

| PRISON | VALUE | STATUS | ESTIMATED DATE OF COMPLETION |
|----------------------|---------|--|--------------------------------|
| Basrah Central | \$7.8 | Pending notice to proceed (contractor and security issues) | Early 2009 |
| Chamchamal | \$27.45 | Notice to proceed issued to contractor | January 2009 |
| Fort Suse: Phase I | \$5.15 | Notice to proceed issued to contractor | January 2009 |
| Fort Suse: Phase III | \$10 | Notice to proceed issued to USACE to develop Scope of Work | Bidding phase has yet to begin |
| Nassriya: Phase II | \$6.25 | 2% completed | November 2008 |

Source: U.S. Embassy, response to SIGIR data call, January 4, 2008.

TABLE 2.19

U.S. SUPPORT FOR IRAQ'S DEVELOPMENT



section

2b





RECONSTRUCTION MANAGEMENT

The U.S. Congress has appropriated \$47.485 billion for the reconstruction program in Iraq. This section provides an overview of how U.S. and Iraqi agencies use these funds and recaps the insights and recommendations from SIGIR and other oversight agencies on managing and coordinating reconstruction activities in Iraq.¹⁷⁰

U.S. Program Priorities

As the GOI assumes the lead in improving and expanding services across Iraq, the United States has transitioned to supporting roles in project and program execution. The U.S. management framework for accomplishing reconstruction goals in Iraq will continue to evolve in response to this transition.

Reconstruction Management Framework

Since the termination of the Coalition Provisional Authority (CPA) in 2004, the U.S. Chief of Mission (COM) in Iraq has been primarily responsible for the direction, coordination, and supervision of all U.S. government employees, policies, and activities in Iraq, except for employees under the command of a U.S. area military commander.¹⁷¹ The Congress has directed that all agencies operating in Iraq shall keep the COM “fully and currently informed

with respect to all activities and operations of its employees in that country.”¹⁷²

The U.S. Embassy in Baghdad provides interagency coordination in Iraq, with the support of more than 1,000 direct-hire Americans, representing 12 agencies.¹⁷³ To carry out that mission, the DoS has “entrusted policy and program direction for the Iraq Transition Assistance Office (ITAO) activities to the COM” and directed that ITAO oversee “completion of remaining U.S.-funded infrastructure projects, encouraging greater self-sufficiency by Iraqi ministries, providing subject matter expertise to offices within the U.S. Embassy, and supporting the COM’s role.”¹⁷⁴

The Commander of the U.S. Central Command is responsible for U.S. security and military operations in Iraq.¹⁷⁵ This includes U.S. efforts to train and equip the ISF.¹⁷⁶ A UN Security Council Resolution passed on December 18, 2007, endorsed an extension for U.S. military forces to remain in Iraq through the end of 2008.¹⁷⁷

THE SURGE

A little over a year ago, the United States implemented a surge of U.S. military personnel to quell violence in Iraq, deploying about 30,000 additional troops through five brigade combat



teams (BCTs).¹⁷⁸ DoS implemented a civilian surge, paralleling the military surge, which more than doubled the number of Provincial Reconstruction Teams (PRTs) operating in Iraq.

Focus on the Civilian Surge

The civilian surge complements and augments the support and goals embodied in the military surge. A key part of the civilian surge is the expansion of the PRT program, which works with Iraqi officials at the local levels to build capacity and provide relief. The United States increased the number of PRTs from 10 to 25 in 2007 as part of the surge and to promote bottom-up reconciliation and reconstruction efforts. The 15 new PRTs were embedded within BCTs in 2007, operating under the leadership of the brigade commanders and strengthening their ability to pacify areas targeted by the surge.

The Embassy anticipated that 323 civilians would be needed to staff the new PRTs in 2007, and it virtually met that goal. As of January 15, 2008, 298 were in place in Iraq, with the status of the remaining 25 as follows:¹⁷⁹

- 7 DoD staff had arrived but were redeployed to the United States for medical reasons.
- 7 are en route to Iraq.
- 11 Diyala team members are in training and preparing for deployment as a housing shortage in Diyala is remedied in January.¹⁸⁰

DoD is expected to contribute approximately 41% of PRT surge personnel, and about 37% will come under DoS. The remaining surge per-

sonnel will be provided by USAID, USDA, and DoJ, based on Embassy estimates at the end of 2007.¹⁸¹

Contracting and Procurement

Reconstruction managers continue to rely on contractor resources and personnel to provide mission support for the economic, political, and security goals of the U.S. military and civilian agencies in Iraq. Contractor support of military operations and reconstruction activities has become an essential element in accomplishing the objectives of the U.S. mission.

SIGIR LESSONS LEARNED IN CONTRACTING AND PROCUREMENT

On January 24, 2008, the Inspector General testified before Congress on lessons learned from contracting in a wartime environment, including recommendations for strengthening the procurement system. SIGIR noted that “the success of any contractual relationship depends heavily on the quality of the direction and oversight given the contractor by the government. When government oversight is lax, the risk of problems increases.”¹⁸² Moreover, the management of contractors requires effective implementation of existing contracting practices and policies.

In July 2006, SIGIR published a compilation of contracting and procurement lessons learned from Iraq reconstruction activities, including the need to streamline contracting regulations, to incorporate contracting and procurement personnel in critical planning stages, and to



clearly define contracting and procurement roles and responsibilities to stakeholder agencies. The report noted the need to designate a “single unified contracting entity to coordinate all contracting activity in theater” to enhance contract management and oversight.¹⁸³ The complete report, *Iraq Reconstruction: Lessons in Contracting and Procurement*, is available on the SIGIR website: www.sigir.mil.

JCC-I/A NOW THE CENTRAL CONTRACTING AGENCY

The Joint Contracting Command Iraq/Afghanistan (JCC-I/A) provides contracting support to the COM, the Multi-National Force-Iraq (MNF-I), and the NATO International Security Assistance Force.¹⁸⁴ DoD recently assigned consolidated contracting authority to JCC-I/A, based on DoD guidance of October 19, 2007. All DoD contracting officers are now required to clear and receive approval from JCC-I/A for any statements of work and terms and conditions that relate to the delivery of supplies and services—including engineering and construction.¹⁸⁵

This consolidated authority is the result of ongoing discussions between the Under Secretary of Defense, MNF-I, Combined Joint Task Force-82, and JCC-I/A regarding the oversight, management, and administration of expeditionary contractors.¹⁸⁶

SHIFT OF U.S. CONTRACTING AWARDS TO IRAQIS

In 2004, the United States awarded ten large design-build contracts, funded by the IRRF, to execute a portion of the \$18 billion appropriated by the Congress for Iraq’s relief and reconstruction.¹⁸⁷ Most of the work under these contracts is complete, and many of the U.S. contractors involved in the related construction efforts have left Iraq or are in the process of demobilizing as their programs wind down.¹⁸⁸ Some remain and are operating under new contracts designed to support the U.S. shift in 2004 to smaller, shorter-term projects.

This strategic shift resulted in increased project delivery through a variety of mechanisms—notably, the use of direct contracting with local Iraqi firms.¹⁸⁹ SIGIR noted in its July 2006 *Lessons in Contracting and Procurement* that large design-build contractors were not needed to execute most reconstruction projects: local contractors were available, less expensive, and less restricted by security issues.¹⁹⁰

Iraqi First Program

As the large U.S. contractors have departed, Iraqi firms have frequently taken over the programs. Since July 2006, the United States has supported the award of contracts to Iraqis via JCC-I/A’s **Iraqi First Program**, which aims to develop the performance capacity of Iraqi companies to fulfill coalition reconstruction project requirements.¹⁹¹ As of December 26, 2007, at least 3,673 Iraqi firms were registered under the program,

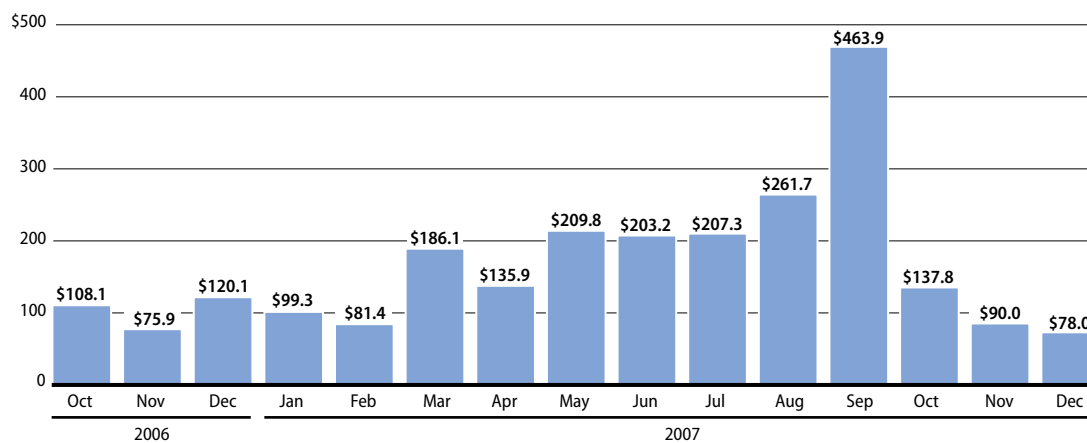


Figure 2.21

AWARDED DOLLAR AMOUNTS TO IRAQI FIRST VENDORS

\$ Millions

Source: JCC-I/A, Response to SIGIR Data Call (1/4/2008)



Notes:

1. Numbers are affected by rounding.
2. Numbers in this figure vary with the contract dollars awarded to Iraqi firms reported by SIGIR last quarter. This quarter, SIGIR received direct reporting on these figures from JCC-I/A, the agency executing the Iraqi First Program.

and contracts have been awarded to about 83% of these registered vendors.¹⁹²

With reconstruction transitioning to an Iraqi-led endeavor, more and more U.S. contract dollars are being awarded to Iraqi firms to train and build contracting and procurement capabilities in the country. Figure 2.21 shows the monthly totals for contract dollars awarded to Iraqi firms since October 2006. The amount awarded to Iraqi First vendors increased by nearly \$306 million over the quarter, raising the cumulative total awarded to Iraqis to nearly \$2.459 billion from October 2006 to the end of 2007.¹⁹³ Moreover,

the October 2007 MNF-I *Quarterly Contractor Census* indicated that just more than 53% of the contracted workforce is Iraqi.¹⁹⁴

In Iraq, JCC-I/A has Regional Contracting Centers that execute contracting activities. As of December 31, 2007, more than 61% of the total number of contracting actions for these centers was awarded to Iraqis. The total value of Iraqi contracts represents more than 47% of the total value of all contracting actions for these centers. Figure 2.22 summarizes the activities of these centers under the Iraqi First Program.

Figure 2.22

IRAQI FIRST PROGRAM AWARDS AS OF DECEMBER 31, 2007

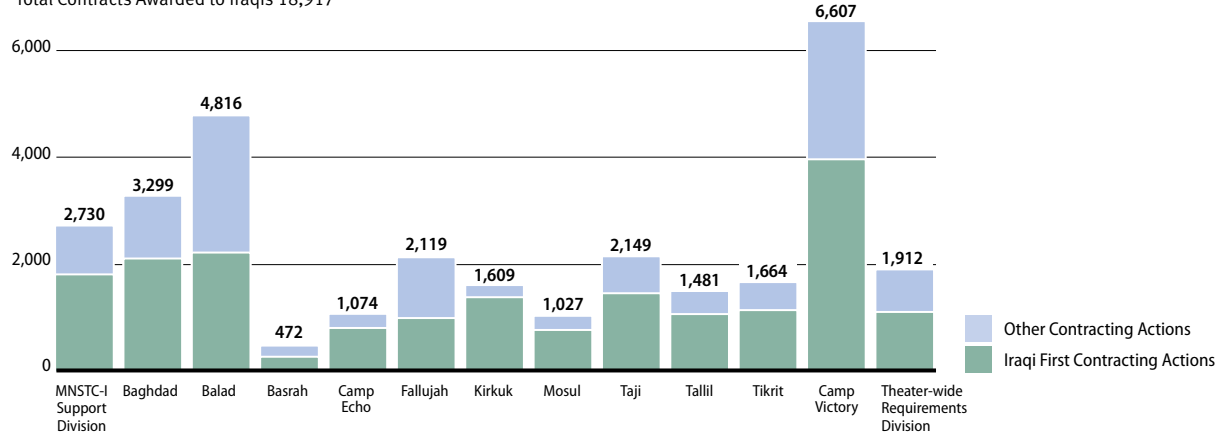
Source: JCC-I/A, Response to SIGIR Data Call (1/4/2008)



CONTRACTING ACTIONS

Total Contracting Actions 30,959

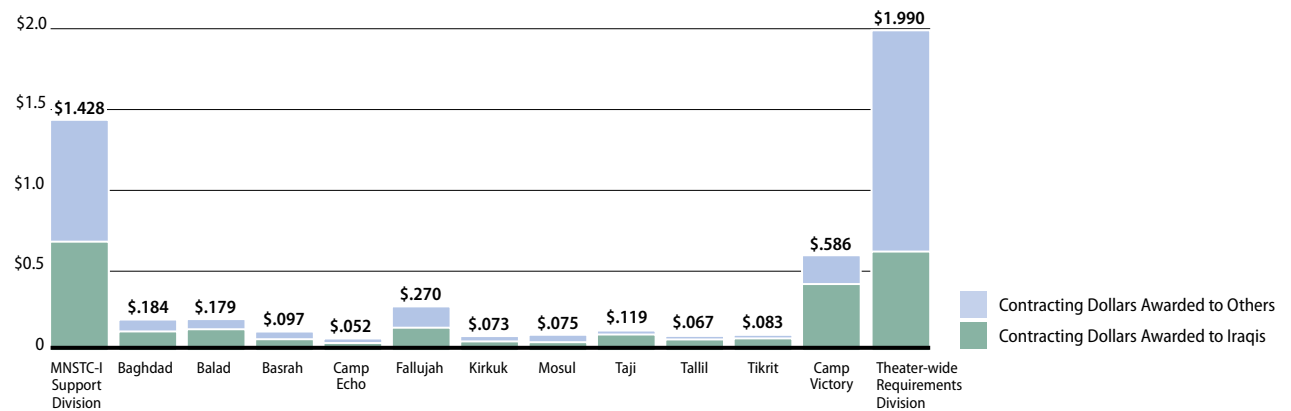
Total Contracts Awarded to Iraqis 18,917



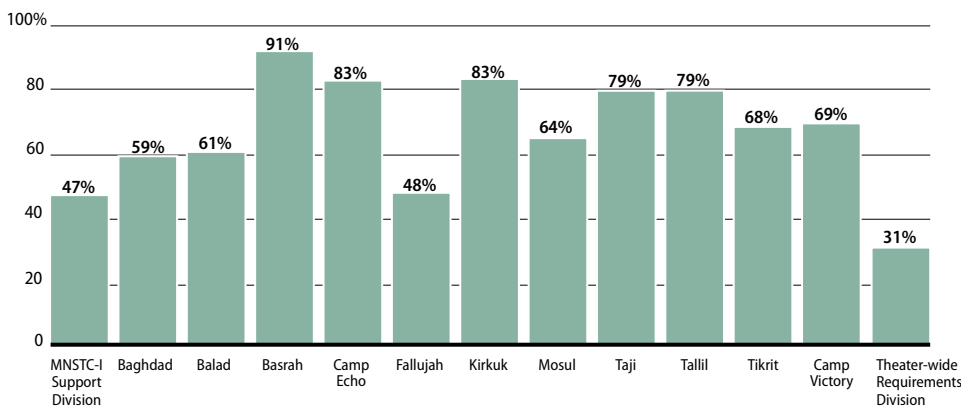
CONTRACTING DOLLARS (\$ BILLIONS)

Total Dollars Awarded \$5.203 Billion

Total Dollars Awarded to Iraqis \$2.471 Billion



CONTRACTING AWARD RATE – PERCENT OF CONTRACTING DOLLARS AWARDED TO IRAQIS



Notes:

1. Numbers are affected by rounding.
2. Theater-wide Requirements Division provides Iraq-wide contracting support of supplies, services, construction, and administration.

CONTRACT MANAGEMENT ON THE BATTLEFIELD

Several reports published this quarter highlight the need for significant improvement in the U.S. military's contract management capabilities.

The Gansler Report

The Commission on Army Acquisition and Program Management in Expeditionary Operations—led by former Under Secretary of Defense for Acquisition, Technology, and Logistics Dr. Jacques Gansler—issued the Gansler Report in November 2007. SIGIR met with Dr. Gansler in September to provide insight on lessons learned in contracting.

The Gansler Report pointed to the role of the sizable contractor force currently working in the Kuwait/Iraq/Afghanistan Theater—a workforce now almost as large as that of the entire U.S. military mission in the region. Notwithstanding the substantial number of contractors present, the report found that the Army “does not yet recognize the impact of contracting and contractors in expeditionary operations and on mission success.”¹⁹⁵ The Gansler Report also concluded that “Army contracting personnel face an increase of over 600% in workload...yet the number of Army civilian and military in the contracting workforce is stagnant or declining.”¹⁹⁶

The Commission suggested several changes to improve Army acquisition and program management. Table 2.20 summarizes several of the report's observations and recommendations. The report noted long-term problems in the contracting structure that support findings pre-

viously identified in SIGIR's oversight products. For example, the report cited the need for more trained and experienced contracting personnel, echoing SIGIR's findings in reports on DoD-managed projects. SIGIR found that more expertise has been needed in property accountability, contract administration processes, financial record keeping, ensuring proper cost controls, establishing adequate quality control programs, and other areas.

Conversion Scales in the Award-Fee Process

The CPA formed the Program Management Office (PMO) in 2003 to oversee the large reconstruction contracts in Iraq. The PMO contracted support from seven contractors for program management services. The United States spent almost \$452 million on PMO-support contracts and authorized about \$42 million in award fees as of June 2007.¹⁹⁷ These costs and fees were associated with the cost-plus award-fee contracts.¹⁹⁸

- Contractor costs were reimbursed.
- Contractors received a base fee of 3% of budgeted costs, with a possible award fee of up to 12%.
- The contractor in the electricity sector was eligible for award fees that ranged from 9% to 13%.

This quarter, SIGIR issued a report that reviewed the extent to which these seven cost-plus award-fee contracts followed the U.S. Army's recommended best practices in using conversion scales in the award-fee process. The audit, which followed up on SIGIR's previous



award-fee audit from 2006, found that the type of conversion scale used to calculate award fees under these contracts was not the one recommended by the U.S. Army because it did not provide proper incentives for contractors to strive for better-than-expected performance. Accordingly, it was possible for a contractor whose performance was barely above a minimum threshold to receive a disproportionately large share of the potential award fee.¹⁹⁹ SIGIR concluded that when cost-plus award-fee con-

tracts are used, government agencies can provide contractors greater incentives to achieve superior results by adopting an appropriate conversion scale and writing it into the award-fee plan.²⁰⁰

Comparison of USACE-GRD and AFCEE Services and Fees

GRD and AFCEE are now the primary organizations providing project management and contract administration services.²⁰¹

GANSLER REPORT OBSERVATIONS AND RECOMMENDATIONS

| ISSUE | OBSERVATIONS | RECOMMENDATIONS |
|--|--|--|
| Army Organizational Structure and Responsibility | <p>Contracting is not valued as a discipline and is treated as an operational and institutional side issue.</p> <p>Multiple commands have responsibility for contracting, but none have the responsibility to synchronize all contracting activities.</p> <p>Contracting activities in theater are not fully integrated.</p> | <p>Authorize additional officers for contracting positions.</p> <p>Ensure that Army contracting personnel start their contracting careers earlier.</p> <p>Fund career planning, training, and educational programs to assist in building an expert workforce.</p> <p>Establish an Army Contracting Command.</p> <p>Create an Integrated Expeditionary Command in theater that would be the single contracting and contract management authority.</p> |
| Contracting Personnel | <p>There is a lack of trained and experienced military officers and non-commissioned officers in contracting.</p> <p>Only 3% of Army contracting personnel are serving on active military duty.</p> <p>Although the number of contracting personnel has declined, workload has increased by as much as 600%.</p> <p>The Army's acquisition workforce is not adequately staffed and trained.</p> <p>Only 56% of the military officers and 53% of the civilians in the contracting career field are certified for their positions.</p> <p>Expeditionary contracting is more complicated and requires more experienced personnel.</p> | <p>Increase the number of military and civilian contracting workforce by 25%.</p> <p>Provide deploying personnel with tools to help them in theater.</p> <p>Provide training before contracting personnel arrive in theater.</p> <p>Establish an Expeditionary Contracting Command that would be responsible for providing skilled, trained personnel to support expeditionary forces.</p> |

Source: Commission on Army Acquisition and Program Management in Expeditionary Operations, "Urgent Reform Required: Army Expeditionary Contracting," November 2007.

TABLE 2.20



This quarter, SIGIR issued a report that describes differences in services and fees for management and administration of reconstruction contracts by GRD and AFCEE. Both provide construction services that included project management and design, contract administration, fiscal and administrative management, and quality assurance. In a gross comparison, GRD’s fees for its services appeared much higher than AFCEE’s fees.

The audit concluded that there is “little comparability and transparency of the fees charged and services provided by the two organizations.”²⁰² Table 2.21 summarizes the differences noted in SIGIR’s audit.

During the audit, SIGIR learned that the organizational approaches to managing and administering projects shared similar characteristics:

- Both charged fees intended to recover costs.
- Both recognized that costs will be higher

than the fees on some projects and lower on others, with total fees adjusted to recover costs.

- Neither recorded actual costs on individual projects.
- Neither recovered security and life-support costs in its fees.

SIGIR recommended that the Secretary of Defense undertake a thorough comparative analysis of the services provided and fees charged by these organizations. SIGIR concluded that DoD should ensure that each organization is charging fees that are appropriate for the services provided and for recovering all costs that are appropriately included in fees. This analysis could also consider the benefits of a managed degree of competition between the organizations to spur more rigorous cost management, as well as the benefits of shared best practices and models.

SEVERAL DIFFERENCES IN PROJECT MANAGEMENT AND ADMINISTRATION BY USACE-GRD AND AFCEE

| | GRD | AFCEE |
|-----------------------------|---|--|
| Project Planning and Design | Initial work involved design-build contracts that required more involvement in the design and construction phases, but subsequently moved to smaller shorter-term projects. | Detailed design services not provided for its projects. Assisted customers with project planning and requirements definitions, but accomplished construction without detailed design packages. |
| Quality Assurance | Relied primarily on its military and civilian employees for quality assurance efforts. | Used contractors for quality assurance services. |
| Fees Charged | Fees ranged from 4% to 9.2%, but GRD charged 6.5% for full contract supervision and administrative services. | Initial fee for comparable services was 1.5% of project cost, but AFCEE’s fee in the past year has increased to just over 3%. |

Source: SIGIR Audit-08-005, “Differences in Services and Fees for Management and Administration of Iraq Reconstruction Contracts,” January 2008.

TABLE 2.21



Army Operational Plans for Contractor Support on the Battlefield

The U.S. Army Audit Agency also noted improvements needed in Army contract management. These are the observations noted in its November 28, 2007 audit on contractor support on the battlefield:²⁰³

- Improvement is needed to ensure adequate incorporation of contractor integration issues and the known contractor staffing requirements into planning documents.
- Most operational planning documents did not include contractor integration plans.
- There is no comprehensive information source for planners and contracting personnel that addresses contractor integration Army-wide.
- Contracts must include the appropriate clauses or language to prevent the discontinuation of essential services during mission operations, uncertainty about the roles and responsibilities of the contractor and government personnel, and other serious risks.

For a list of reports published by other oversight agencies this quarter, see Section 4 of this Report.

Management and Coordination of Activities

SIGIR and other agency audits have identified a lack of coordination of activities in managing and administering reconstruction projects in Iraq.

STRATEGIC PLANNING

GAO released an audit this quarter on the civilian capacity to manage stabilization and reconstruction operations. GAO found that the office of the Coordinator for Reconstruction and Stabilization is developing a planning and coordination framework for reconstruction operations. According to the report, DoS is in the process of developing three civilian corps that can respond quickly to international crises; however, “key details for establishing and maintaining these units remain unsolved.”²⁰⁴

PROVINCIAL RECONSTRUCTION TEAMS

SIGIR’s audits of the PRT program in October 2006, July 2007, and October 2007 found no coordinated strategic plan for PRT activities. Although the audits noted progress in some PRTs, they highlighted the critical need to identify each province’s resource requirements and to assign appropriately trained personnel to address those requirements.

This quarter, the Embassy reported that the “recently formed Joint PRT Steering Group in Baghdad will provide more timely and reactive strategic guidance to the PRTs/ePRTs/ PSTs.”²⁰⁵ The group has been formed to provide oversight for the development of a joint PRT strategy. Moreover, the Embassy’s Planning/Assessment cell—in coordination with MNF-I, PRTs, and other Mission organizations—has developed an assessment handbook with a set of metrics and PRT performance measures that are tied to the Joint Campaign Plan and Mission Strategic Plan,



as reported by the Embassy.²⁰⁶ For more information, see the discussion of Provincial Reconstruction Teams later in this section.

CONSTRUCTION OVERSIGHT

SIGIR released an audit this quarter on Parsons and the work of its subcontractors on the facility construction and repair work at the Taji Military Base and the renovation of the Baghdad Recruiting Center. The audit found that the work was generally completed to the government's satisfaction but made these observations:²⁰⁷

- There were significant limitations to full-and-open competition in awarding subcontracts, which comprise almost 75% of the cost of reconstruction.
- At the time of construction, Parsons had weaknesses in its contract-billing system that increased the risk of erroneous billings. These weaknesses have since been corrected.
- Although construction work has been completed, the task order remains open because of inventory discrepancies.

SIGIR has made several observations about large construction projects in Iraq. For a summary of SIGIR audits released this quarter, see Section 3 of this Report.

ASSET TRANSFER

The handover of completed U.S.-funded projects to appropriate Iraqi authorities has been slowed by the absence of a clearly defined asset transfer process. Past SIGIR products have identified weaknesses in transferring completed projects

on the part of both U.S. government agencies and the GOI. The Iraqi Board of Supreme Audit (BSA) also recently voiced concern over the transfer of completed projects.

A formal asset transfer process is important because the GOI needs to plan for and fund infrastructure and sustainment of completed projects nationwide. This requires a comprehensive knowledge by all appropriate ministries of assets being transferred to GOI control.

Transferring Projects at the Provincial Level

In 2006, the Embassy established an asset transfer process with the Iraqi Ministry of Finance and initially was successful in transferring projects. However, for unknown reasons, the GOI halted transfers at the national level in July 2006. In the absence of a comprehensive national asset transfer process, U.S. agencies have transferred projects at the provincial level, directly to local ministry officials, or directly to national government officials.

For example, 92.4% of MNSTC-I's projects transferred to Iraqi authorities occurred at the local level. Moreover, no projects were transferred to national authorities in the past two quarters. MNSTC-I noted these asset transfer challenges:²⁰⁸

- the refusal of some GOI officials to sign transfer documents because they do not have the authority to sign or are not sufficiently familiar with the projects
- the apparent lack of a central function responsible for accepting the transfer of facilities within an Iraqi Army installation,



making the identification of the appropriate Iraqi Army units to sign for the facilities a “serious challenge”

Table 2.22 shows the number of projects that MNSTC-I has transferred to Iraqi control.

GRD also has transferred most of their projects to Iraqi officials at the local level. Table 2.23 shows that of the 3,429 projects transferred by the GRD to Iraqi authorities, 77.3% have been handed over to local officials and 22.7% to national authorities. In the most recent quarter, however, only 41 projects were transferred to local officials, and no projects were transferred to national authorities.²⁰⁹ USAID successfully worked out a transfer agreement with the Iraqi Ministry of Communications for its communication projects but has not been successful

in working out agreements with other Iraqi ministries.²¹⁰

Concern over the transfer of completed projects has also been voiced by Iraqi government officials. This quarter, the BSA published a report on the transfer of U.S. assets to the Iraqi ministries. According to the report, BSA reviewed approximately 17,000 U.S.-funded projects with a total estimated value of about \$13 billion. These are key findings translated from the original Arabic text:²¹¹

- The benefited entities confirmed the existence of the projects; however, they do not have any information or documentation on project cost, total disbursement, contractual procedures, or project execution.
- Some benefited entities confirmed that they do not have records of project ownership

NUMBER OF MNSTC-I PROJECTS TRANSFERRED TO IRAQI CONTROL

| | TOTAL | LAST CALENDAR YEAR-TO-DATE | LAST QUARTER | THIS QUARTER |
|----------------|-------|-------------------------------|--------------|--------------|
| Local Level | 1,179 | 542 | 34 | 405 |
| National Level | 97 | 2 | 0 | 0 |

Source: MNSTC-I, response to SIGIR data call, January 18, 2008.

TABLE 2.22

NUMBER OF GRD PROJECTS TRANSFERRED TO IRAQI CONTROL

| | TOTAL | YEAR-TO-DATE | LAST QUARTER | THIS QUARTER |
|----------------|-------|--------------|--------------|--------------|
| Local Level | 2,649 | 521 | 158 | 41 |
| National Level | 780 | 237 | 48 | 0 |

Source: GRD, response to SIGIR data call, January 4, 2008.

TABLE 2.23



and have no information on the entity that initiated the project request. They also confirmed that they do not have these projects on their financial and accounting records.

- The appropriate ministries and the Ministry of Planning were not notified of the executed projects.

SIGIR previously reported concerns about the challenges of transferring assets to the Iraqi ministries. Table 2.24 provides a summary of these

audit findings. SIGIR is planning a review of the asset transfer process for next quarter.

ITAO reported that it has drafted a bilateral agreement between the U.S. government and the GOI on the transfer of capital assets. The draft agreement was sent to the GOI in November 2007 but has not yet been adopted.²¹²

ANTICORRUPTION ACTIVITIES

SIGIR has published several reports on the coordination of the GOI and U.S. agencies to develop

SIGIR AUDIT FINDINGS ON PLANNING AND COORDINATION OF ACTIVITIES—ASSET TRANSFER

| AUDIT | SUMMARY OF FINDINGS |
|---|--|
| SIGIR Audit 07-004, "Transferring Iraq Relief and Reconstruction Fund Capital Projects to the Government of Iraq," 7/25/2007 | <p>IRMO (now ITAO) and its implementing partners—USAID, MNSTC-I, and GRD—worked hard to put a capital asset transfer process in place but were stymied by the GOI's unanticipated reluctance to accept project responsibility and ownership.</p> <p>The agencies were initially successful in transferring projects: between April 23 and June 30, 2006, MNSTC-I and GRD transferred 435 completed IRRF-funded projects to the GOI through the Ministry of Finance.</p> <p>Conditions changed in May 2006, according to IRMO (now ITAO), when a new Minister of Finance was appointed, effectively halting transfers at the national level in July 2006.</p> <p>At the time of the audit's publication, IRMO (now ITAO) and its implementing U.S. partners were developing alternatives to achieve the objective of capital asset transfer to the GOI.</p> |
| SIGIR Audit 06-007, "U.S. Agency for International Development Management of the Transfer of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government," 4/29/2006 | <p>Neither USAID nor the former IRMO established a requirement to report completed projects to the Ministry of Finance and Ministry of Planning.</p> <p>USAID policies did not require the provision for the notification and sufficient information to the appropriate Iraqi ministries to enable adequate long-term, nationwide planning for the integration and sustainability of construction project assets.</p> <p>National Security Presidential Directive No. 36 gives the U.S. Ambassador the authority to direct how the turnover of completed projects will occur; a process is being put in place (as of April 2006).</p> |
| SIGIR Audit 06-006, "Multi-National Security Transition Command-Iraq Management of the Transfer of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government," 4/26/2006 | <p>MNSTC-I has developed an excellent process for transferring defense-related assets to the Ministry of Defense, but a lack of capability in the Ministry of Interior impeded the transfer of police-related assets.</p> <p>MNSTC-I developed a timeline in November 2005 for the Ministry of Interior to organize both national and provincial infrastructure planning for projects; however, a complicated process contributed to the failure to meet the organizational milestones.</p> <p>The breakdown in planning for operating and maintenance and sustainment of project assets had created a very high risk for the timely transition of those responsibilities from the U.S. government to the GOI.</p> |

TABLE 2.24



a strong anticorruption campaign in Iraq. Table 2.25 summarizes their key points.

This quarter, a new SIGIR review found progress in the planning and coordination of U.S.-led anticorruption activities. The report noted that the U.S. Ambassador has directed actions to improve the oversight and coordination of anticorruption programs, calling for a senior official to report directly to the Deputy Chief of Mission and for the reorganization of key anticorruption personnel.

Moreover, the U.S. Embassy recognized the need to design and implement a comprehensive, integrated anticorruption strategy to better assist Iraqis in combating corruption. On December 7, 2007, the Ambassador requested more support to better coordinate all U.S. anticorruption policy and programs in Iraq.²¹³

CAPACITY DEVELOPMENT ACTIVITIES

SIGIR Audit 06-045 noted a lack of an overarching U.S. capacity development program with specific roles and objectives. Individual agencies conducted capacity-building activities, and “no one office or person is clearly in charge of the overall U.S. government capacity-development effort.”²¹⁴

GAO published an audit in October 2007 that reiterated SIGIR’s findings on the U.S. capacity development program. GAO’s report found that “U.S. efforts lack an overall strategy, no lead agency provides overall direction, and U.S. priorities have been subject to numerous changes.”²¹⁵

For more details on audits on this topic, see Capacity Development later in this section.

SIGIR AUDIT FINDINGS ON PLANNING AND COORDINATION OF ANTICORRUPTION ACTIVITIES

| AUDIT | SUMMARY OF FINDINGS |
|---|--|
| SIGIR Audit 07-007, “Status of U.S. Government Anticorruption Efforts in Iraq,” 6/24/2007 | <p>The absence of a program manager with the authority and support to provide the necessary leadership and coordination of the overall anticorruption effort impeded the implementation of a coherent anticorruption program.</p> <p>There is no comprehensive, integrated plan with metrics that tie the programs of several organizations to an overall U.S. Mission-Iraq strategy or that provide a baseline to measure progress.</p> <p>The absence of an overall strategy makes it difficult to assess the adequacy of funding to meet the desired end state.</p> |
| SIGIR Audit 06-021, “Joint Survey of the U.S. Embassy-Iraq’s Anticorruption Program,” 7/28/2006 | <p>Total funding for ongoing and planned anticorruption activities through June 15, 2006, was approximately \$65 million—less than 0.003% of the total IRRF funding at that time.</p> <p>In late 2005, the U.S. Embassy-Iraq reconstituted its Anticorruption Working Group and in December 2005 released its strategic plan for reducing corruption.</p> <p>Notwithstanding the strategic plan and other efforts, no single office had the authority or responsibility for the oversight and coordination of anticorruption efforts.</p> |

TABLE 2.25





PROVINCIAL RECONSTRUCTION TEAMS

To lead the decentralizing of U.S. reconstruction and capacity-building efforts, DoS established the Provincial Reconstruction Team (PRT) program in November 2005. PRTs draw on U.S. interagency expertise to focus on building capacity in Iraq's local governments. Of the ten original PRTs in Iraq, three are led by Coalition partners. There are also seven Provincial Support Teams (PSTs) in Iraq. PSTs are colocated with the PRTs and travel to provinces to engage local officials and conduct capacity-building activities.

In January 2007, in coordination with the military surge, the United States added 15 new PRTs to the 10 already established throughout Iraq. The primary mission of these 15 new PRTs (called ePRTs) differs from that of the original 10 PRTs in a number of ways. The ePRTs are embedded with a military brigade combat team (BCT). The ePRTs are active primarily in programs that aim to win the loyalties of the local population.

Figure 2.23 shows a map of PRTs, ePRTs, and PSTs in Iraq.

PRT Footprint

As of December 2007, 25 PRTs are operating in Iraq—10 at the provincial level and another 15 ePRTs in U.S. BCTs across Iraq. The ePRTs are concentrated in the Anbar, Diyala, Baghdad, and Wassit provinces.²¹⁶ They facilitate support for moderate elements that seek peaceful ways in which to resolve political differences.²¹⁷

The 25 PRTs are staffed by a pool of civilian, military, and contractor personnel from DoS, USAID, DoJ, the Department of Agriculture, GRD, Coalition military forces, and the U.S. Embassy. These teams serve as an interface between U.S. and Coalition partners and provincial and local governments throughout Iraq.

PRT Funding

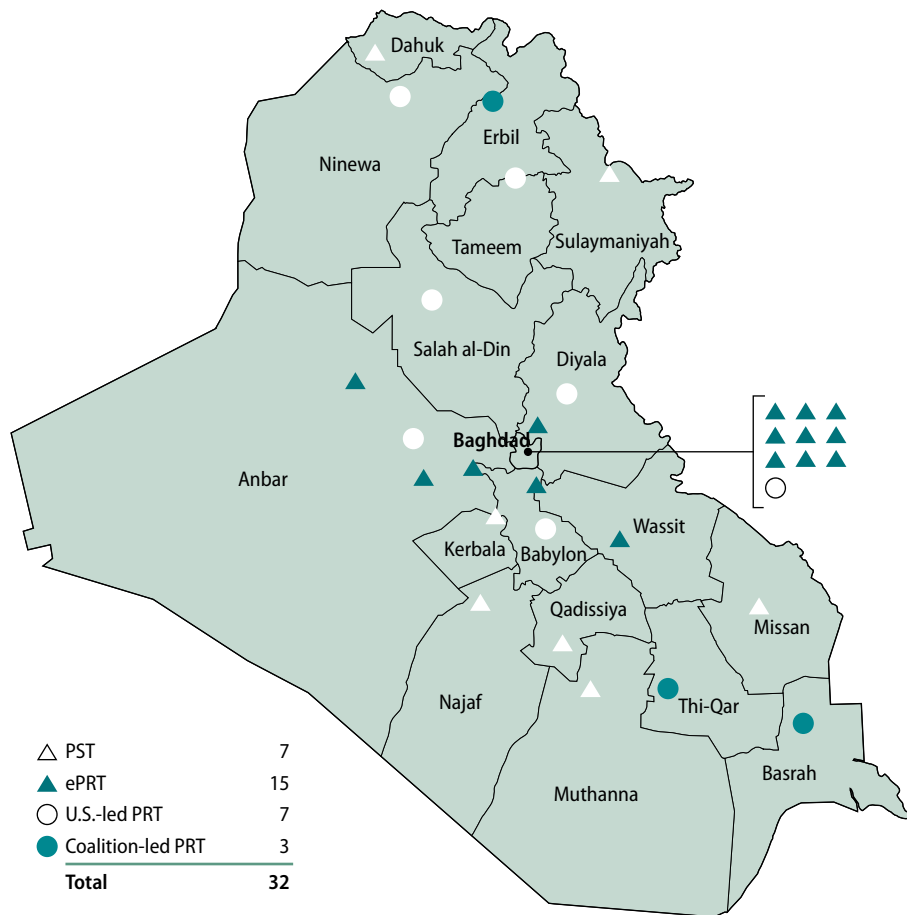
To support the program's expansion, \$475 million from the Economic Support Fund (ESF) was allocated to the PRT/Provincial Reconstruction Development Council (PRDC) program for FY 2007. This was an increase of nearly 51% from the \$315 million allocated in FY 2006. In addition to operational funding, two other ESF programs—USAID's Local Governance



Figure 2.23

PROVINCIAL RECONSTRUCTION TEAM PROGRAM IN IRAQ

Source: SIGIR Audit 07-015, "Review of the Effectiveness of the Provincial Reconstruction Team Program in Iraq" (October 2007)



Note: Locations are approximate.



Program (LGP) and the Quick Response Fund (QRF)—directly support PRT activities. For the status of PRT funding, see Table 2.26.

PRT Core Functions

The U.S. reconstruction strategy relies on the ability of PRTs to provide a balance of diplomatic, military, and development capabilities to bolster the efforts of local governments and spur economic development. The ultimate aim of the PRT program is to build the capacity of local governments to provide for the needs of the population.

PRT goals include achieving effective governance, establishing the rule of law, promoting

economic development, reconstructing basic infrastructure, and realizing political reconciliation. Meeting these goals is a critical step toward establishing a level of stability in the area covered by each PRT so that the U.S. military can transfer security responsibility to the GOI.

SIGIR's October 2007 PRT audit identified five specific core functions and performance measures of the PRTs in Iraq:

- rule of law
- economic development
- governance
- reconstruction
- political reconciliation

U.S. PRT PROGRAM (\$ MILLIONS)

| PRT FUNDING CATEGORY | FY 2006 SUPPLEMENTAL ENACTED | FY 2007 SUPPLEMENTAL ENACTED | TOTAL |
|---------------------------------|------------------------------|------------------------------|----------------|
| Program Funding from ESF | | | |
| PRT/PRDC Projects | \$315 | \$475 | \$790 |
| PRT Local Governance Program | 155 | 90 | 245 |
| Quick Response Fund | | 125 | 125 |
| ESF Total | \$470 | \$690 | \$1,160 |
| Operational Funding | \$230^a | \$414 | \$644 |
| Grand Total | \$700 | \$1,104 | \$1,804 |

Source: DoS, reported in SIGIR Audit 07-015, "Review of the Effectiveness of the Provincial Reconstruction Team Program in Iraq," October 18, 2007; ITAO, response to SIGIR data call, October 18, 2007.

Notes:

^aNone of the operating funds from FY 2006 were obligated or expended in FY 2006; they were carried forward into FY 2007.

TABLE 2.26



RULE OF LAW

PRTs work with local officials to increase the confidence of local communities in the rule of law. This quarter, PRT leaders continue to describe security conditions in many towns and villages as “uneven across the board.” The uneven security situation impacts the establishment of the rule of law in the provinces.²¹⁸ Embedded PRT leaders report that, when they travel to meetings outside the ePRT base of operations, they continue to use full armored convoys. In Salah al-Din, however, the PRT leader noted that authorities can operate fairly easily with a minimum amount of security in some towns, although just a few towns over, travel and activities necessary to perform rule-of-law functions are much more difficult.²¹⁹

During this quarter, PRTs supported rule-of-law programs, including:

- distributing laptop computers to judges in each of the south central provinces
- establishing an ombudsman program for detainees in Adhmudiyah²²⁰

ECONOMIC DEVELOPMENT

ESF and CERP funds are the major U.S.-funding sources for economic development programs at the PRT level. The PRT program, however, is not intended to take the place of more established development agencies. If the PRT operates as designed, the program should phase out as stabilization and reconstruction programs shift

to longer-term development programs.

Another mechanism for boosting economic development at the local level is the QRF. The QRF is intended to be a CERP-like funding source to execute high value, quick-turnaround projects. According to DoS, QRF has four vehicles of delivery:²²¹

- micro-purchases: up to \$25,000
- small grants (submitted by PRT, approved by the U.S. Embassy interagency, and implemented by PRT): up to \$50,000
- large grants (submitted by PRT, approved by the U.S. Embassy interagency and NEA in Washington, D.C.; implemented by a USAID partner): up to \$200,000
- direct procurements: up to \$200,000

The use of QRF micro-grants is under consideration. This tool will be used by PRTs to support small businesses with grants up to \$5,000 without the approval of the U.S. Embassy.

GOVERNANCE

The USAID representatives in PRTs oversee the Local Governance Program (LGP). Most LGP employees work on-site with the PRTs on issues related to governance, public finance, and city planning. The PRT-based advisors help deliver LGP’s national programs in budget execution and identification of provincial development strategies, among others.²²²



This quarter, LGP personnel developed a handbook called *The Republic of Iraq District Government Field Manual*. The handbook is designed to help Iraqi citizens, Coalition military officials, and others who support reconstruction in Iraq to gain a better understanding of how the government operates.

In addition, PRTs have noted these accomplishments:²²³

- **Progress re-establishing local governments where needed.** As of November 2007, PRTs have helped establish or rebuild 16 governorate councils, 96 district councils, 195 city or sub-district councils, and 437 neighborhood councils, as well as elections for governors, mayors, and local councils.
- **More capable existing governments.** The program has trained 2,000 members, 28 governors, 42 deputy governors, 420 directors general, and key staff in 380 Iraqi ministries and departments to increase capacity to manage and execute budgets in a transparent and sustainable manner.
- **Improved transparency.** The Ninewa PRT, for example, has assisted the provincial government with executing its \$241 million of Iraq reconstruction and infrastructure improvement funds.

RECONSTRUCTION

As of November 21, 2007, more than \$220 million in PRT/PRDC projects have been completed in Baghdad since 2005. Approximately 80% of the projects in Baghdad are aimed at improving municipal water services and reconstruction and modification of schools. These projects include building new sewer lines, repairing water treatment plants, and constructing new elementary schools.²²⁴

The PRTs play a coordinating role between the Gulf Region Division (GRD) and the local Iraqi officials who make up the PRDC in each province. Operated by Iraqi officials and advised by PRT members, PRDCs help local governments to achieve key reconstruction objectives. Provincial and local Iraqi PRDC officials, assisted by PRTs, select and prioritize projects, which are then approved at the national level. GRD facilitates PRDC project requests with U.S. funding sources. For the status of ESF funds used for PRDC projects, see the discussion of the Economic Support Fund in Section 2a of this Report.

As an example, this quarter, the Baghdad PRDC has focused on the improvement of essential services (awarding 42 construction projects). Major Baghdad PRDC projects include renovation of the Baghdad City water network and school construction (the Al Manama Elementary School was built for \$796,000). PRT/PRDC projects are also underway in Iraq's other provinces.



Table 2.27 shows the major PRT/PRDC projects across Iraq. As the table shows, the largest projects target electricity, water and sanitation, and health care needs.

POLITICAL RECONCILIATION

The salutary effects of local reconciliation efforts have been widely reported. In the provinces, PRTs, working with associated military com-

manders, have reinforced the “Awakening Movement” and the Concerned Local Citizen (CLC) groups. The advance in this relationship has improved security conditions in certain provinces.

One of the immediate results of increased stability has been progress toward reconnecting provincial governments to their populations.²²⁵

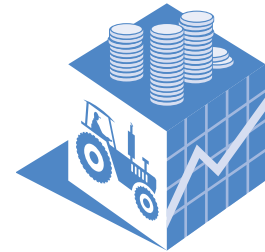
PRT/PRDC PROJECTS WITH HIGHEST TOTAL COST BY PROVINCE (\$ MILLIONS)

| PROJECT | PROVINCE | TOTAL COST |
|--|--------------|------------|
| Provide and Install 132-kV Power Cable Feeder Phase 1 | Basrah | \$16.0 |
| Musayib Maternity Hospital | Babylon | \$8.9 |
| Ba’quba Landfill | Diyala | \$8.2 |
| Missan Surgical Hospital, Phase 1 | Missan | \$6.5 |
| Renovate Haditha General Hospital | Anbar | \$5.2 |
| Kirkuk Master Plan | Tameem | \$5.2 |
| Sommer 33/11 Substation and 33-kV Underground Feeder | Ninewa | \$4.2 |
| Reconstruction of Zharawa Bridge (flood) | Erbil | \$4.1 |
| Al-Sarray Electrical Network | Qadisiya | \$4.1 |
| Water Network Rehabilitation | Kerbala | \$3.1 |
| Maintain Road | Wassit | \$3.1 |
| Equipment for Primary Healthcare Clinics | Baghdad | \$2.5 |
| Infrastructure for Najaf International Airport Phase 1 | Najaf | \$2.3 |
| Muthanna 33-kV Underground Cable | Muthanna | \$2.2 |
| Malta and Zerka 100-meter Road | Dahuk | \$1.5 |
| Tuz Power Network Refurbishment Phase 1 | Salah al-Din | \$1.5 |
| Nassriya 33-kV Power Line | Thi-Qar | \$1.4 |
| Construction of Water Network, Said Sadq | Sulaymaniyah | \$1.2 |

Source: ITAO, *Essential Indicators Report*, December 4, 2007 and January 8, 2008.

Note: Numbers are affected by rounding.

TABLE 2.27



ECONOMIC DEVELOPMENT

Economic development across Iraq is progressing, albeit slowly. The International Monetary Fund (IMF) recently reported that, despite progress from the surge, the security situation continues to hamper economic recovery.²²⁶ The consistent delivery of essential services to residential and commercial consumers is critical to revitalizing the Iraqi economy, and the GOI thus has prioritized improving essential services in 2008.

U.S. programs to support Iraq's economic development are funded by the IRRF, ESF, CERP, and Iraq Freedom Fund (IFF). As of January 3, 2008, DoS reports that 111,992 Iraqis are employed through these programs. These funds have supported efforts to strengthen Iraq's

energy-related economic sectors, deliver essential services, and promote economic growth by stimulating the manufacturing, agriculture, and banking industries. CERP funds also have supported small business development and micro-finance projects at the local level.

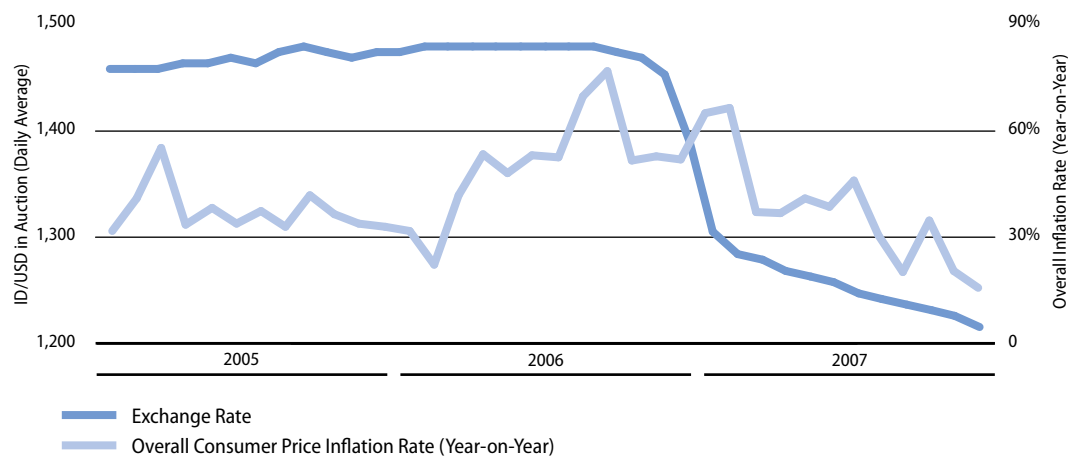
Economic Indicators

Iraq's fiscal outlook received a boost this quarter from higher crude oil prices and record high oil production.

The relative control of inflation is a promising economic indicator, stemming from the successful appreciation of the dinar by the Central Bank of Iraq (CBI), backed by higher interest rates.²²⁷ Figure 2.24 shows the movement of the

Figure 2.24

EXCHANGE RATE AND OVERALL INFLATION RATE
 Source: Central Bank of Iraq, "Key Financial Indicators" (1/2/2008)





CONSUMER PRICE INDEX (% CHANGE)

| | FOOD ITEMS | TOBACCO & DRINKS | CLOTHING | HOUSEHOLD GOODS | FUEL & ELECTRICITY | TRANSPORTATION & COMMUNICATIONS | MEDICINE & MEDICAL SERVICES | MISCELLANEOUS GOODS & SERVICES | RENT |
|----------|---------------|---------------------|----------|--------------------|-----------------------|------------------------------------|-----------------------------------|-----------------------------------|-------|
| Dec 2004 | 2.1% | -17.4% | -8.9% | -6.5% | 11.3% | 17.7% | 9.7% | 14.5% | 90.7% |
| Dec 2005 | 25.8% | 12.8% | 19.1% | 14.8% | 38.6% | 69.7% | 16.1% | 32.5% | 32.6% |
| Dec 2006 | 36.2% | 18.7% | 17% | 14.9% | 262.0% | 73.7% | 22% | 33.2% | 31.5% |
| Jun 2007 | 14.5% | 0.08% | 11.6% | 8% | 188.5% | 31% | 16.7% | 27.4% | 22.4% |

Source: IMF: Statistical Appendix, August 2007, p. 7.

TABLE 2.28

exchange rate and year-on-year inflation (measured by the change in consumer price index) as measured by the CBI.

Pricing of essential consumer goods has varied widely since 2004, although the costs of fuel and electricity continue to climb steadily. Table 2.28 tracks the changing cost of key consumer goods from December 2004 to June 2007.

The GOI progressed in managing its debt this quarter, completing the early repayment of its entire remaining debt to the IMF—\$470.5 million.²²⁸ The IMF approved a successor Stand-by Arrangement (SBA) of approximately \$744 million to support Iraq's economic program through March 2009.²²⁹

The main objective of the new SBA is to maintain macroeconomic stability, facilitate higher investment in the oil sector, and continue the key economic reforms the GOI initiated under the previous SBA. Necessary reforms include:²³⁰

- strengthening public financial management and the accounting framework at the CBI
- restructuring of the Rafidain and Rasheed banks
- achieving an equitable distribution of revenues from the oil sector through passage

of pending hydrocarbon legislation

GDP growth will increase from higher oil production and prices. Increased revenues will permit private and public-sector investment to grow in less volatile regions. The CBI stated that the most important factors in raising Iraq's standard of living are increasing oil production and raising exports to 3.5 million barrels per day (MBPD)²³¹ (a level well above the current average of 1.941 MBPD).²³²

Iraq's primary economic indicators show that:

- Unemployment is reported at 17% and underemployment 38%.²³³ The Ministry of Labor and Social Affairs estimates that the number of unemployed Iraqis is now at 1.2 million, but other estimates are twice that number.²³⁴
- The consumer price inflation rate (year-on-year) decreased from 34% in September 2007 to 15% in November 2007, its lowest rate since hitting a high of 76% in August of 2006.²³⁵ The CBI has instituted several interest rate increases that have helped control price growth, leading to the recent stabilization of inflation.
- As of January 3, 2008, the exchange rate was 1,215 dinars to the dollar, up margin-



ally from last quarter.²³⁶ The CBI intends to maintain its present exchange rate and monetary policy stance as a means of encouraging Iraqis to use dinars rather than U.S. dollars and to further stabilize core inflation.²³⁷

U.S.-funded Economic Capacity Development in Iraq

The United States funds economic capacity-building programs related to the banking and finance sectors in Iraq. This quarter SIGIR highlights two of these programs: the electronic funds transfer (EFT) system and U.S. advisory support provided to the Iraq Stock Exchange.

ELECTRONIC FUNDS TRANSFER

SIGIR noted last quarter that Iraq finally activated an electronic funds transfer (EFT) system. The United States continues to fund efforts to boost Iraq's EFT capabilities in an effort to strengthen Iraq's banking system. Current policy mandates that vendors with contracts valued at greater than \$50,000 in the Baghdad area must receive payment via EFT.

This quarter, EFT payments represent approximately 25% of the total payment for contracts awarded in the Baghdad area.²³⁸ As of December 26, 2007, 18 banks were connected to the EFT system, and 9 more are preparing for connection. The long-term goal is to bring 39 banks online over the next 18 months.

IRAQ STOCK EXCHANGE

The automation of the Iraq Stock Exchange is estimated to be ready by the end of the first quarter in 2008. Domestic and foreign equity transactions will be conducted via the new electronic trading system.²³⁹ The Iraq Securities Commission is functioning and providing oversight of the Iraq Stock Exchange. Further, the rules and regulations that support the new draft Iraq Securities Law are 80% complete and should be finalized by the end of this quarter. The Iraq Securities Law will be proposed in the Council of Representatives during the first quarter of 2008.

Strengthening Industry in the Non-energy Sectors

Iraq's oil industry accounts for approximately 65% of the GDP and 84% of the national budget.²⁴⁰ But the GOI is working to improve the economic impact of Iraq's agriculture, manufacturing, and banking industries as well as transportation and communications. In this section, SIGIR updates the progress of U.S. programs that support that development. For a discussion of progress in the oil sector, see the discussion in Services later in this Report.

AGRICULTURE

Agriculture contributes about 10% of Iraq's GDP and employs about 25% of Iraq's workforce.²⁴¹ Through 2006, USAID programs funded by the IRRF supported the Agriculture Reconstruction and Development for Iraq (ARDI) program,



which was completed in December 2006. The Inma Agribusiness Program provides U.S. support to the GOI in developing provincial-level agronomic systems to promote agribusiness and the processing of agricultural products. Inma is funded from ESF dollars and focuses specifically on boosting Iraq's tree crop, horticulture, and livestock industries.²⁴² Additionally, Inma provides short-term, quick impact projects to support PRT activities.

The Provincial Economic Growth (PEG) program is a follow-on effort to the Izdihar private-development project, funded originally from the IRRF and now through the ESF. The Izdihar program focused on private-sector development through investment promotion, trade policy, business management services, and enterprise development.

U.S.-funded programs in the agriculture sector are shifting from short-term to long-term development programs. U.S. agricultural advisors are part of the PRTs working across Iraq. One agriculture project in the Al-Taji Nahia area, 17 miles northwest of Baghdad, is helping Iraq's farmers to plant their first crop in four years. PRT officials are also working with local farmers to establish markets, rebuild livestock feed mills, construct slaughterhouses, plant crops, and train veterinarians.

MANUFACTURING

Iraq's manufacturing industry accounts for approximately 2% of Iraq's GDP.²⁴³ Last quarter, SIGIR noted that 175 state-owned enterprises (SOEs) are now operational—still beneath the 240 operating before the war. Of the SOEs that

are currently operational, the majority are operating at less than 30% of capacity.²⁴⁴

Since July 2007, the Task Force to Improve Business and Stability Operations (TF-BSO) has been working to restart major industrial operations at selected factories in Iraq. DoD's TF-BSO focuses on restarting idle public and private industrial enterprises by developing these market opportunities.²⁴⁵

- Direct the contracting for portions of U.S. and Coalition materials to Iraqi-supplied products.
- Reestablish intra-Iraqi and regional demand.
- Reestablish global supply relationships with U.S. and international industry.

TF-BSO was allocated \$50 million from the IFF. As of this quarter, TF-BSO had obligated \$37.8 million.²⁴⁶ Since December 25, 2007, 17 factories have restarted production operations, providing employment to approximately 5,000 Iraqis. TF-BSO estimates that an additional 30 factories will come online by March 2008.²⁴⁷ These factories produce clothing and tractors and perform various types of mechanical assembly.

TF-BSO is also assisting JCC-I/A with its contracting and procurement systems, enabling it to direct, on average, more than \$200 million per month of regional DoD spending to at least 5,000 Iraq businesses.²⁴⁸ TF-BSO is also working with the Iraqis to develop a list of procurement priorities for the ministries to execute.

The strategic plan for TF-BSO is being implemented two phases. In the first, which



has recently been completed, the state of the SOEs was evaluated. In Phase II, the TF-BSO is developing business plans with the Iraqi entrepreneurs.

BANKING

The CBI is operating an inter-bank market, has introduced a basic lending rate and minimum reserve requirements, and holds a daily currency auction and a government securities market to manage liquidity more effectively.²⁴⁹ Iraq has 22 private banks and 7 state-owned banks. State-owned banks account for 90% of the total banking operations in Iraq.²⁵⁰

The U.S. Treasury provides banking advice on the financial and operational re-structure of the two major state-owned banks, Rafidain and Rasheed, which hold approximately 70% of the assets in Iraq's banking sector. These banks are operating under a Memorandum of Understanding (MOU) between the Minister of Finance and the CBI amid re-structuring that has been directed by the World Bank and IMF. An Action Plan has been developed to support the MOU, which mandates 46 activities.²⁵¹ The IMF and World Bank have discussed the future of the other state-owned banks as well—specifically the agriculture, real estate, and industrial bank.

TRANSPORTATION AND COMMUNICATIONS

Development and refurbishment of Iraq's transportation and communication systems are important elements in the country's economic

progress. GRD's Transportation and Communication program includes 35 ongoing projects. CERP funds also support road and bridge construction in Iraq.²⁵²

Aviation

The number of non-military takeoffs and landings at Iraq's airports rose to 2,486 for the week of January 6–12, 2008.²⁵³ Construction and renovation work continues on the Basrah International Airport (BIA), where 6 of 11 original projects are complete. Iraq's civil aviation is also poised to dramatically increase commercial flight traffic with new and renovated airports underway in Erbil, Mosul, Sulaymaniyah, and Najaf.

Railways

U.S.-funded projects have focused on increasing the capacity of the Iraqi Republic Railway (IRR) by providing tools, spare parts, and track maintenance, and installing the **Communications-based Train Control System (CBTC)** and the **Digital Microwave Radio Communication Network (DMRCN)**. Last quarter, SIGIR noted that security issues have continued to hamper operations of the IRR, particularly on the route from Falluja to Ramadi, where repair crews and train movements have been interrupted. In addition, Iraq continues to investigate rail transportation as a mechanism for transporting fuel to regional power plants.

This quarter, the Baghdad-Basrah rail line operated commercial traffic for the first time in the post-war period. This important rail link



connects Iraq's two largest cities as well as provides Baghdad an efficient land transportation mode to port access at Umm Qasr, in nearby Basrah.

Roads and Bridges

Since 2003, the U.S. reconstruction effort has funded repairs of more than 1,000 roads and bridges in Iraq. GRD reports this quarter that it has completed 1,047 village road projects, and an additional 88 village road projects are ongoing. In Diwaniya, GRD began the process of turning over the main roads to the GOI by forwarding a letter to the Ministry of Housing and Construction for signature.

Prior to 2007, the IRRF funded a majority of the road and bridge projects in Iraq. Many of the ongoing road and bridge projects are now proposed at the local level through PRDCs and PRTs and are funded by the CERP. As of this quarter, CERP funds have supported 686 road and 91 bridge projects, obligating \$90 million for roads and \$6 million for bridges.²⁵⁴

Shipping and Ports

The **Nelcon Crane Project** is the last major project associated with the refurbishment at the Port of **Umm Qasr**. GRD reports that the project is 98% complete.²⁵⁵



Economic and job development in Iraq is progressing with significant U.S. support for small business programs and local micro-finance projects.

Communications

Approximately 10 million people in Iraq have access to cellular phone service. In addition, 22 GOI ministries have wireless broadband access. ITAO reported that Iraq's telecom industry was entering "a period of instability" because Orascom Telecom, of Egypt, announced that its joint venture with an Iraqi Kurdish mobile operator had been dissolved. Orascom sold its mobile network in Iraq to Zain Group of Kuwait for \$1.2 billion. This merger makes Zain Group Iraq's largest mobile operator, with approximately 7 million subscribers.²⁵⁶

The Ministry of Communications has not yet accepted transfer of the **Wireless Broadband Network**, part of the Iraqi Telecommunications System project, which is now complete.²⁵⁷ The Minister of Communications effectively resigned his position in November 2007. Since then, the ministry has been managed by an acting minister who performs only basic administrative functions, which has further delayed the network's transfer.²⁵⁸ A number of companies have expressed interest in running the network.



REFUGEES, IDPs, AND HUMAN RIGHTS

The International Organization for Migration (IOM) has found that although violence and the rate of Iraqi displacement have decreased, Iraq continues to face a humanitarian crisis.²⁵⁹ More than 4.6 million Iraqis have been displaced, according to the United Nations High Commissioner for Refugees (UNHCR).²⁶⁰

More than 2.2 million Iraqis have become refugees. An additional 2.4 million have become internally displaced persons (IDPs), forced to leave their homes but remaining within Iraq—an increase of 200,000 people since last quarter.²⁶¹ Table 2.29 shows the increase of displaced Iraqis since the invasion in 2003. In response to the increasing number of displaced Iraqis, UNHCR

has issued an appeal for \$261 million to provide protection and assistance to Iraqi refugees, IDPs, returnees (Iraqi refugees returning to Iraq), and refugees from other countries who are living in Iraq.²⁶² For more information about the UNHCR appeal, see the discussion of International Support for Iraq Reconstruction in Section 2d.

Refugee Update

Jordan and Syria have the largest populations of Iraqi refugees. Syria reports sheltering 1.5 million Iraqis,²⁶³ and Jordan, 500,000–750,000.²⁶⁴ The influx of Iraqi refugees has put substantial strain on the infrastructures and economies of both nations, especially in education, housing,

NUMBER OF IRAQIS DISPLACED— REFUGEES AND IDPs

| | BEFORE 2003 | 2003– NOVEMBER 2007 |
|------------------|-------------|------------------------|
| Displaced Iraqis | 1.2 million | 3.4 million |

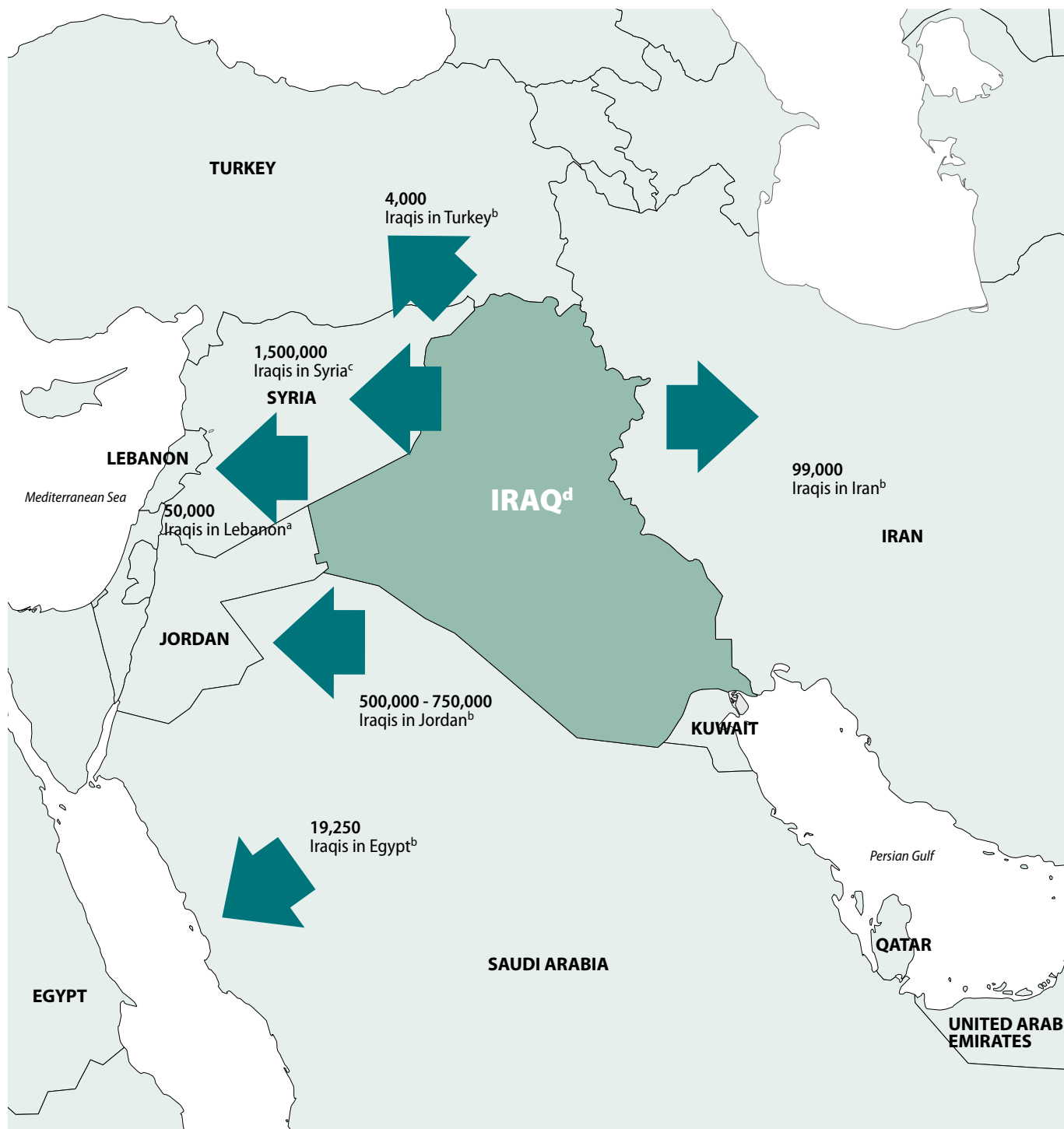
Source: UNHCR, “Iraq: UNHCR Cautious about Returns,” November 23, 2007.

TABLE 2.29

REFUGEES, IDPs, AND HUMAN RIGHTS

Figure 2.25

MOVEMENT OF IRAQI REFUGEES



Notes:

- a. UNHCR, "Iraqi Refugees: Fresh Research Studies," December 14, 2007.
- b. UNHCR, "Global Appeal 2008-2009," December 1, 2007.
- c. UNHCR, "Iraq: UNHCR Cautious About Returns," November 23, 2007.
- d. CIA, *The World Factbook*, Iraq population estimate: 27,499,638 as of July 2007.

Data changes may be indicative of Iraqi returnees, but are also compiled from several new sources. All numbers are estimates.



and health care. Both Syria and Jordan have recently implemented visa restrictions for Iraqis. This quarter also saw an increase in refugees in Iran (up from 57,000 to 99,000) and Lebanon (up from 40,000 to 50,000).²⁶⁵ Figure 2.25 shows the number of refugees currently living in neighboring countries.

RETURNEES AND REFUGEE RESETTLEMENT

UNHCR has stated that it does not encourage Iraqi refugees to return to their country at this time because of the current lack of general necessities, including drinking water, food, shelter, health services, education, access to land, and employment.²⁶⁶ Although UNHCR does not promote returns, both UNHCR²⁶⁷ and IOM report that some refugees have begun to return to their homes.

Reports on the number of Iraqi refugees in Turkey and Egypt have dropped significantly in the past quarter. The number of Iraqi refugees in Turkey has dropped to 4,000²⁶⁸ from 10,000;²⁶⁹ Egypt, from 80,000²⁷⁰ to almost 20,000.²⁷¹ Nevertheless, UNHCR has not yet been able to determine exactly how many refugees have returned to Iraq. Reports of the number of refugees returning range from 25,000 (according to Iraqi Red Crescent Society) to 97,000 (according to Iraqi border authorities).²⁷²

Although the return of Iraqis can be credited to improved security in provinces like Anbar, refugees are also returning for a number of other reasons:²⁷³

- They cannot obtain health care, education, and other services in other nations.

- They lack the financial resources to remain abroad.
- Neighboring countries have imposed restrictive visa requirements that prevent them from staying.

On December 4, 2007, the UN Assistance Mission for Iraq (UNAMI)—in association with the Iraqi Ministry of Displacement and Migration (MoDM)—launched a Rapid Response Plan. The plan is currently funded by a UN contribution of \$11 million. UNAMI has stated that although the UN does not encourage Iraqis to return home, it will aid the GOI in meeting the needs of Iraqi returnees. The plan will provide approximately 30,000 Iraqis with an “immediate relief package.”²⁷⁴

In 2007, UNHCR sent 20,472 Iraqi refugee referrals to 16 countries, exceeding its goal by 472 referrals. However, as of December 1, 2007, only 4,575 Iraqis have actually been resettled, shown by country in Table 2.30.²⁷⁵

IRAQI REFUGEE RESETTLEMENT COUNTRIES

| COUNTRY | NUMBER OF RESETTLED IRAQIS |
|-----------------|----------------------------|
| United States | 2,376 |
| Canada | 747 |
| Sweden | 745 |
| Australia | 456 |
| The Netherlands | 122 |
| Other | 129 |
| Total | 4,575 |

Source: UNHCR, “UNHCR Meets 2007 Resettlement Referral Target for Iraqi Refugees,” December 12, 2007.

TABLE 2.30



According to the U.S. Bureau of Population, Refugees, and Migration, the United States has no quota limiting the number of Iraqis who can be resettled in the United States as refugees.²⁷⁶ However, of the 10,000 cases that UNHCR has referred to the United States,²⁷⁷ only 2,376 have been resettled. UNHCR estimates that 80,000-100,000 vulnerable Iraqi refugees should still be referred for resettlement. UNHCR plans to refer 25,000 Iraqis refugees for resettlement in 2008.²⁷⁸

SERVICES FOR REFUGEES

On December 16, 2007, UNHCR began to issue ATM cards to 7,000 Iraqi refugee families, delivering financial assistance of \$100-\$200 per month, per family. UNHCR reports that it will give the ATM cards to the “most needy and vulnerable²⁷⁹ Iraqi refugee families.”²⁸⁰

Internally Displaced Persons

At the end of November 2007, more than 2.4 million Iraqis were displaced within their own country. Almost half of these people have been displaced since February 2006 when the first major bombing in Samarra took place.²⁸¹

Better access to registration facilities for IDPs is one of the reasons for the higher reported displacement, according to UNHCR. Another reason is the recent closing of the Syrian border to refugees, which has forced more Iraqis to move within the country. UNHCR also reports that a growing number of Iraqis are experiencing a second displacement because 11 of 18 prov-

inces have placed IDP restrictions on their borders. These limitations are enforced to address security concerns, political considerations, and capacity of sustainable populations.²⁸²

Nearly 70% of displaced Iraqis list Baghdad as their place of origin,²⁸³ and they have been displaced mainly within the Baghdad province.²⁸⁴

SERVICES FOR DISPLACED IRAQIS

According to IOM, 93% of IDPs in Baghdad currently receive water from underground municipal pipes, and 86% had regular access to water.²⁸⁵ Table 2.31 provides an update on conditions for IDPs in each province.

IDP ACCESS TO PUBLIC DISTRIBUTION SYSTEM FOOD RATIONS

Food rations for Iraqis are available only in areas that have a functioning public distribution system (PDS). Some IDPs in both the northern and southern provinces of Iraq were not permitted to register for public food distributions, and some registered IDPs have reportedly failed to receive rations because of delays in transferring PDS ration cards.²⁸⁶ Northern provinces report the highest percentages of IDPs with limited or no access to PDS food rations due, in part, to security conditions on roads used for transporting the food.²⁸⁷

Further compounding the shortfall of the PDS ration program, the Trade Minister plans to reduce the quantities of some items provided in



IDP ACCESS TO SERVICES

| PROVINCE | HIGHLIGHTS |
|---------------|---|
| ANBAR | <ul style="list-style-type: none"> Anbar has no official IDP restrictions. The largest number of Sunni IDPs reside in Anbar. The majority (64%) of IDPs in Anbar came from Baghdad. |
| BABYLON | <ul style="list-style-type: none"> IDP entry into Babylon was restricted until September 2007, but restrictions have been lifted on the recommendation of the Prime Minister. IOM reports high unemployment and a heavily damaged economy in Babylon. |
| BAGHDAD | <ul style="list-style-type: none"> The majority (80%) of IDPs in Baghdad came from within the province. IDP movement is limited. Baghdad reports the highest number of post-February 2006 IDPs. |
| BASRAH | <ul style="list-style-type: none"> Over 87% of IDPs in Basrah intend to stay there. Almost all (97%) IDPs in Basrah report access to medicine. IDP children are permitted to enroll in school for 2007-2008. |
| DAHUK | <ul style="list-style-type: none"> IDPs must be “sponsored” in order to enter Dahuk and are not permitted to bring furniture into the province. IOM reports rent increases across Dahuk due to the stable security conditions. |
| DIYALA | <ul style="list-style-type: none"> The majority (79%) of IDPs in Diyala came from within the province. IOM lists Diyala as “the most dangerous and violent governorate.” School attendance has been disrupted by security conditions. |
| ERBIL | <ul style="list-style-type: none"> IOM reports an increased frequency of forced prostitution among IDPs in Erbil City. Almost 90% of IDPs in Erbil intend to return to their place of origin. |
| KERBALA | <ul style="list-style-type: none"> Movement and entry into Kerbala are heavily restricted, especially within Kerbala City. A large number of IDPs in Kerbala were displaced prior to 2003. |
| MISSAN | <ul style="list-style-type: none"> IDP students are permitted to register for school in Missan—more than 4,000 have reportedly registered with the Education Directorate. IOM reports that Missan is considered one of the poorest provinces in Iraq. |
| MUTHANNA | <ul style="list-style-type: none"> Nearly one-third of assessed IDPs in Muthanna reportedly drink non-potable water from rivers, streams, or lakes. IOM reports that Muthanna is a rural province with limited economic growth potential. |
| NAJAF | <ul style="list-style-type: none"> Entry into Najaf is heavily restricted. 95% of IDPs in Najaf intend to return to their place of origin. 88% of IDPs in Najaf are from Baghdad; 6% from Diyala. |
| NINEWA | <ul style="list-style-type: none"> Almost 70% of IDPs in Ninewa have not participated in a vaccination campaign. Almost 75% of IDPs currently in Ninewa plan to return to their place of origin. |
| QADISSIYA | <ul style="list-style-type: none"> Entry into this province is restricted, but some IDPs have been permitted to enter, starting in November 2007. Qadissiya is considered a desirable IDP location due to relative stability. |
| SALAH AL-DIN | <ul style="list-style-type: none"> IDPs in Salah al-Din are permitted to register in schools, but overcrowding, shortage of supplies, and closures limit educational facilities. |
| SULAYMANIYAH | <ul style="list-style-type: none"> 64% of IDPs in Sulaymaniyah come from Diyala; 28% from Baghdad. An estimated 600,000 IDPs entered Sulaymaniyah prior to 2006. |
| TAMEEM/KIRKUK | <ul style="list-style-type: none"> IDP entry and registration are heavily restricted in Tameem/Kirkuk. Almost 80% of IDPs in this province intend to return to their place of origin. |
| THI-QAR | <ul style="list-style-type: none"> Except for Nassriya City, all districts rely on agriculture, but because the marshes were drained by the former regime, economic growth is limited. Thi-Qar is one of four provinces with almost complete IDP access to health care. |
| WASSIT | <ul style="list-style-type: none"> Only 22% of IDPs in Wassit report access to medication. IOM assessments found Wassit and Missan had the most infectious diseases of all provinces. |

Source: IOM, *IOM Governorate Profiles*, December 2007.

TABLE 2.31



the PDS benefits basket, such as wheat, rice, tea, and dried milk. Rising commodities and shipping prices have significantly increased the costs of the PDS: wheat prices, for example, nearly doubled between December 2006 and December 2007. Despite the increased costs of products, the current draft budget assumes that 2008 PDS funding will be the same as 2007.²⁸⁸ According to UNAMI and the World Food Programme (WFP), more than eight million Iraqis depend on PDS food rations.²⁸⁹

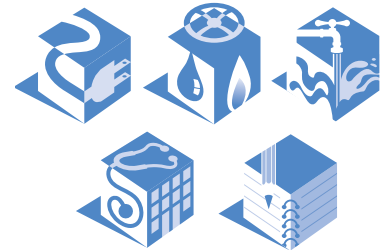
On January 3, 2008, the WFP announced an emergency operation that will provide \$126 million in food packages. The program will benefit 750,000 Iraqis displaced within Iraq, many of whom are unable to access monthly PDS food rations. The WFP operation will also provide food to 150,000 Iraqis in Syria, and it has set a goal to reach 360,000 Iraqi refugees by the end of 2008.²⁹⁰

Human Rights

According to DoS, \$14.9 million has been obligated for Human Rights.²⁹¹ This includes an increase of \$625,000, which was reprogrammed from potable water projects. This money will be used for the Iraq History Project, organized by the International Human Rights Law Institute.²⁹² The Iraq History Project aims to collect and analyze the personal narratives of victims of human rights violations. Between 2,000 and 3,000 narratives will be collected.²⁹³

DoS also reports working with the Iraqi Ministry of Human Rights to develop a project proposal for work with the Iraqi Regime Crime Liaison Office, featuring programs on:²⁹⁴

- public awareness
- family outreach
- surviving family member blood collection
- bone sample profiling



SERVICES

Iraq achieved a record high output in oil production this quarter. Electricity production was down from last quarter due to maintenance issues. And there was progress toward meeting output goals in the water sector.

As of January 2, 2008, the United States has completed projects in the oil, electricity, water, health care, and education sectors valued at more than \$8.6 billion. For an overview of U.S. projects, including the average project cost for each sector, see Figure 2.26.

Electricity

The United States has obligated \$4.878 billion and expended \$4.275 billion in this sector.²⁹⁵

PRODUCTION

Electricity production declined this quarter from the record levels reached in September and early October 2007.

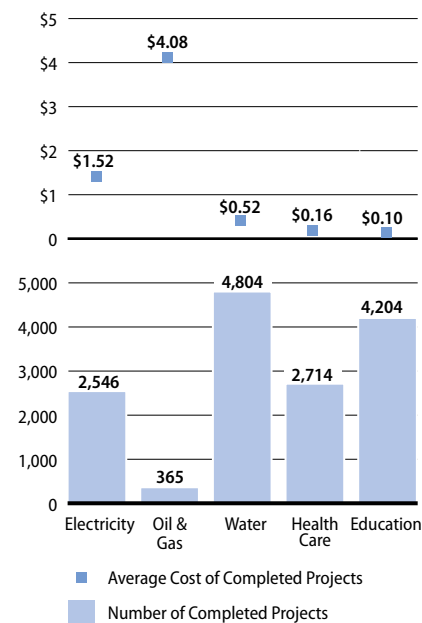
The MOE conducted scheduled seasonal maintenance, resulting in a reduction in megawatts (MW) available on the grid.²⁹⁶ From October through December 2007, actual production averaged 4,380 MW per day.²⁹⁷ This figure includes imported electricity numbers that averaged 259 MW daily for this period.²⁹⁸ Average production level was below last quarter's daily average of 4,550 MW²⁹⁹ but above the

quarterly average of 3,746 MW for the same period in 2006.³⁰⁰ DoD attributed the increase in electricity production from the same quarter in 2006 to several factors, including 21 new and

Figure 2.26

COMPLETED PROJECTS IN SERVICES SECTORS

\$ Millions, Number of Projects
Source: IRMS, *ITAO Rollup* (1/2/2008);
USAID, *Activities Report* (1/11/2008)



Notes:
1. Numbers are affected by rounding.
2. IRMS is an unaudited source.



rehabilitated power generation projects—with the potential to add about 3,300 MW of capacity upon completion in two years.³⁰¹

Figure 2.27 shows the average production, demand, and pre-war production level for Iraq's electricity sector. This quarter's average Iraqi production, excluding imports, is above the average pre-war production level.³⁰²

Megawatt-hours (MWh),³⁰³ which measure electricity output over time, also decreased from last quarter's record output levels, but the level remains above the average from the same time last year. Average daily load served for this quarter was 105,120 MWh,³⁰⁴ compared to last year's first quarterly average of 90,614 MWh.³⁰⁵ Production this quarter approached the U.S. goal of 110,000 MWh.³⁰⁶

Figure 2.28 compares this quarter's metrics for electricity with the same quarter last year. Reasons for increased electricity production over the past few quarters include:³⁰⁷

- U.S.-funded and managed O&M programs are yielding an additional 20% of output through operational efficiencies.
- Overhauled Iraqi generation and U.S.-funded rehabilitated units have come online, including Doura Units 5 & 6 (180 MW), inspected by SIGIR in summer 2007.

- The military surge has suppressed attacks on infrastructure and repair teams.

Supplying Electricity Outside the Grid

This quarter, estimated demand levels continued to exceed electricity supply. Between 30,000 to 50,000 private generators in Iraq, providing from 2,000 to 4,500 MW of power outside the grid, help meet excess demand.³⁰⁸ The MOE's Master Plan estimates that supply will eventually match demand for electricity by 2009.³⁰⁹

The expanded use of private generation capacity is discouraged because the large MOE-operated generation units have better efficiency than smaller, private units.³¹⁰ In addition, these smaller units tend to reduce the amount of available fuel for the MOE's power stations. The Iraqi national grid supplies roughly 50% of the estimated demand in Baghdad and 67% of demand in the outlying areas.³¹¹ Recent photos of Baghdad at night support the estimate that about 25% of demand is supplied by private generators and non-grid neighborhood power supplied by local entrepreneurs.³¹² U.S.-funded PRTs and PRDC programs, as well as CERP projects, have also increased private power generation.³¹³

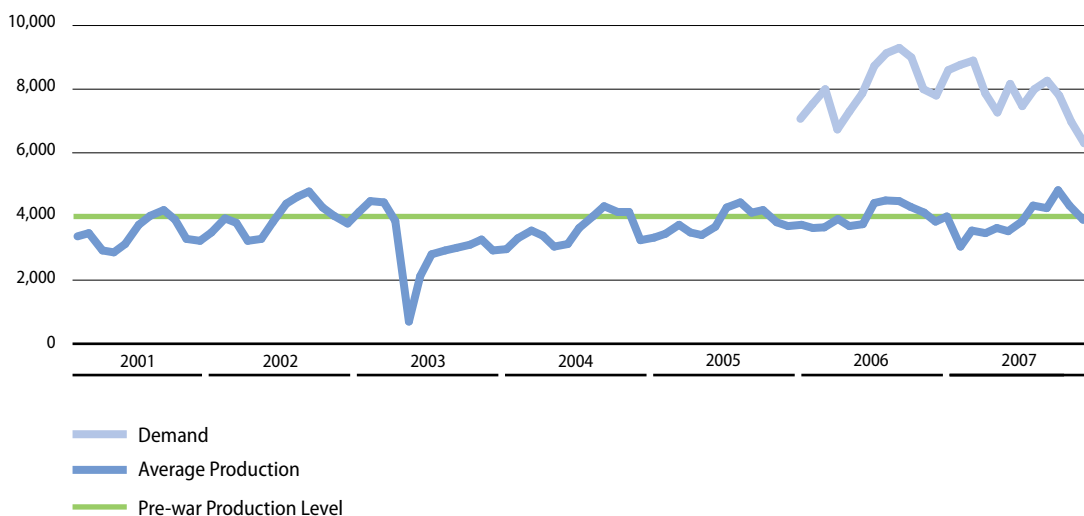


Figure 2.27

IRAQ ELECTRICITY — AVERAGE MONTHLY PRODUCTION

Megawatts

Sources: IMF, "Iraq: Statistical Appendix" August 2007; ITAO, *IRMO Electric Daily Units Performance Report* (1/1/2007 – 9/30/2007); ITAO, *Essential Indicators Report* (10/1/2007 – 12/11/2007)



Notes:

1. The pre-war level (4,075 MW) is an average of monthly IMF data on Iraq's electricity production for March 2002 through March 2003.
2. The IMF Statistical Appendix reported average monthly production through 2006; 2007 data points were compiled from the ITAO, *IRMO Electric Daily Units Performance Report*.
3. Data in this graphic excludes imports.

Figure 2.28

KEY METRICS FOR IRAQ'S ELECTRICITY SECTOR COMPARISON OF 4TH QUARTER AVERAGES 2006 – 2007 (MEGAWATTS)

| METRIC | STATUS | HIGHLIGHTS |
|--|--------|---|
| AVERAGE OF STATION CAPACITY | | The average daily feasible capacity this quarter was nearly 9,530 MW, an 11% increase compared to the same quarter last year. |
| AVERAGE IMPORTED ELECTRICITY PER DAY | | Iraq imported an average of 259 MW per day this quarter, an 8% decrease compared to the same quarter last year. |
| AVERAGE ACTUAL IRAQI PRODUCTION PER DAY | | The average daily Iraqi production of electricity this quarter was 4,121 MW, a 19% increase compared to the same quarter last year. |

Sources: ITAO, *IRMO Electric Daily Units Performance Report* (10/1/2006 – 12/31/2006, 10/1/2007 – 12/31/2007).



GENERATION CAPACITY

As facilities shut down for seasonal maintenance, the levels of production will inevitably vary.³¹⁴

Figure 2.29 demonstrates the general difference between capacity and actual production; this figure provides a snapshot for the last day of this quarter, December 31, 2007.

Since 2004, the United States “has installed or rehabilitated nearly 2,500 MW³¹⁵ of ‘new’ power.”³¹⁶ This number was measured by adding all the feasible capacity numbers associated with the units installed or rehabilitated by the United States.

GENERATION FACILITIES

Construction of new generation facilities continues to add to the total MW capacity of power for the system. This quarter, work resumed on a \$750 million contract for the construction of a large thermal power generating station (1,320 MW) in southern Iraq.³¹⁷ This project was originally initiated before the onset of hostilities in 2003. The plant is expected to take more than five years to complete.³¹⁸

TRANSMISSION NETWORKS

Transmission networks carry the generated power throughout the country. The U.S. goal was to complete 43 substations (132-kV and 400-kV) under the IRRF 2 program.³¹⁹ This goal has not been reached; as of December 1, 2007, 26 substations have been completed.³²⁰

In southern Iraq, ten 132-kV substations have been completed and transferred to the GOI.³²¹ Five additional 132-kV substations were to be

completed by the end of the year, and three more are expected for next summer. The total cost of these eight ongoing projects is \$84 million.³²²

The **Dahuk-Aqra 132-kV Overhead Line** project was completed on November 7, 2007. This electricity project provides power to approximately 25,000 people in more than 100 Kurdish villages in and around Aqra by connecting the new Aqra substation with the Dahuk power grid.³²³ The Dahuk power grid had previously been relying on an older 33-kV line as its only source of power.

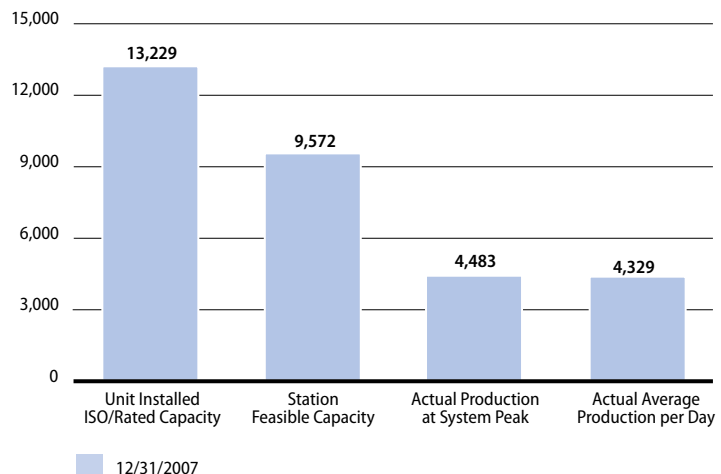
As IRRF funding winds down, ESF and CERP funds are supporting ongoing transmission projects. This quarter, three ESF transmission projects valued at nearly \$4 million and three CERP transmission projects valued at virtually \$1 million were completed.³²⁴

Figure 2.29

SNAPSHOT OF ELECTRICITY GENERATION PERFORMANCE

Megawatts (MW)

Source: ITAO, *IRMO Electric Daily Units Performance Report (12/31/2007)*





DISTRIBUTION NETWORKS

Distribution networks deliver transmitted power to local areas, buildings, and homes. The U.S. goal was to complete 89 substations (33/11-kV) under the IRRF 2 program.³²⁵ As of December 1, 2007, 74 substations had been completed.³²⁶ These substations are part of the plan devised by GRD and the MOE to modernize Iraq's electrical infrastructure.³²⁷

In southern Iraq, 22 of these power substations, totaling \$55 million, were recently completed. All 22 of these completed 33/11-kV substations have been transferred to the GOI.³²⁸

A distribution electricity project, **33-kV feeders at Qaim**, was completed on December 10, 2007.³²⁹ GRD selected substation sites based on discussions with Iraqis who identified where the infrastructure was the most vulnerable.

ESF and CERP projects also support distribution networks. Security improvements at a substation in Kirkuk were completed this quarter. This small ESF project (valued at nearly \$235,000) is part of the fund's Infrastructure Security Protection Program.³³⁰ Additionally, the CERP program completed six distribution projects this quarter. These projects are valued at more than \$800,000.³³¹

ONGOING CHALLENGES IN IRAQ'S ELECTRICITY SECTOR

| CHALLENGE | UPDATE THIS QUARTER |
|--|---|
| <p>Continued Sabotage of Electricity Infrastructure</p> <p>Despite recent improvements, security remains a challenge in Iraq's electricity sector.</p> | <p>The surge has enhanced MNF-I's capability to safely transport gas turbines, generators, and transformers to power plants—but there are still considerable security issues in attempts to repair overheard power lines throughout the country.</p> <p>An example of a recent security incident is the December 8, 2007 sabotage of three towers and subsequent non-servicing of 400-kV lines from Baiji to Baghdad.</p> |
| <p>Lack of Coordination between the MOE and MOO</p> <p>The MOE cites a lack of fuel to run power plants, and the MOO notes a lack of electricity to power oil refineries.</p> | <p>NEA-I reported that there is no technical obstacle to supplying new generation units with fuel; however, the responsibility for delivering the fuel rests with the MOO. Despite continuing efforts to secure the ministry's cooperation, effective coordination is still lacking.</p> |
| <p>Fuel Shortages</p> <p>Many generators installed by the United States remain idle because no suitable fuel is available. Some generators are operating with less than optimal fuel, minimizing production output and causing long-term damage to the generator.</p> | <p>ITAO reported that although natural gas is the optimal fuel for these generators, they are designed to run on fuel other than gas. The consequence is that the units do not run as efficiently and incur increased O&M costs.</p> <p>NEA-I reported this quarter that more than 400 MW of generating capacity currently are idle due to the lack of fuel.</p> |
| <p>Reluctance of Provinces To Share Electricity</p> <p>Provinces producing more electricity than can be consumed are reluctant to share electricity with other regions on the grid.</p> | <p>In early December 2007, ITAO estimated that Baghdad, Erbil, and Sulaymaniyah were the only provinces that continued to consume less than their allocation of power from the national grid. All other provinces consumed more than 100% of their power allocations, and even those provinces consuming more than their allocations received less power than was necessary to meet demand.</p> |

Sources: ITAO, *IRMO Electric Daily Units Performance Report*, December 8, 2007; GRD, response to SIGIR data call, January 4, 2008; NEA-I, response to SIGIR data call, January 11, 2008; ITAO, response to SIGIR data call, January 4, 2008; ITAO, *Essential Indicators Report*, December 11, 2007; SIGIR, *Quarterly Report to the United States Congress*, October 30, 2007.

TABLE 2.32



CHALLENGES IN THE ELECTRICITY SECTOR

Notwithstanding improvements in security noted this quarter, attacks on Iraq’s critical essential services infrastructure remain an ongoing challenge. Table 2.32 summarizes several ongoing challenges impeding production and repair efforts in Iraq’s electricity sector.

Focus on Improving Operations and Maintenance (O&M)

The sustainment of U.S. projects by the MOE continues to present challenges in the electricity sector. The five biggest challenges to sustaining U.S. projects are:³³²

- MOE implementation of a Maintenance Management Program
- MOE adherence to outage planning and scheduling to assure proper maintenance
- transition of acquisition of parts and materials to MOE
- transition to MOE responsibility for performance of outage work
- MOE appropriation of funds to support performance of work and acquisition of parts and materials

O&M sustainment in the electricity sector “has improved steadily with MOE personnel assuming more responsibility in the performance of inspections and repairs of equipment previously included in USG subcontractor SOWs.”³³³

Higher output levels in 2007 are “the most telling indicator” that O&M sustainment has improved.³³⁴ The reduction in instances of unplanned MW outage in 2007 compared to 2006 also tends to indicate that there have been improvements in the O&M program. This trend in both production and unplanned outage shows that the plants are running more efficiently, at higher output levels and increased availability.³³⁵

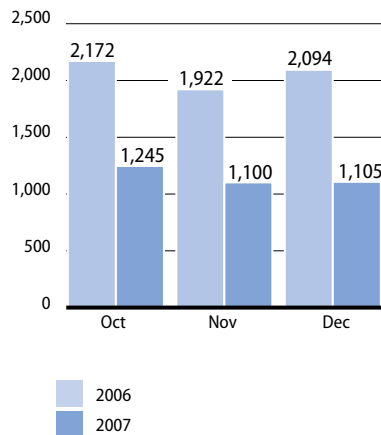
Figure 2.30 compares the unplanned outages for

Figure 2.30

UNPLANNED OUTAGE COMPARISON

Megawatts (MW)

Sources: ITAO, *IRMO Electric Daily Units Performance Report* (10/1/2006 – 12/31/2006, 10/1/2007 – 12/31/2007)



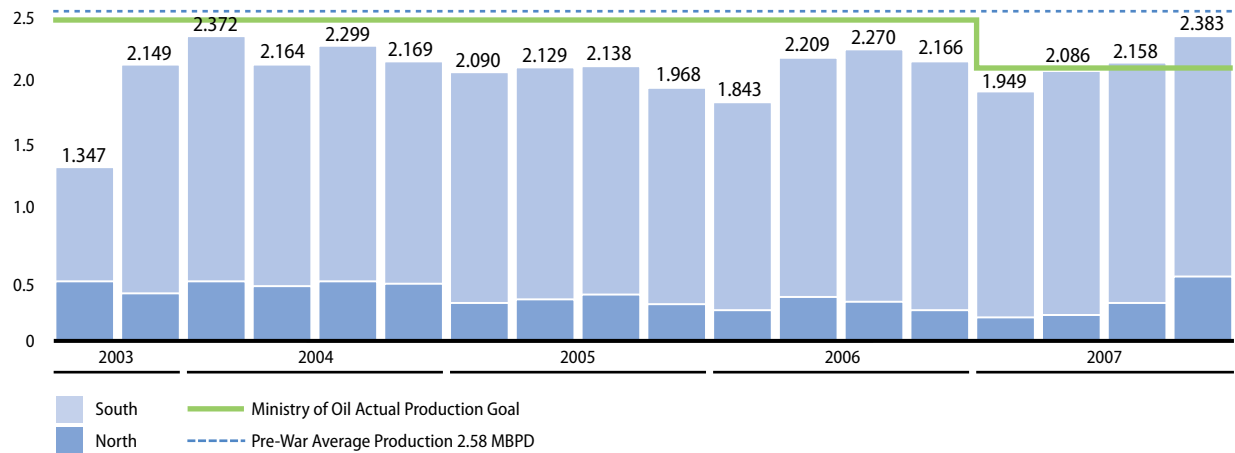
Note: Numbers are affected by rounding.



Figure 2.31

CRUDE OIL PRODUCTION BY REGION

Millions of Barrels per Day (MBPD)

Source: ITAO, *Monthly Import, Production and Export* (January 2008)

Note: In January 2007, the Ministry of Oil changed its goal from 2.5 MBPD to 2.1 MBPD because the Al Basrah Oil Terminal was shut down for maintenance and upgrading the meters. The 2.1 MBPD number is the GOI's annual average worked out with the IMF. The 2.5 MBPD goal was established in 2004 after conversations between GRD and the Ministry of Oil. (NEA-1, responses to SIGIR data calls, October 22, 2007, and January 7, 2008.)

the fourth quarter of 2006 and 2007.

Oil and Gas

Through the IRRF 1, IRRF 2, ESF, and CERP, the United States obligated \$1.808 billion and expended \$1.739 billion in this sector.³³⁶

PRODUCTION

Iraqi oil production hit a post-war record this past quarter, averaging 2.383 MBPD.³³⁷ Figure 2.31 shows oil production output versus goals since the start of the war.

This record production was tied to increases in output in northern Iraq. Production from

this region reached its highest level since the start of the war, averaging 0.492 MBPD (up over 123% from the same period in 2006). Figure 2.32 provides an update of metrics for Iraq's oil sector.

EXPORTS

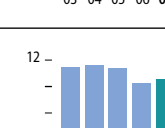
Exports averaged 1.941 MBPD this quarter, virtually matching last quarter's post-war high, and 31% higher than the quarterly average for the same time in 2006.³³⁸

Iraqi exports through the Ceyhan pipeline, averaging 0.360 MBPD,³³⁹ were the highest for any quarter in the post-war period.³⁴⁰ Increased



Figure 2.32

OIL AND GAS METRIC UPDATES

| METRIC | 4TH QUARTER AVERAGES 2003 – 2007 | THIS QUARTER | % CHANGE SPLY | % CHANGE Q4 2009 | HIGHLIGHTS |
|-------------------------------|---|--------------|---------------|------------------|--|
| OIL PRODUCTION ACTUAL |  | 2.383 MBPD | 10% | 10.9% | Iraq's monthly average of 2.44 MBPD for December 2007 was the highest monthly average since September 2004 when the average production for the month was about 2.54 MBPD. The overall trend in production during 2007 is up, except for periodic setbacks, mainly caused by attacks on oil installations. |
| EXPORT LEVELS |  | 1.941 MBPD | 30.8% | 38.1% | Iraq's monthly average of 2.04 MBPD for December 2007 was the highest monthly export average since the beginning of the war. Increased production from the north bolstered exports levels this quarter. |
| REFINED FUEL: GASOLINE |  | 7.452 ML | -1.5% | -14.5% | |
| REFINED FUEL: DIESEL |  | 9.116 ML | 6.4% | -16.6% | At this time last year, refined fuel production was the lowest of any winter since the U.S.-led invasion in 2003. This quarter, refined fuel levels improved slightly from that low. |
| REFINED FUEL: KEROSENE |  | 4.818 ML | 1.8% | -36.2% | The daily averages for the last week of this quarter (December 24-31, 2007) showed that Iraq's production of diesel met only 36% of the targeted levels; kerosene, 34%; gasoline, 32%; liquefied petroleum gas (LPG), 42%. Iraq must import refined fuel products to meet the demand that is not satisfied by national production. |
| REFINED FUEL: LPG |  | 1,722 MT | 9.5% | 36.2% | |

Sources: ITAO, *Monthly Import, Production, and Export Spreadsheet*, December 31, 2007; ITAO, *Essential Indicators Report*, December 11, 2007; DoS, *Iraq Weekly Status*, January 3, 2008, p.17; SIGIR, *Quarterly and Semiannual Report to the United States Congress*, January 30, 2007, p. 46.

Notes:

- SPLY denotes Same Period Last Year. MBPD denotes Million Barrels per Day. ML denotes Million Liters. MT denotes Metric Tons.
- Numbers are affected by rounding.



Exports through the Al Basrah Oil Terminal remained relatively steady in 2007.

security, more effective repair efforts, and added redundancy have increased export capabilities from the northern pipeline system.³⁴¹ Figure 2.33 shows the exports through the Ceyhan pipeline for 2006 and 2007.

Exports from the Al Basrah Oil Terminal (ABOT) in southern Iraq remained relatively steady last year, with the 2007 average increasing by 3% from 2006.³⁴² Figure 2.34 shows the export levels for the ABOT for 2006 and 2007.

Price for Crude Oil

Due to sustained high oil prices and record oil production and exports, annual revenue from exports exceeded government targets for 2007.³⁴³ Crude oil prices (OPEC countries spot price) rose from just under \$77 per barrel at the end of September to around \$93 per barrel in the beginning of the new year.³⁴⁴ Figure 2.35 compares Iraq's production, export levels, and average world market crude oil prices since June 2003.

REFINING

Iraq lacks the domestic refining infrastructure to supply its population with refined fuels such as gasoline, kerosene, and diesel. Moreover, current storage levels of refined fuels are insufficient to meet the estimated winter demand.³⁴⁵ The United States and the GOI have thus taken

some steps to increase supply, planning to install two 70,000-barrel/day refining units at the Doura Refinery.³⁴⁶ This multi-year project could increase daily refinery production by 156%.³⁴⁷

U.S. SUPPORT TO PROTECT IRAQ'S OIL INFRASTRUCTURE

The ESF-funded **Infrastructure Security Protection (ISP) Program** provided \$110 million for oil pipeline exclusion zones (PEZ) to prevent the illegal tapping and attacks on pipelines.³⁴⁸ Oil interdictions are down since the PEZ project began.

Oil PEZ projects are underway from Baiji to Kirkuk, Baghdad to Kerbala, and Baiji to Baghdad.³⁴⁹ When completed next spring, the 80-kilometer PEZ from Kirkuk to the Baiji oil refinery will potentially save the GOI more than \$30 million per day and ensure the delivery of 700,000 barrels/day to the market.³⁵⁰ This PEZ project, which was started in mid-July 2007, appears to be facilitating the consistent export of oil through Turkey.³⁵¹

The reduction in interdictions has helped contribute to the rise in exported oil; similar results are expected when the Baghdad to Baiji PEZ is completed in the fall of 2008.³⁵²

Protecting Iraq's Infrastructure in Historical Context

Past strategies to protect Iraq's strategic infrastructure have met with mixed success. Training Iraqi guards for an **Oil Protection Force** was an early effort to minimize pipeline interdictions that later expanded to include the **Electrical**



Figure 2.33

CEYHAN OIL TERMINAL EXPORTS (IRAQ–TURKEY PIPELINE) – 2006 AND 2007

Millions of Barrels per Day (MBPD)

Source: ITAO, *Monthly Import, Production and Export Spreadsheet* (January 2008)

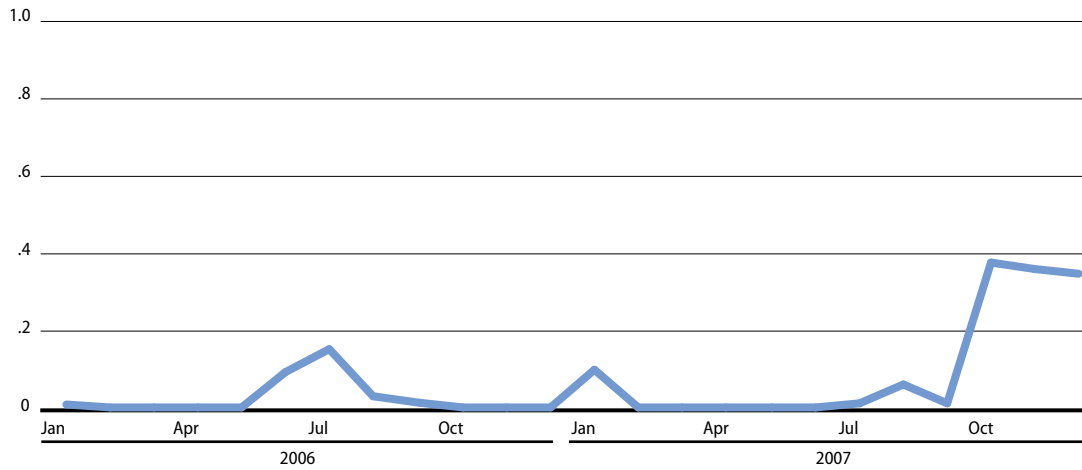
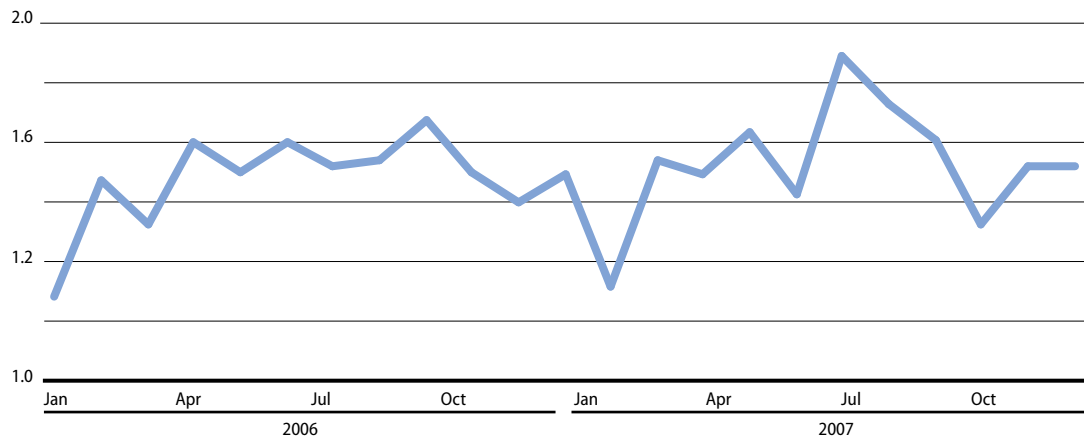


Figure 2.34

AL BASRAH OIL TERMINAL EXPORTS – 2006 AND 2007

Millions of Barrels per Day (MBPD)

Source: ITAO, *Response to SIGIR Data Call* (1/4/2008)



Note: Figure includes data from January 1 to December 21 for 2006 and 2007.



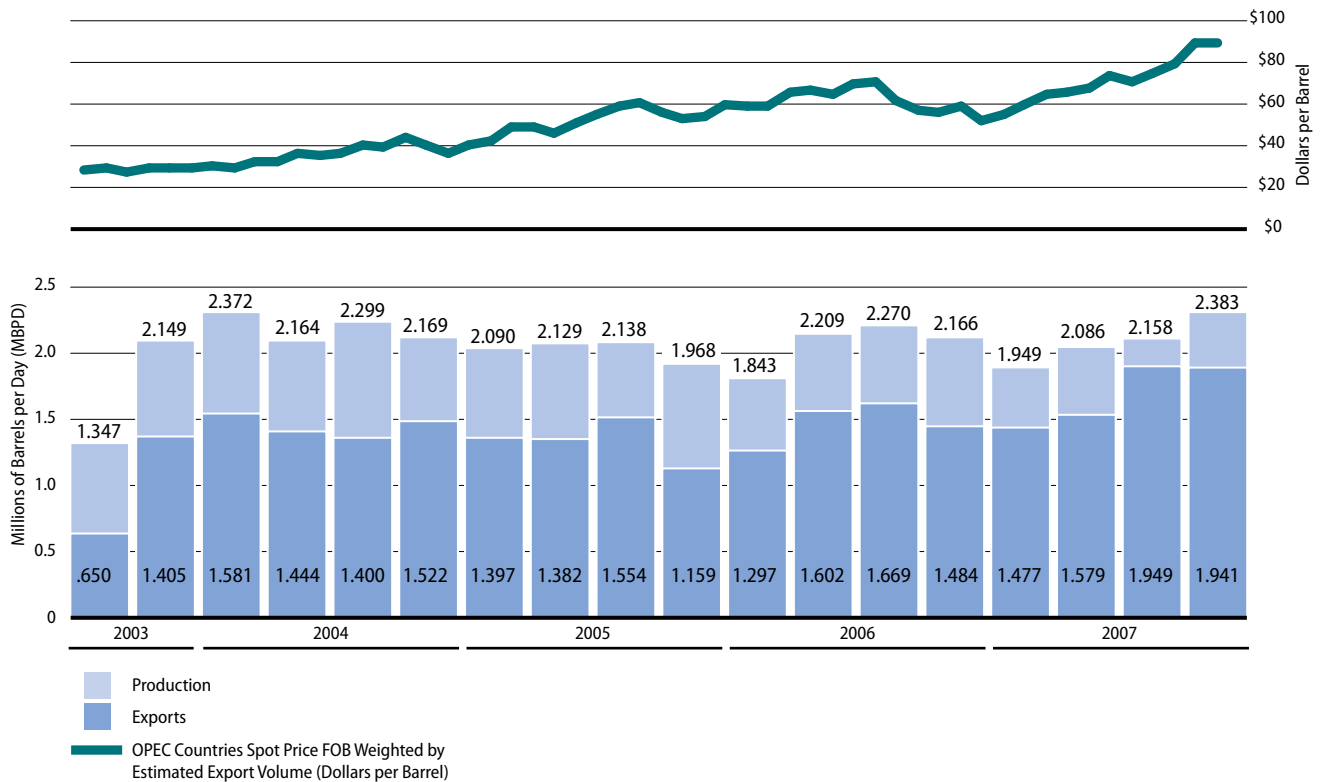
Figure 2.35

IRAQ'S PRODUCTION AND EXPORT OF CRUDE OIL VS MARKET PRICE FOR OIL

Millions of Barrels per Day (MBPD), Dollars per Barrel

Source: ITAO *Monthly Import, Production, and Export Spreadsheet* (January 2008);

U.S. Energy Information Administration, "World Crude Oil Prices: OPEC Average," (1/4/2008)



Power Security Service program. Approximately \$147 million from the DFI and IRRF was expended between August 2003 and September 2005 on this program.³⁵³ A SIGIR audit released in April 2006 determined that these efforts “to improve the capacity of the Iraqi government to protect its oil and electrical infrastructure ultimately proved to be unsuccessful.”³⁵⁴

In early 2005 the Iraqi Army authorized the creation of four **Strategic Infrastructure Battalions (SIBs)** to supplement the work of security forces at the Ministries of Oil and Electricity. Funding, training, and mission-essential equip-

ment were provided to SIBs by MNSTC-I.³⁵⁵

A SIGIR audit in late 2006 noted that the United States had invested about \$320.3 million to improve Iraq’s capabilities to protect its oil and electricity infrastructure. The report identified SIBs as one of the forces protecting essential infrastructure from attacks and noted that “the current capabilities of forces vary.”³⁵⁶ SIBs were later integrated into the Iraqi Army as Army Infrastructure Battalions and are currently being retrained and equipped as regular Iraqi Army battalions.³⁵⁷



Natural gas flares at an oil field in southern Iraq.

HYDROCARBON LEGISLATION

The GOI has yet to implement hydrocarbon legislation, which, among other things, would define rules for oil revenue distribution and foreign investment. The legislation was originally slated for adoption in 2006, but the legislative timetable has repeatedly slipped since then.

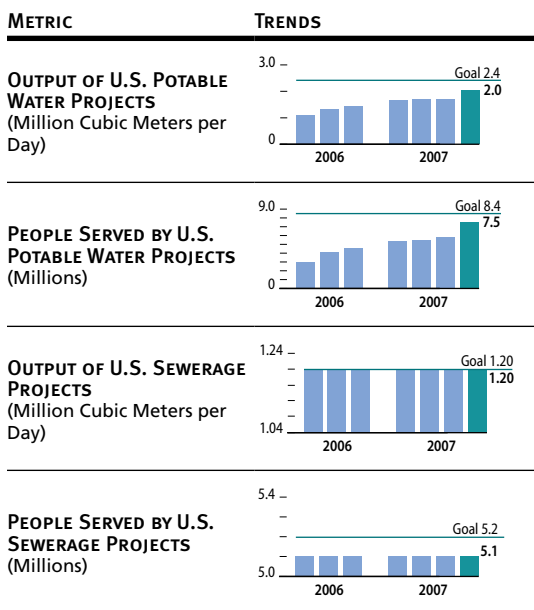
The framework law is currently with the CoR, but no action had occurred as of the end of 2007, and the three supporting laws have yet to be submitted for parliamentary approval.³⁵⁸

The Kurdistan Regional Government (KRG) passed its own law in August 2007, which the GOI declared illegal, stating that companies conducting business with the KRG may face legal action once national hydrocarbon legislation passes.³⁵⁹ In late December 2007, the GOI stated that companies signing agreements with the KRG before passage of a new national oil law may face “blacklisting” and “exclusion of future cooperation” with the MOO.³⁶⁰



Figure 2.36

STATUS OF U.S. WATER PROJECTS



Sources: ITAO, response to SIGIR data call, January 4, 2008; DoS, response to SIGIR data call, October 18, 2007; ITAO, response to SIGIR data call, January 20, 2008.

Note: The data reported are theoretical values; they do not reflect actual production levels by the treatment plants or actual number of persons served.

Water

In October 2003, the UN/World Bank Iraq Needs Assessment predicted that rebuilding Iraq’s water and sewerage system would cost \$14.4 billion overall—\$6.8 billion in the short-term (2004-2007).³⁶¹ Through the IRRF 2, ESF, and CERP, the United States has obligated \$2.616 billion and expended \$2.180 billion in this sector.³⁶²

This quarter, SIGIR inspectors issued three assessments of water projects funded by the CERP, which are discussed in Section 2a and Section 3 of this Report.

METRICS

This quarter, there was progress toward U.S. goals in both the output of potable water projects and the number of people served by these projects.³⁶³ In addition, the goal for total output of U.S. sewerage projects moved from 1.22 million cubic meters per day to 1.20.³⁶⁴ See Figure 2.36 for the status of U.S. water projects.

PROJECTS

In September 2007, the **Nassriya Water Supply** project, valued at \$276.1 million, was completed and transitioned to the Ministry of Municipalities and Public Works (MMPW), according to DoS.³⁶⁵ However, as of January 4, 2008, the plant was operating at 20% capacity due to repeated power shortages. Contractors provided technical guidance until December 10, 2007, and training to MMPW personnel until December 20, 2007, but there are O&M problems at the plant.³⁶⁶ SIGIR inspectors will be evaluating this project next quarter.

The cost of completing the **Sadr City R3 Water Treatment Plant** has risen from \$17.4 million to an estimated \$18.5 million.³⁶⁷ In October, the estimated completion date for the project was January 2008. As of January 4, 2008, the project is 94% complete, and the estimated completion date for the project has been pushed to February 23, 2008.³⁶⁸

The **Sinjar Water Supply** project has met with substantial delays. In August 2007, construction work was suspended because of local bombings. The Sinjar project was 80% complete at the



Supplying potable water remains a significant U.S. goal.

end of October 2007,³⁶⁹ and the project was still scheduled for completion on January 22, 2008.³⁷⁰

Seven water projects were scheduled for completion this quarter. As of January 4, 2008, one of these projects was 100% complete. Two projects had closed out their contracts although the actual projects were not completed.³⁷¹ Table 2.33 shows the status of water projects scheduled for completion this quarter.

Other Select Facilities

U.S.-funded reconstruction of health care and educational facilities has reached approximately \$2 billion. In the health care sector, the United States has funded 3,151 projects, valued at \$1.5 billion.³⁷²

The United States has also supported at least 4,765 projects with approximately \$680 million across the entire education sector. This includes approximately \$400 million for more than 2,600 projects aimed at reconstructing and refurbishing schools in Iraq.³⁷³

STATUS OF WATER PROJECTS SCHEDULED FOR COMPLETION BY JANUARY 30, 2008

| PROJECT TITLE | TOTAL COST (\$ MILLIONS) | ORIGINAL PROJECT COMPLETION DATE | CONTRACT STATUS | PERCENT OF PROJECT ACTUALLY COMPLETE |
|---|--------------------------|----------------------------------|--------------------------|--------------------------------------|
| Fallujah Sewerage: Wastewater Laydown Yard Phase II | \$0.7 | November 15, 2007 | Closed November 15, 2007 | 80% |
| Baladrooz Water Supply Project: Phase 2 | \$61.2 | December 7, 2007 | Closed November 5, 2007 | 100% |
| Fallujah Sewerage: Trunk Mains | \$3.3 | December 15, 2007 | Closed August 8, 2007 | 2% |
| Fallujah Sewerage: Collection System | \$4.5 | January 3, 2008 | Ongoing | 46% |
| Eastern Euphrates Drain: Equipment | \$3.0 | January 10, 2008 | Not Started | 0% |
| Kirkuk Potable Water Project: PRDC Construct | \$7.6 | January 15, 2008 | Ongoing | 82% |
| Sinjar Water Supply: Construct | \$17.9 | January 22, 2008 | Ongoing | 90% |

Source: ITAO, response to SIGIR data call, January 4, 2008.

Note: Two of these projects indicate that more work is needed, despite contract completion.

TABLE 2.33



Health care for children is a critical focus of U.S. reconstruction efforts in Iraq.

HEALTH CARE

Major U.S.-funded projects still underway in this sector include the **Basrah Children's Hospital** and **Primary Healthcare Centers (PHCs)**, both of which have experienced notable challenges in project management oversight and contractor performance. A recent SIGIR audit followed up on the original task order for the PHCs, finding problems in both areas. Further, there appears to be a lack of effective action to resolve the myriad problems encountered.³⁷⁴

The Basrah Children's Hospital was initially slated for completion in December 2005, but work continues under the program management of GRD, which expects the hospital to be completed in June 2009. Current partners engaged in the project include Iraq's Ministry of Health, ITAO, GRD, Project HOPE, and UNDP. An Executive Steering Committee is ensuring follow-through on the problems identified.

U.S. funding is supporting the completion of 91 of 142 PHCs. Originally, there were 150 planned PHCs.³⁷⁵ As of January 17, 2008, 74 of the 91 completed PHCs have been transferred

to the GOI—39 are open to the public while 33 have not been opened by the Ministry of Health.³⁷⁶ Construction on the remaining 39 PHCs continued this quarter with an additional 17 in a "post construction phase." One PHC was attacked this quarter, and construction at five other sites has been terminated because funds were reprogrammed or shut down due to security problems. The PHC program is expected to be complete by May 2008.³⁷⁷

ESF is funding a PRDC-selected hospital project, a new surgical hospital in Amara, the capital of Missan Province, at a cost of \$12.7 million.³⁷⁸ The contract was awarded in September 2007, and work is estimated to be completed in 2009.³⁷⁹

The Ministry of Health reports that more than 50% of its medical staff has fled Iraq in recent years, and current facilities are operating well below capacity.³⁸⁰ Among the reasons some PHCs have not opened to the public is a shortage of trained medical staff and sectarian political problems within the Ministry of Health.



A \$60 million initiative is rehabilitating 134 schools across Iraq.

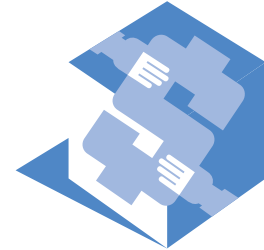
EDUCATION

All major projects in this sector have been completed and closed out. As of December 31, 2007, 810 IRRF-funded schools have been completed, providing classrooms for more than 323,000 students.³⁸¹ CERP and ESF funds also contribute to school reconstruction and refurbishments throughout Iraq. The CERP has funded \$258 million for education projects in Iraq, including approximately \$65 million for projects benefiting 1,176 schools.³⁸²

This quarter SIGIR inspectors assessed **Al Escanddrona School** in Baghdad province and reported no negative findings. The assessment team relied solely on photo and contract

documents to complete the assessment. Private contractors and Army officials denied SIGIR's request for military escorts to visit the site because of increased insurgent activity in the Karadah district of Baghdad.

The **Emergency School Construction and Rehabilitation Project** funded the construction of two new schools that were opened this quarter in Anbar province. The schools were constructed using local contractors and were managed by the Ministry of Education. This project is a \$60 million initiative that finances the major rehabilitation of 134 schools and the construction of 56 new schools across all 18 provinces in Iraq.



CAPACITY DEVELOPMENT

Since 2003, U.S. agencies and departments have undertaken a number of initiatives to build the management and governance capacity of Iraq's government. To foster sustainable governance processes, the United States provides training for a range of government operations across the GOI, including budget execution, procurement, project management, and technology.

U.S.-funded capacity development programs operate in a number of offices—the Prime Minister's Office, the Council of Ministers Secretariat, and approximately a dozen ministries. The U.S. Agency for International Development (USAID), the Iraq Transition Assistance Office (ITAO), and the Multi-National Security Transition Command-Iraq (MNSTC-I) lead these U.S. support efforts.

At the executive and ministerial levels, USAID and ITAO offer guidance and coordination. Both organizations work with the GOI to improve budget formulation and execution, procurement systems, delivery of services, and other government processes. MNSTC-I operates only at the ministerial level with the Iraqi Ministries of Defense and Interior.

MINISTERIAL LEVEL

ITAO supports several types of ministerial capacity-building efforts, including water, electricity, oil, economic development, political development, and public affairs.³⁸³

USAID's National Capacity Development program operates a \$209 million three-year project,³⁸⁴ known as Tatweer. The program began in August 2006 and continues to operate in ten ministries. It focuses on capacity building in finance, procurement, leadership, various management specialties, and strategic planning.³⁸⁵

Approximately two to three Tatweer advisors operate within each ministry or government body. Tatweer offices are located in Erbil, Basrah, Mosul, and two Baghdad sites.³⁸⁶

MNSTC-I operates capacity development programs with the Ministry of Interior (MOI) and Ministry of Defense (MOD), providing training, guidance, and advice. FY 2007 ISFF obligations include \$47.7 million for capacity development programs at the ministries—\$18.4 million for work with the MOI and \$29.3 million for the MOD.³⁸⁷ The MOI “shows steady, but uneven progress”³⁸⁸ in improving its capabilities. The MOD's development is “slow but steady, showing incremental progress.”³⁸⁹



USAID TRAINING INITIATIVES

USAID conducts training programs at Iraq's National Center for Consultancy and Management Development (NCCMD). As of November 30, 2007, 4,413 government officials and civil servants had been trained at NCCMD.³⁹⁰ Last quarter, USAID reported 1,758 participants.³⁹¹ Training sessions include courses on:³⁹²

- management (financial, human resources, information technology, project, and contract)
- anticorruption
- leadership and communication

USAID plans to provide training for employees of five ministry inspectors general (IGs). Courses will include management training in finance, personnel, and procurement. The IG employees will undergo hands-on training in forensic accounting, auditing processes, and fraud prevention.³⁹³

MNSTC-I TRAINING INITIATIVES

Progress in the MOI has been hindered by the existence of sectarianism and corruption, as well as the operational challenges of developing logistics capabilities. However, according to DoD, the MOI has conducted investigations that have resulted in the reduction of corrupt or sectarian influences.³⁹⁴

The ministry's logistics, acquisitions, and force-management capability continue to be the focus of improving the professionalism and sustainability of MOI operations. Of the total FY 2007 obligations for ISFF capacity development, \$15.2 million was dedicated to the MOI for training.³⁹⁵

The MOD has been facing the challenges of a shortage of professional civil servants³⁹⁶ and inadequate field logistics capacity.³⁹⁷ Notwithstanding these deficiencies, capacity development programs continue to show promise. The MOD is somewhat effective in budgeting for and development of personnel, sustainment, and procurement activities.³⁹⁸

Of the total FY 2007 obligations for ISFF capacity development, \$9.94 million was dedicated to MOD under the training sub-activity.

Oversight

In January 2008, SIGIR released its audit, "Efforts To Implement a Financial Management Information System (IFMIS) in Iraq."³⁹⁹ The IFMIS was intended to streamline Iraq's financial systems by improving transparency, accountability, and fiscal analysis. The audit is a follow-up to an October 2007 interim report on the implementation of the IFMIS system.⁴⁰⁰ The original report found that the project did not have a firm development plan, did not have Iraqi

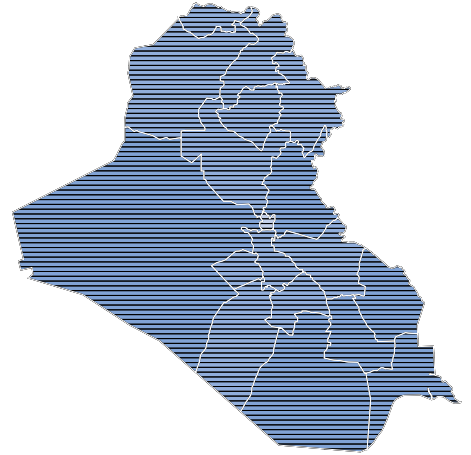


buy-in, and was suspended in June 2007. This quarter, SIGIR auditors completed the IFMIS review and found:

- The project remains suspended.
- Iraqi needs were not considered when the system was being developed and the project, therefore, did not have full GOI support.
- USAID had insufficient documentation to differentiate funds earmarked for IFMIS.
- USAID issued a broad scope and offered broad guidance, which is not advantageous and not the best contracting method for the project.
- ITAO had sufficient documentation to differentiate between funds that were allocated and expended.



IRAQ'S GOVERNANCE ACTIVITIES



section

2c



IRAQ'S GOVERNANCE ACTIVITIES

In 2008, the Year of Transfer in Iraq, a number of important changes are anticipated, including the transfer to Iraqi control of provincial security responsibilities, management of key reconstruction activities, and U.S.-funded projects.

The sections that follow highlight those areas where the Iraqis are assuming greater control of governance activities and managing the reconstruction effort:

- **Iraqi Budget:** With revenues increasing because of higher oil prices, the Government of Iraq (GOI) will have more funds to support reconstruction activities. This section provides an overview of the GOI's 2006 and 2007 expenditures and 2008 budget. Also, SIGIR provides an update on Procurement Assistance Centers (PACs), which are intended to assist the GOI in improving the efficiency of contracting and procurement.⁴⁰¹
- **Provincial Iraqi Control (PIC):** This quarter, the security responsibilities for two more provinces were transitioned to Iraq; half still await PIC designation. This section provides an overview of the PIC process and the transfer of security responsibilities in the country.
- **Democracy and Civil Society:** Since the termination of the CPA, the GOI has made limited progress on key pieces of legislation that have been identified as critical to the resolution of outstanding issues facing Iraq. This section provides an update on the Iraqi government's progress on these legislative actions, as well as information about provincial and local elections and the U.S.-Iraq declaration of friendship.



IRAQI BUDGET

Iraq's 2008 budget—the largest since the 2003 invasion—totals \$48.6 billion. Although the budget was to be finalized in December 2007, the revised forecast calls for passage and signature by the Presidential Council before March 2008.⁴⁰²

The GOI has budgeted \$35.2 billion (72%) for operational expenses,⁴⁰³ including salaries, grants, subsidies, social benefits, and other expenditures.⁴⁰⁴ An additional \$13.4 billion is budgeted for capital expenses—approximately 28% of the budget.⁴⁰⁵

In 2007, central government ministries were allocated 76% of the overall federal budget.⁴⁰⁶ Of these, the Ministry of Finance continues to receive the largest part of the budget. In 2008, it is projected to receive \$16.7 billion—just more than 34% of the total budget.⁴⁰⁷

Provincial government officials have been requesting additional funding from Baghdad in an effort to decentralize the process and gain more responsibility and authority for meeting the needs of their provinces. In October 2007, the Governorates Administrations sent a letter to Iraq's Prime Minister asking that the provinces receive increased funding, improved mechanisms for coordination with ministries, and additional trained staff for 2008.⁴⁰⁸ The letter outlined 13 reasons justifying the request, including these critical factors:

- Rising inflation rates raised project costs, placing a greater strain on provincial budgets.

- Higher expenditure rates in the provinces than in the ministries, justifying the release of more funds to the provincial level.
- Provincial councils are more capable than ministries in “defining the priorities to implement projects.”⁴⁰⁹
- Experience has grown at the provincial level in planning and managing the construction of major projects.

The 2008 draft federal budget provides \$3.47 billion to the provinces (excluding Kurdish regions). More than \$3 billion of that funding (96%) is for reconstruction/capital expenses.

Higher Oil Prices Will Provide Additional Revenue

The GOI factors the price of oil and anticipated oil production into its budget forecast. In 2007, oil accounted for 93% of national revenues in Iraq. The U.S. Department of Treasury (Treasury) estimated that oil production in 2008 will generate \$35.4 billion, accounting for 84% of national revenues.

Iraq's 2008 budget was calculated using \$57 per barrel as the base price.⁴¹⁰ However, Iraq's oil production achieved a post-war record this quarter, and, with higher oil prices, the potential for a “budget windfall” this year is great.⁴¹¹



Overall 2006 and 2007 Budgets Not Fully Expended

Iraq continues to grapple with the challenges of fully executing its budgets. Although GOI budget allocation increased approximately 52% between 2004 and 2006, the relative percentage of total allocations spent has not risen to keep pace, falling from 94% to 66%.⁴¹² The budget for 2007 and that proposed for 2008 are even higher, and with potential surplus from record-high prices for oil, Iraq’s budget execution could be more challenging.

The GOI failed to spend a substantial portion of the 2006 budget and rolled it over into 2007 (Treasury reported that the GOI spent only 78% of its \$34 billion 2006 budget).⁴¹³ Thus, the 2006 budget was still being spent in 2007, slowing the expenditure of 2007 funds. By the end of September 2007, \$18.4 billion (44.7%) of the 2007 budget had been expended.

As SIGIR has noted in the past, the GOI has successfully expended its budgets for salaries, which includes wages, bonuses, and other contributions.⁴¹⁴ In 2006, the entire \$5.4 billion budget for these expenses had been executed.⁴¹⁵ By the end of September 2007, at least 81% of the \$8.6 billion 2007 budget for employee compensation had been expended.⁴¹⁶

Although the GOI is able to spend its administration budget effectively, executing the capital budget has been problematic. The GOI spent only 23% of the \$6.2 billion capital budget for 2006.⁴¹⁷ In 2007, the annual capital budget grew to \$10.1 billion,⁴¹⁸ or approximately 25% of Iraq’s

total budget. Allocations from the capital budget were apportioned as follows:

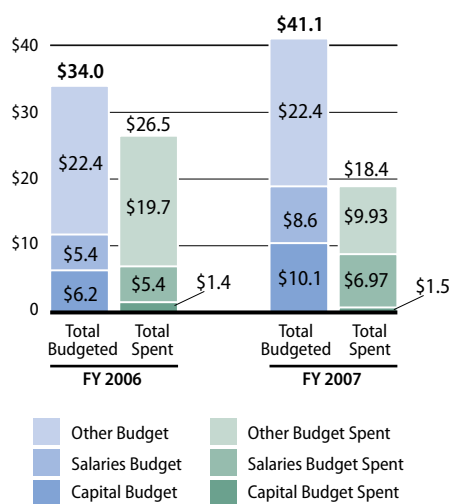
- \$6.4 billion for the ministries⁴¹⁹
- \$2.1 billion for Iraq’s provinces⁴²⁰
- \$1.6 billion for the Kurdistan Regional Government (KRG)⁴²¹

Treasury reports that, as of August 31, 2007, only \$1.5 billion of the FY 2007 capital budget had been expended. For a comparison of expenditure data between 2006 and 2007, see Figure 2.37. SIGIR continues to break out the salary and capital budget expenditure data as key indicators of Iraq’s spending progress.

Figure 2.37

BUDGET EXPENDITURE COMPARISON FOR 2006 AND 2007

\$ Billions
Source: Treasury, Response to SIGIR Data Call (1/4/2008)



Notes:
1. Numbers are affected by rounding.
2. 2007 expenditure data is reported for the period January through September 2007.



U.S. government agencies charged with the responsibility of tracking Iraqi budget expenditures at the national and provincial level have experienced significant difficulties. For example, three authoritative sources provided SIGIR these figures on spending rates of the 2007 ministerial capital budget:

- White House Benchmark Report: 24%⁴²²
- U.S. Department of Treasury: 15%⁴²³
- Government Accountability Office (GAO): 4.4%⁴²⁴

All three sources cited data provided by Iraq's Ministry of Finance.⁴²⁵ The variance in this data is indicative of the challenges associated with reporting on budget execution performance.

Coordinated U.S. and Iraqi Efforts To Improve Budget Execution

This quarter, Treasury sponsored two different training workshops on budget execution for personnel from 13 provinces and 11 ministries. Five Iraqi instructors conducted the training for the 36 provincial participants and 30 ministerial attendees.⁴²⁶

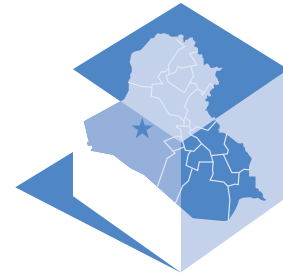
Also, members of Provincial Reconstruction Teams receive training on budget execution delivered by the DoS Foreign Service Institute and Treasury in Baghdad.⁴²⁷

Procurement Assistance Centers

Iraqi-led Procurement Assistance Centers (PACs) provide legal and technical advice to the Office of Government Public Contracts Policy at the Ministry of Planning and Development Cooperation (MoPDC).⁴²⁸ PACs are focused on assisting the GOI to execute its capital budget more effectively.⁴²⁹ Long-term goals for the PAC program include:

- increased levels of budget execution
- streamlined procurement processes that are in keeping with international best practices
- improved GOI coordination
- creation of an Iraqi-owned and operated Procurement Assistance Consulting Center

Between March and December 2007, over \$2.1 million in ESF funds was obligated to support PACs.⁴³⁰



PROVINCIAL IRAQI CONTROL

The Coalition has focused its efforts on the objective of achieving a level of security in the provinces that would allow principal responsibility to pass to Iraqi Security Forces, a status that is known as Provincial Iraqi Control (PIC).

Topic Highlights

Several considerations guide transition to Provincial Iraqi Control, including the threat level, the readiness of Iraqi Security Forces within the province, and the capability of the provincial government.⁴³¹ Readiness evaluations are consolidated in monthly Provincial Security Transition Assessments, which are then reviewed by Multi-National Corps-Iraq (MNC-I) and the Joint Committee to Transfer Security Responsibility (JCTSR).⁴³² When conditions are met, JCTSR recommends a province for PIC to the Commander of Multi-National Corps-Iraq (MNF-I) and the Iraqi Ministerial Council for National Security, which is chaired by the Prime Minister. The final decision is made by the Council.⁴³³

Update on PIC Status by Province

Between July 2006 and December 2007, 9 of Iraq's 18 provinces were successfully transferred to Iraqi control. The three Kurdish provinces—Erbil, Sulaymaniyah, and Dahuk—were officially

transitioned to Regional Iraqi Control in May 2007.⁴³⁴ However, the Kurdistan Regional Government (KRG) effectively controlled the region autonomously prior to the official transition.⁴³⁵

This quarter, the Coalition turned over security control of Kerbala and Basrah provinces to the GOI. Figure 2.38 shows PIC status across Iraq as of January 2008 and Figure 2.39 provides a timeline of provincial transfer to PIC.

The Coalition retains primary responsibility for security in nine provinces: Anbar, Babylon, Baghdad, Diyala, Ninewa, Qadissiya, Salah al-Din, Tameem, and Wassit. MNF-I reported that no provinces are expected to transition to PIC in either January or February 2008.⁴³⁶

Since the initiation of the PIC process, the target date for PIC in all provinces has shifted several times. In 2005, control of all provinces was expected to shift by June 2006,⁴³⁷ but the first province (Muthanna) did not transition until July 2006. In June 2007, DoD reported that Iraq should be fully transitioned by March 2008.⁴³⁸ In September 2007, DoD announced that the target had slipped to “as early as July 2008.”⁴³⁹ However, MNF-I reported that PIC is “conditions-based,”⁴⁴⁰ and there is “no set schedule for the completion of the PIC process.”⁴⁴¹

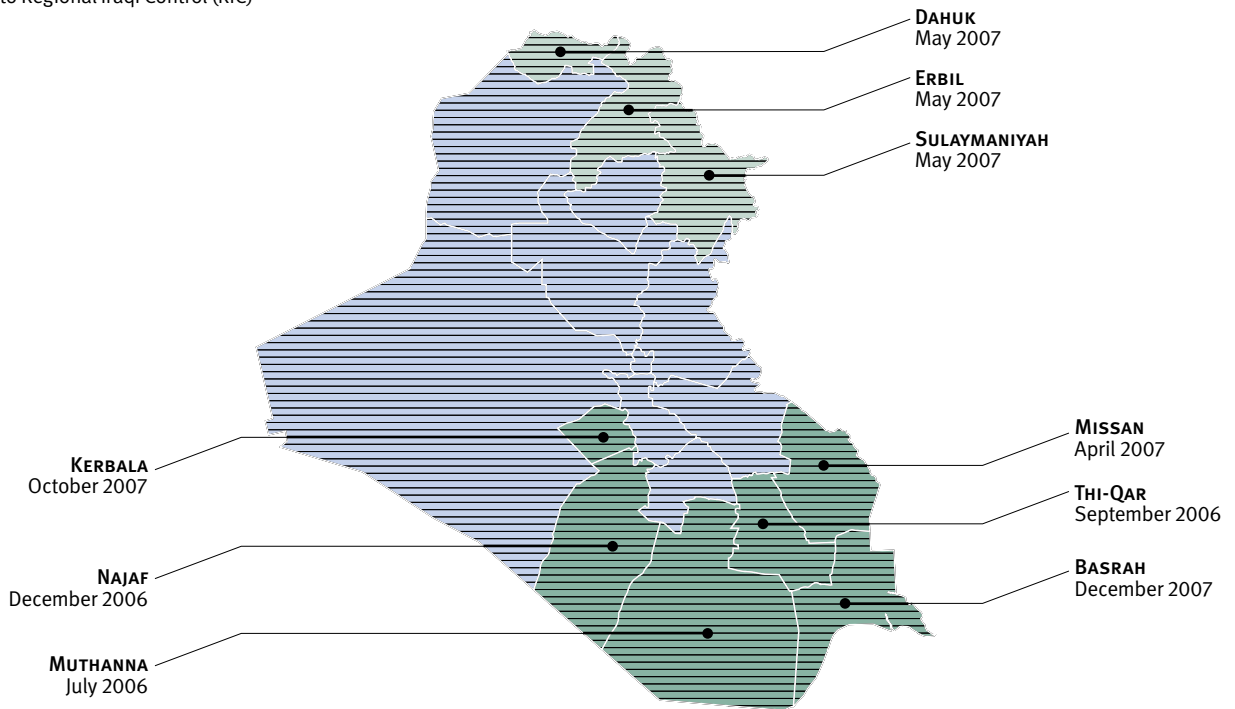


Figure 2.38

PROVINCES TRANSFERRED TO PROVINCIAL IRAQI CONTROL

Source: Multi-National Force-Iraq, Provincial Iraqi Control, www.mnf-iraq.com (1/17/2008)

- Province Transferred to Provincial Iraqi Control
- Not Yet Transferred
- Kurdish Region; Provinces have collectively been returned to Regional Iraqi Control (RIC)



PIC in 2008

The lack of trained ISF remains a key obstacle for achieving PIC status. The lack of security—caused by “mixed sectarian populations, porous borders, and the presence of militia or foreign fighters”—contributes to instability in the remaining nine provinces.⁴⁴²

Iraq continues to develop ways to address border tensions. In addition to communicating

with neighboring countries, the GOI has been working with the Coalition to augment “border intelligence sharing, port of entry operations, and border patrol operations. The priority of efforts are on the Syrian and then the Iranian borders.”⁴⁴³

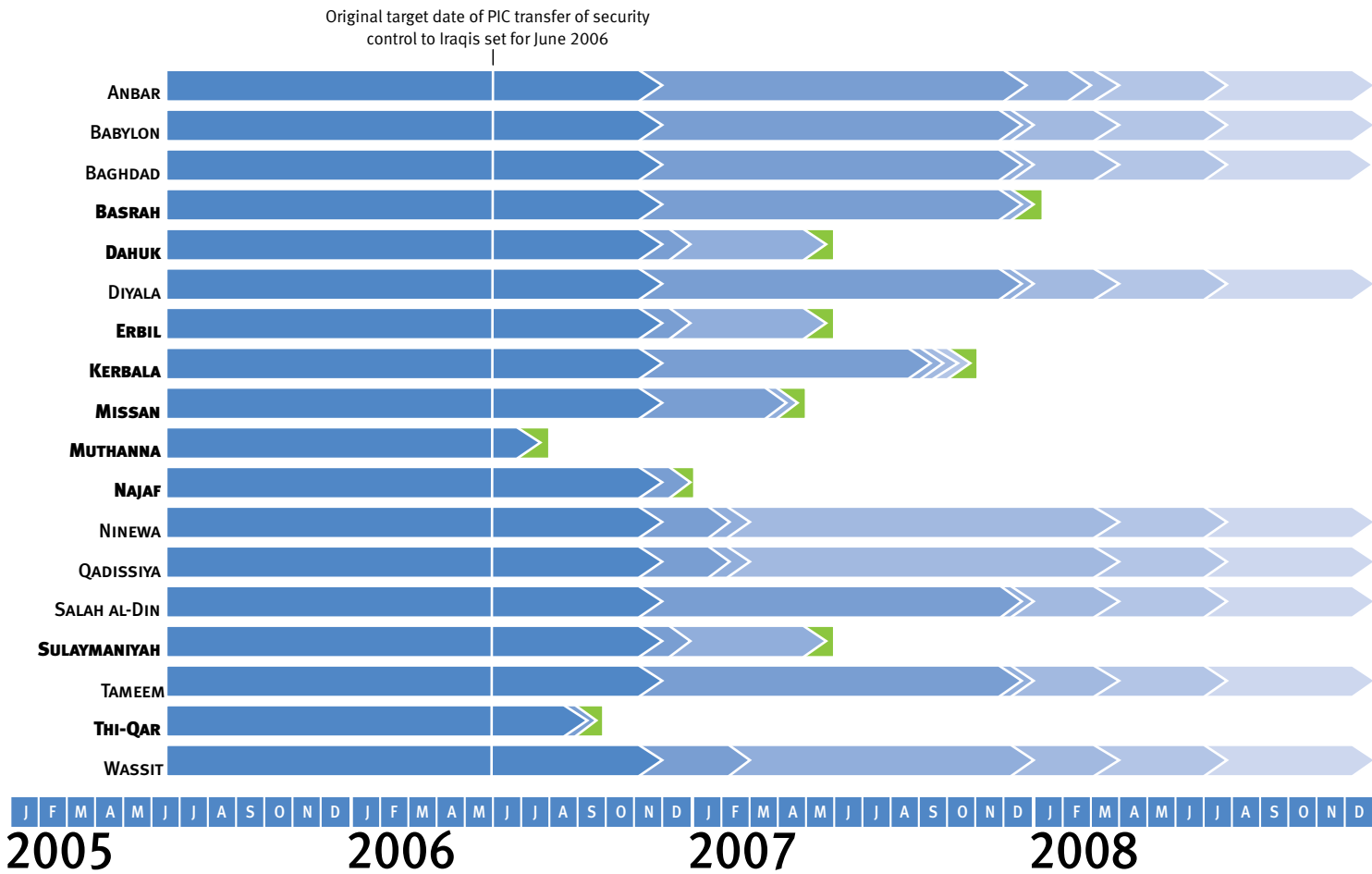
The number and readiness of ISF units has also affected the PIC process. The GOI has authorized an increase in ISF personnel and



Figure 2.39

TRANSITION TO PROVINCIAL IRAQI CONTROL

Sources: DoD, *Measuring Security and Stability in Iraq*, December 2006, March 2007, June 2007, September 2007, December 2007



ANTICIPATED PIC DATE

- Original target date of PIC transfer of security control to Iraqis set for June 2006
- Extended per December 2006 9010 Report
- Extended per March 2007 9010 Report
- Extended per June 2007 9010 Report
- Extended per September 2007 9010 Report
- Extended per December 2007 9010 Report
- Achieved PIC Status

This timeline illustrates DoD's revision of target dates for transition to Provincial Iraqi Control. The original goal for transition of all provinces was set for June 2006, and it has been revised five times. DoD sets the latest goal "as early as July 2008."



TRANSFER OF FORWARD OPERATING BASES

| DATE | FOBS | # TRANSFERRED | % TRANSFERRED |
|---------------|------|---------------|---------------|
| October 2006 | 110 | 52 | 47.3% |
| November 2007 | 125 | 61 | 48.8% |

Source: DoD, *Measuring Stability and Security in Iraq*, October 2006 and December 2007.

TABLE 2.34

has established operational command centers to consolidate ISF functions.⁴⁴⁴ The government has made a special effort to increase the number of police, but this step has created a challenge for the GOI and MNF-I: recruiting police diminishes the pool of available manpower from which to draw Iraqi Army soldiers. At present, the GOI must rely heavily on the Iraqi Army to provide security until the police force is able to assume responsibility.⁴⁴⁵

Achieving PIC does not mean that security in a province can be guaranteed by ISF alone. U.S. and Coalition forces are expected to maintain strategic overwatch presence in the transitioned areas, primarily performing several missions as advisors, providing logistical support, and serving as in-extremis, quick-reaction forces.⁴⁴⁶

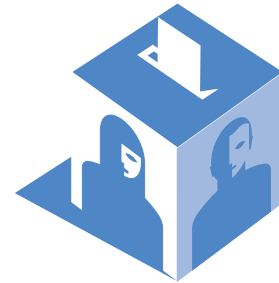
Another activity related to PIC is the handover of Forward Operating Bases (FOBs) from U.S. to Iraqi control. This process was interrupted as the surge in U.S. military forces increased the requirement for basing throughout the country. The number of FOBs increased as surge deployments began. While the surge of U.S. forces runs its course, MNF-I is planning to “synchronize basing requirements with Coalition force requirements and the projected command-and-control structure”⁴⁴⁷ to ensure that the transfer of FOBs continues as quickly and smoothly as possible. Over the last year, however,

the percentage of FOBs maintained and transferred to Iraqi authority has changed little.

The transfer of FOBs to Iraqi authorities is anticipated to pick up in early 2008.⁴⁴⁸ For a comparison of the FOBs in October 2006 and November 2007, see Table 2.34.

The effect of economic development on security is also considered in the PIC process. The ability to sustain market growth contributes to employment and general level of satisfaction of the population in a province, and in turn, to the security situation. Coalition forces and the U.S. Embassy employ various measures to contribute to local development, “particularly in the transferred provinces and those provinces soon to transfer to Iraqi control.”⁴⁴⁹

Provincial Reconstruction Teams (PRTs) will be increasingly affected by the PIC process. PRTs rely on security and life support provided by Coalition forces. After a province transitions, the Coalition is faced with a choice: to move outside the province or retain sufficient force structure to maintain life support and security.⁴⁵⁰ Successful PRT activities were observed this quarter in Thi-Qar, where the PRT actually remained in the province after PIC.⁴⁵¹ MNF-I reported even as Coalition forces are reduced, in most cases, both DoS and DoD plan for the PRTs to continue their work.⁴⁵²



DEMOCRACY AND CIVIL SOCIETY

The following key legislative measures will help Iraq move more quickly toward national reconciliation:

- enforcement of Article 140 of the Iraq Constitution
- implementation of provincial and local elections⁴⁵³
- enforcement of the recently passed De-Ba'athification Law (Justice and Accountability Law)⁴⁵⁴
- implementation of the regions law⁴⁵⁵

Article 140

On December 17, 2007, the GOI extended by six months the deadline to prepare for a referendum on Article 140 of the Iraq Constitution. By the new deadline of June 30, 2008, the GOI is expected to complete the normalization process in Kirkuk and other disputed territories, conduct a census to determine the ethnic breakdown in disputed territories, and hold a referendum to determine the will of citizens in those areas. Primarily, this referendum will address whether the oil-rich city of Kirkuk will join the Kurdish region. The UN reports that it will provide technical assistance to help the GOI implement Article 140.⁴⁵⁶

Article 140 extends the requirements made under Article 58 of the Transitional Administrative Law, which sought to reverse the alteration of the demographic composition of the region imposed by the Saddam Hussein regime, which had:⁴⁵⁷

- deported and expelled citizens
- forced migration in and out of regions
- settled individuals alien to the region
- deprived inhabitants of work
- corrected nationalities
- changed boundaries of regions

Article 58 tasked the Iraqi Transitional Government with repealing all former regime laws associated with national identity. The Article also required the restoration of homes and property to those who were forced to leave their regions, along with state compensation to ensure that individuals may resettle as desired. Finally, Article 58 required a fair and transparent census and the ratification of a permanent constitution.⁴⁵⁸ A fair and transparent census and representative referendum are critical to ensuring that both the letter and spirit of Article 140 are observed.

DoS reports that the Kurdistan National



Assembly has consented to the extension of the deadline. However, lawmakers have expressed displeasure at the delay.⁴⁵⁹

Provincial and Local Elections

Conducting fair and representative provincial and local elections is a key step toward national reconciliation. Elections are also expected to affect the under-representation of Sunnis on four provincial councils.⁴⁶⁰

The U.S. Embassy reports that the Prime Minister's office has developed a draft provincial election law. This draft is expected to set a date for elections. However, there is no expected date for the Prime Minister to sign this draft, and concerns have been raised about its content. No member of the Council of Representatives (CoR) has proposed a separate draft for review.⁴⁶¹

Four prerequisites must be carried out for provincial elections to occur:

- The CoR must nominate candidates for 20 provincial chief electoral officer positions.
- The GOI and the CoR must pass a provincial elections law.
- The GOI must set a date for provincial elections.
- The CoR must provide appropriate budgets for voter registration and provincial elections.

As of January 4, 2008, the CoR had nominated candidates for 12 of the 20 chief electoral officer positions. However, the Council remains deadlocked over the eight remaining positions: Basrah, Najaf, Kerbala, Wassit, Ninewa, Diyala, and Baghdad (where there are two positions available).⁴⁶²

As of December 31, 2007, USAID had obligated \$27.45 million in FY 2007 Supplemental Funds (P.L. 110-28) and \$2.55 billion in ESF Continuing Resolution Funds to support the elections process in Iraq. The funds have been used to support the Independent High Electoral Commission, an institution that provides elections support to the GOI. The funds have also been used to develop plans for sustainable permanent voter registry maintenance.⁴⁶³

De-Ba'athification Law

The CoR passed the Justice and Accountability Act on January 12, 2008, meeting a White House benchmark and taking an important step toward promoting broader reconciliation in Iraq.⁴⁶⁴

The law reformed a de-Ba'athification process that many regarded as a "roadblock to reconciliation,"⁴⁶⁵ according to the U.S. Ambassador to Iraq. The Justice and Accountability Act is expected to provide a means for former members of the Ba'ath party to return to public life within Iraq.



A statement issued by the U.S. Embassy emphasized the importance of implementing the legislation to demonstrate to Iraqis that GOI leaders are working for national reconciliation.⁴⁶⁶

The Regions Law

The regions law is scheduled to come into effect on April 12, 2008. The CoR passed this law in October 2006, but suspended implementation for 18 months. The law has the potential to significantly alter the governance structure and the balance of power in Iraq by moving decision-making authority from the central government to the regions.

The purpose of the regions law is to create the process through which an official Iraqi region can be formed and establishes the means by which a territory may join an existing region.⁴⁶⁷ The law defines a region as a “legal entity that consists of one province or more.”⁴⁶⁸ The provisional powers defined in the law include the ability to hold elections for the provisional legislative council. Seats for the provisional legislative council are based on the population of a region. One of the responsibilities of the provisional legislative council will be to draft a permanent constitution for the region.

Declaration of Principles for Friendship and Cooperation

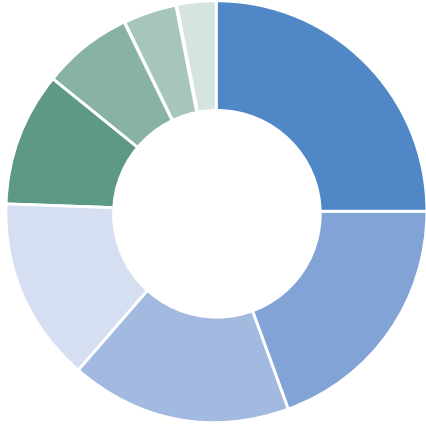
On November 26, 2007, the United States and Iraq issued a shared Declaration of Principles for Friendship and Cooperation. The Declaration contains a security clause that will commit the United States to the training and equipping of Iraqi Security Forces, GOI antiterrorism initiatives, and preservation of Iraq’s territory.⁴⁶⁹

The Declaration is the first of three steps that will “normalize” U.S.-Iraqi relations:⁴⁷⁰

1. Sign a Declaration of Principles for Friendship and Cooperation.
2. Renew the MNF-I Chapter VII United Nations mandate for another year.
3. Negotiate new policies when the MNF-I mandate expires next year.

On December 18, 2007, the CoR approved a request from the Prime Minister of Iraq to extend the MNF-I mandate,⁴⁷¹ which will now expire on December 31, 2008.⁴⁷² The mandate grants permission for the Multi-National Force-Iraq (MNF-I) to provide support for security efforts in Iraq.⁴⁷³

INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION



section

2d

INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

Overview

Under its mandate, SIGIR reports on the relief and reconstruction activities supported by the international community. However, it has become increasingly difficult to obtain accurate data on this essential component of the reconstruction program, particularly as donor nations move toward bilateral relationships with the Iraqi government. Because Iraq has management control over these donor relationships, SIGIR has decreasing visibility into the status and total of donor pledges and other aid.

As a result, this quarter, SIGIR revised its methodology for reporting donor pledge figures. For this Report and going forward, SIGIR will report international pledges based on data from an official U.S. government source, NEA-I. As of December 31, 2007, NEA-I reports a total of nearly \$15.826 billion in international pledge

funding for Iraq reconstruction (excluding the United States).⁴⁷⁴ This large change from the figure reported in SIGIR's October 2007 Quarterly Report (approximately \$18 billion) is attributable to this new reporting methodology and not driven by any specific change in total pledge figures. Of the total pledges of grants and loans from the international community, \$4.56 billion has been committed, and \$2.49 billion had been disbursed, according to the Development Assistance Database (DAD).⁴⁷⁵

This quarter, three countries and the European Commission (EC) promised additional funding to support reconstruction efforts in Iraq through grants and loans. Also, \$6 billion in new debt relief agreements were reached this quarter. Table 2.35 and Table 2.36 highlight the details of this new financial support.

GRANTS AND LOANS ANNOUNCED SINCE OCTOBER 2007 (\$ MILLIONS)

| DONOR | TYPE OF ASSISTANCE | AMOUNT | DATE | DESCRIPTION |
|----------------------------------|--------------------|----------|------------|--|
| Italy ^a | Soft Loan | \$144.00 | N/A | Cooperation agreement was signed between the GOI and Italy. Exact date of the agreement is unknown; announcement occurred during this quarter. |
| European Commission ^b | Grant | \$73.38 | 12/12/2007 | Assistance is aimed at expanding health and education services for Iraqi refugees in Syria and Jordan. |
| Kuwait ^a | Grant | \$60.00 | 11/18/2007 | Memorandum of Understanding was signed. Grant is specified for humanitarian assistance. |
| European Commission ^c | Grant | \$29.00 | 12/13/2007 | Funding will be channeled through the World Bank Iraq Trust Fund for projects assisting Public Finance Management Reform. |
| Japan ^d | Grant | \$5.18 | 11/5/2007 | Purpose of the grant is to improve the living conditions for Internally Displaced Persons and refugees. |

Notes:

^a NEA-I, response to SIGIR data call, January 4, 2008.

^b European Union, "News Release No. 126/07: European Union Provides 50 Million Euros To Help Iraqi Refugees in Syria and Jordan," December 12, 2007. Note: funding is €50 million; exchange rate from IMF on December 12, 2007, of 1.4675 used to determine the amount in U.S. dollars (USD).

^c IRFFI, *IRFFI Latest News*, December 13, 2007, www.irffi.org. Note: funding is €20 million; exchange rate from IMF on December 13, 2007, of 1.4683 used to determine USD amount.

^d The Ministry of Foreign Affairs of Japan, Emergency Grant Aid to Internally Displaced Persons in Iraq and Iraqi Refugees in Neighboring Countries, Syria and Jordan, for Humanitarian Assistance, November 6, 2007.

TABLE 2.35

DEBT RELIEF AGREEMENTS ANNOUNCED SINCE OCTOBER 2007 (\$ MILLIONS)

| DONOR | TYPE OF ASSISTANCE | AMOUNT | DATE | DESCRIPTION |
|---|-----------------------|------------|---------------|---|
| Bulgaria ^a | Debt Relief Agreement | \$3,500.00 | November 2007 | Bulgaria will provide debt forgiveness of \$3.5 billion to Iraq in exchange for an immediate cash payment of \$360 million. |
| Bosnia, Serbia, and Slovenia ^b | Debt Relief Agreement | \$2,500.00 | January 2008 | Bosnia, Serbia, and Slovenia will provide debt forgiveness of \$2.5 billion to Iraq—external debt owed to the former Yugoslavia—in exchange for a payment of \$254 million. |

Notes:

^a NEA-I, response to SIGIR data call, January 4, 2008.

^b NEA-I, response to SIGIR data call, January 11, 2008.

TABLE 2.36

Iraq's External Debt

Iraq was left with significant debt after the fall of the Saddam regime. Debt restructuring has been the subject of frequent discussions among bilateral, multilateral, and commercial creditors. These discussions have resulted in some debt relief agreements, but much debt remains.

DEBT RELIEF

As of spring 2003, Iraq's external debt was estimated to be about \$125 billion. The actual foreign debt owed is unknown because of discrepancies in how the amount owed has been reported and how interest is calculated on this debt. Iraq's external debt comprises Paris Club bilateral debt, non-Paris Club bilateral debt, commercial debt, and multilateral debt.⁴⁷⁶ Table 2.37 provides estimates of the debt Iraq inherited from the Saddam era.

Paris Club Bilateral Creditors

During November 2004, the Paris Club agreed on a restructuring package for Iraq based on a three-phased approach to debt reduction equal to 80% of Iraq's external debt.⁴⁷⁷ For details of the agreement and current status, see Table 2.38.

On December 17, 2004, the United States forgave 100% of the debt Iraq owed to it—approximately \$4.1 billion. Other Paris Club members have followed the three-phase debt agreement, signing bilateral debt agreements with the GOI. The only exception is Russia. It has not yet

followed the Paris Club agreement⁴⁷⁸ but has pledged to grant debt relief of \$6 billion.⁴⁷⁹ Both governments expected that a debt relief resolution would be implemented by the end of 2007,⁴⁸⁰ but as of December 31, 2007, no debt relief agreement has been officially announced. According to the NEA-I, Russia has indicated that it may be ready to sign an official debt agreement later this year.⁴⁸¹

The third and final stage of Paris Club debt reduction is expected to be achieved by the end of 2008, contingent upon successful performance on the successor Stand-By Arrangement between the International Monetary Fund (IMF) and Iraq.⁴⁸²

Non-Paris Club Bilateral Creditors

The Paris Club debt relief agreement created a precedent for other creditors to follow. Approximately two-thirds of Iraq's external debt is owed to non-Paris Club countries, including neighboring countries. Although these neighbors were not included in Paris Club negotiations, the agreement requires Iraq to request restructuring terms with them in a comparable amount. Iraq may have difficulty reaching agreements with similar terms for non-Paris Club creditors, raising the concern that these countries may attempt to attach conditions to the debt relief, such as preferential rights to Iraqi oil or other business ventures.⁴⁸³

As of October 2007, Iraq had settled a portion

IRAQ'S EXTERNAL DEBT FROM THE SADDAM ERA (\$ BILLIONS)

| COMPONENT | ESTIMATED AMOUNT ^c | DESCRIPTION |
|------------------------------------|-------------------------------|---|
| Paris Club Bilateral Creditors | \$37.2 | Paris Club is an informal group of creditor governments that provides a forum for countries to negotiate a coordinated solution to restructure debt with other countries that are having payment difficulties. ^a |
| Non-Paris Club Bilateral Creditors | \$67.4 | Debt owed to a non-Paris Club member country. Saudi Arabia and Kuwait are the largest debtor countries in this category. |
| Commercial Creditors | \$20.0 | Commercial creditors are geographically spread out, and most claims are moderately small. Approximately 36% of claims were less than \$1 million, and approximately 37% were filed for \$1 million – \$10 million. ^b |
| Multilateral Creditors | \$0.5 | Debt owed to international organizations, such as World Bank and the IMF. |
| Total | \$125.1 | |

Source: CRS Report for Congress, "Iraq's Debt Relief: Procedure and Potential Implications for International Debt Relief," Updated October 10, 2007.

Notes:

^a Source: Paris Club, Description of the Paris Club, www.clubdeparis.org. The Paris Club has 19 permanent members: Austria, Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, Norway, Russia, Spain, Sweden, Switzerland, United Kingdom, and the United States. Other official creditors can also participate on a case-by-case basis in the restructuring of a country's debt.

^b Breakdown of creditor's claims by monetary value is as of April 15, 2005, the date of the most recent public report.

^c Numbers are affected by rounding.

TABLE 2.37

PARIS CLUB DEBT AGREEMENT

| PHASE | DESCRIPTION | DATE OF REALIZATION | STATUS |
|-----------------|---|--|---|
| First | Cancel 30% of debt at the signing of Paris Club agreement. | January 2005 | Paris Club agreement was signed on November 21, 2004; 30% of debt was canceled effective January 1, 2005. |
| Second | Cancel additional 30% of debt after IMF program for economic reform is approved. | December 2005 | Stand-By Arrangement between the IMF and Iraq was approved on December 23, 2005; additional 30% of debt cancellation became effective on this date. |
| Third and Final | Cancel the final 20% at completion of the last IMF Executive Board review following three years of continuous, satisfactory performance on the IMF program. | Expected to be realized during December 2008 | First Stand-By Arrangement between the IMF and Iraq was set to expire on December 28, 2007. ^a The IMF Executive Board approved a successor Stand-By Arrangement on December 19, 2007; the successor arrangement will be effective through March 2009. Therefore, the final stage of debt relief has not yet been realized. ^b It is expected to be realized during December 2008, contingent on the successful completion of the final review under the IMF program. |

Source: The Paris Club, Iraq Debt Treatment, November 21, 2004, www.clubdeparis.org.

Notes:

^aSource: IMF, "IMF Executive Board Completes Fifth Review and Review of Financing Assurances under Iraq's Stand-By Arrangement and Approves Three-Month Extension of the Arrangement to December 2007," August 2, 2007.

^bSource: IMF, "IMF Executive Board Approves US \$744 Million Stand-By Arrangement for Iraq," December 20, 2007.

TABLE 2.38

of its smaller debts with non-Paris Club creditors. This includes six agreements at Paris Club terms (Czech Republic, Hungary, Indonesia, Malaysia, Romania, and South Africa) and three agreements at 100% debt relief⁴⁸⁴ (Slovakia, Cyprus, and Malta).⁴⁸⁵

During November 2007, Bulgaria announced a bilateral debt agreement with Iraq to forgive \$3.5 billion in debt owed to the GOI in exchange for a cash payment of \$360 million⁴⁸⁶ (10.25% of the original debt).⁴⁸⁷ Additionally, on January 10, 2008, the GOI reported that it had settled \$2.5 billion of former regime debt owed to the former Yugoslavia—agreement was reached with Bosnia, Serbia, and Slovenia. The GOI agreed to pay a total of \$254 million to the three countries in exchange for debt forgiveness of the total amount owed—approximately \$0.10 on the dollar.⁴⁸⁸ This puts the total of non-Paris Club debt forgiveness at \$8.7 billion.⁴⁸⁹

Saudi Arabia is the largest non-Paris Club creditor nation, holding approximately 37% of the total debt compiled for that category.⁴⁹⁰ During April 2007, Saudi Arabia was reported to have acknowledged that it would provide a debt relief grant to Iraq of 80% in accordance with Paris Club terms.⁴⁹¹ According to the NEA-I, Saudi Arabia also indicated at the launching of the International Compact with Iraq (Compact) on May 3, 2007, that it was prepared to work toward forgiving GOI debts.⁴⁹² The last round of talks between Saudi Arabia and Iraq occurred in September 2007—the scheduling of another round of talks is still uncertain.⁴⁹³

This quarter, China and Iraq signed a Memorandum of Understanding that commits China

IRAQ'S OUTSTANDING NON-PARIS CLUB CREDITORS

| | |
|--------|--------------|
| Brazil | Pakistan |
| China | Poland |
| Egypt | Qatar |
| Greece | Saudi Arabia |
| Jordan | Turkey |
| Kuwait | UAE |

Source: U.S. Department of the Treasury, response to SIGIR data call, January 4, 2008.

Note: Bosnia, Serbia, and Slovenia were removed from list of outstanding creditors due to agreement announced on January 10, 2008.

TABLE 2.39

to sign a bilateral debt agreement with Iraq in the near future.⁴⁹⁴ According to preliminary information, China is set to forgive debt estimated at more than \$6 billion,⁴⁹⁵ but a formal agreement has not yet been signed.⁴⁹⁶

Table 2.39 shows Iraq's outstanding non-Paris Club creditors, as of December 31, 2007. Morocco, Algeria, Tunisia, and Sudan may also be creditors, but they have yet to submit claims against Iraq. Iraq's legal and technical advisors have been involved in active negotiations with many of these creditors.⁴⁹⁷

According to the Joint Update on the Compact issued by the GOI and United Nations (UN), based on their September 2007 meeting, the GOI has developed a new strategy to obtain debt relief with non-Paris Club creditors. The GOI emphasized that demonstrated progress in meeting the Compact goals continues to be a pre-condition for obtaining debt relief from these countries.⁴⁹⁸

To make substantial progress on non-Paris Club debts, negotiations for agreements must move forward with neighboring countries.

Commercial Creditors

The commercial debt represented outstanding claims against the GOI that were incurred before the August 1990 United Nations sanctions.⁴⁹⁹ By July 2006, Iraq had finished its commercial debt

INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

IRAQ'S ESTIMATED EXTERNAL DEBT, AS OF JANUARY 15, 2008 (\$ BILLIONS)

| COMPONENT | SUMMARY OF DEBT RELIEF EFFORTS | ESTIMATED DEBT |
|------------------------------------|--|---------------------|
| Paris Club Bilateral Creditors | Majority of Paris Club creditors have followed three phase debt relief agreement for total of 80% debt forgiveness. The United States has provided 100% debt forgiveness. Russia is the only Paris Club creditor that has yet to sign a debt relief agreement with Iraq. | \$11.4 ^a |
| Non-Paris Club Bilateral Creditors | Non-Paris Club creditors have agreed to a total debt forgiveness so far of \$8.7 billion. | \$58.7 |
| Commercial Creditors | Commercial creditors have accepted debt relief agreements for a reduction of \$16 billion. | \$4 |
| Multilateral Creditors | Cannot determine progress; external debt is assumed to remain at \$0.5 billion. | \$0.5 |
| Total | | \$74.6 |

^a Estimated debt calculated by:

1. Estimated amount as of spring 2003 of \$37.15 billion less 100% debt forgiveness of \$4.1 billion by United States equal to \$33.05 billion.
2. \$33.05 billion less estimated \$6 billion debt owed to Russia that has not been forgiven equals \$27.05 billion.
3. \$27.05 billion multiplied by 80% represents \$21.64 billion expected to be forgiven at end of three-phase agreement (this provides for full 80% Paris Club debt relief). This debt relief will not be fully realized until the successful completion of the final review under the IMF program. This leaves \$5.41 billion (20%) still owed.
4. \$5.41 billion still owed from three-phase agreement plus \$6 billion estimated to be owed to Russia equals remaining debt of \$11.41 billion.

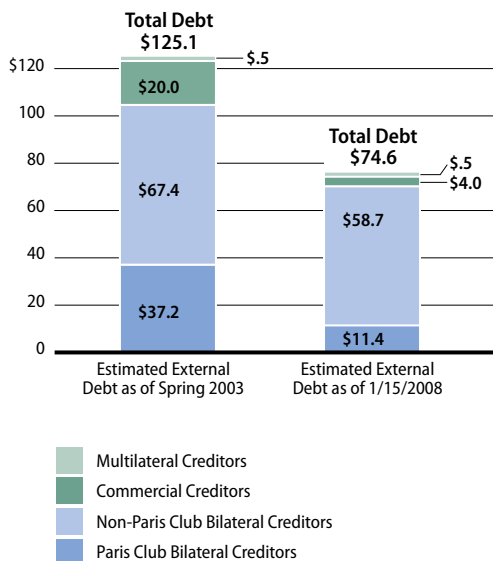
TABLE 2.40

Figure 2.40

IRAQ'S ESTIMATED EXTERNAL DEBT

\$ Billions

Sources: CRS Report for Congress, "Iraq's Debt Relief: Procedure and Potential Implications for International Debt Relief," Updated October 10, 2007; SIGIR Analysis as Detailed in the Table: "Iraq's Estimated External Debt, as of January 15, 2008"



Notes:

1. Numbers are affected by rounding.
2. There is no public source available for the current estimate of Iraq's external debt. SIGIR estimated the current debt outstanding using various sources as described in the table "Iraq's Estimated External Debt, as of January 15, 2008."
3. The outstanding debt owed to Paris Club creditors, as of January 15, 2008, is based on the assumption that the remaining 20% debt cancellation is reached at the successful completion of the IMF program.

settlement process, and the majority of commercial debt claims were resolved⁵⁰⁰ on terms comparable to the Paris Club agreement.⁵⁰¹ For smaller creditors, Iraq paid cash for the debt reduction instead of new lower debt.⁵⁰² In total, commercial debt has been reduced by approximately 80%—from \$16 billion to around \$4 billion.⁵⁰³

ESTIMATED CURRENT EXTERNAL DEBT

There is no public source available to estimate Iraq's current external debt; the last public report was issued by the Government Accountability Office (GAO), estimating Iraq's external debt to be approximately \$89 billion, as of December 2006.⁵⁰⁴ SIGIR requested a breakdown, by creditor, of the remaining external debt, but this information is not public.⁵⁰⁵ SIGIR estimates that Iraq's external debt is approximately \$74.6 billion, as of January 15, 2008. This is almost 60% of the original estimate of Iraq's external debt—the GOI has reached agreements settling more than one-third of its original debt. Table 2.40 and Figure 2.40 provide a breakdown of the estimated debt and summarizes the debt relief efforts and assumptions detailed above.

DEBT REPAYMENT

During September 2004, the IMF loaned Iraq approximately \$470.5 million as part of the Emergency Post Conflict Assistance arrangement.⁵⁰⁶ On December 12, 2007, Iraq fulfilled early repayment of its entire outstanding debt to the IMF. Under the original payment schedule, Iraq was due to repay the final amount to the IMF during 2009.⁵⁰⁷

Status of the International Compact with Iraq

Addressing Iraq's external debt and establishing a framework for additional international engagement in the provision of grants, loans, technical assistance, and capacity-building support serve as the impetus behind the country's commitment in the Compact. Adopted under the aegis of the UN, the Compact is a conditions-based roadmap that allows the international community to support Iraq's normalized political, economic, and social development.⁵⁰⁸

According to the UN, "[t]ogether, national reconciliation, improved security, better governance, and continued economic and social reforms will help unlock Iraq's own development potential. Iraq's international partners will provide financial, technical, and political support to help meet these challenges on the basis of mutual commitments."⁵⁰⁹

A series of reforms in Iraq is defined by the Compact's view that the "resolution of security and political challenges, good governance, and the provision of basic services are pre-requisites for progress in all other areas, including economic revival."⁵¹⁰ The GOI's responsiveness to reforms identified in the Compact and its annexes is expected to occur in concert with international partner actions. Processes have been established for implementation, monitoring, and performance measurement to provide for transparency in planning and coordination of Iraqi and international partner cooperation.⁵¹¹

On December 10, 2007, the Iraqi Prime Minister and UN Special Representative of

the Secretary General co-chaired a meeting to discuss the progress of the Compact. The GOI reported that steps have been taken toward setting up the Compact Secretariat. The Secretariat will be responsible for providing support for the implementation of the Compact benchmarks and managing the donor support. The Working Groups, which are responsible for identifying projects to be supported by international donors, have been established and have begun to operate.⁵¹²

Support from International Organizations

UNITED NATIONS

During 2007, the UN extended and expanded its mission in Iraq. After the 2003 bombing of the UN headquarters in Baghdad, UN staff relocated out of Iraq, but since 2004, UN staff have been slowly returning under increased security. UN Security Council Resolution 1770, approved in August 2007, extended the UN Assistance Mission for Iraq (UNAMI) for another 12 months and expanded the role of UNAMI's work.⁵¹³ The UN currently has approximately 800⁵¹⁴ staff working in Baghdad and Erbil; more than half of the staff is Iraqi.⁵¹⁵

United Nations Support

The UN Country Team in Iraq comprises 16 UN agencies and programs that are coordinated by UNAMI.⁵¹⁶ On December 1, 2007, the UN Country Team implemented a new coordination structure, which modifies its focus in Iraq.⁵¹⁷

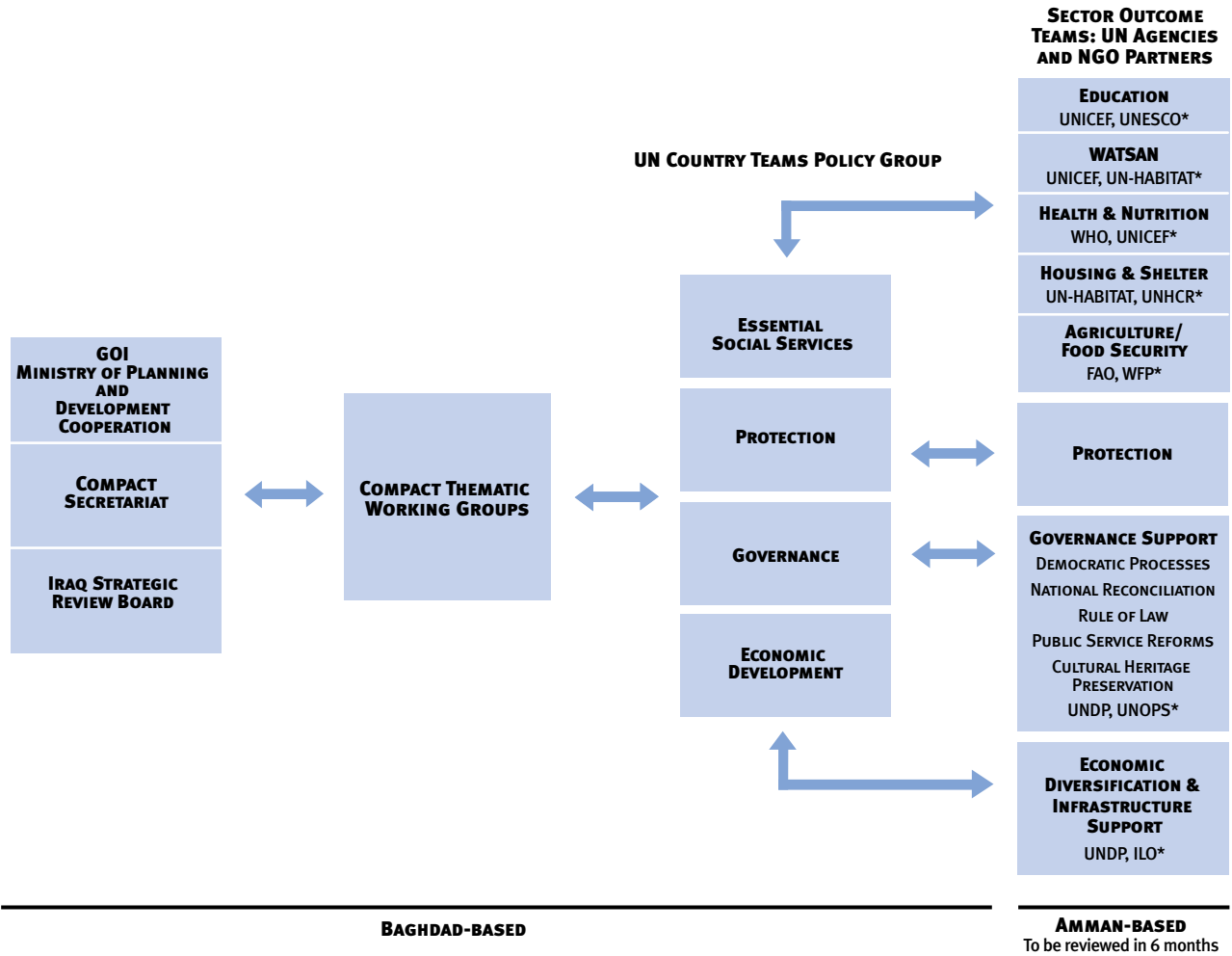
The revised coordination structure is led by a

INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

Figure 2.41

UN COUNTRY TEAM IRAQ COORDINATION STRUCTURE

Source: IRFF, *UNDG Iraq Trust Fund Newsletter*, November 2007



*Represents UN sector lead and deputy lead agencies.

Notes:

1. Participation of various UNAMI offices and cross-cutting agencies implied throughout the structure.
2. The entire structure is to be reviewed by year-end 2008.
3. Compact Thematic Working Groups address each primary area under the Compact: Governance, Economic Reform, Security, and Energy and Social Services. Within each thematic sector, sub-working groups will be established, as necessary, to focus on specific issues by importance.

Policy Group based in Baghdad, which focuses on aligning UN Country Team initiatives to Compact priorities and the UN's Millennium Development Goals. The UN has identified these priority sectors:⁵¹⁸

- Essential Social Services
- Protection
- Governance
- Economic Development

Under the Policy Group, Sector Outcome Teams have been developed to carry out the initiatives under each priority sector. These teams comprise both UN agencies and GOI partners.⁵¹⁹ Figure 2.41 illustrates the new structure.

UNAMI's work focuses on the areas identified by the GOI as most important. During December 2007, the return of refugees was the primary concern of the GOI, followed closely by

OBJECTIVES OF THE UNHCR APPEAL

| |
|--|
| Aid with improving the protection and availability of essential services for refugees and IDPs. |
| Enhance education opportunities for refugee children by providing financial and technical assistance to neighboring countries to aid with strengthening the country's national education system. |
| Expand availability of health services for refugees. |
| Endorse resettlement and processing of departures for vulnerable refugees to third countries. |
| Execute the UNHCR Rapid Response Plan, aimed to assist with the re-integration of 15,000 returnee families. |
| Expand UNHCR's response capacity. |
| Increase international awareness of the humanitarian situation and relay support for displaced Iraqis who need protection and assistance. |
| Develop the ability of Iraqi institutions to gather and analyze data, evaluate IDP needs, and protect and assist IDPs as needed. |
| Organize projects with UN and other international partners. |

Source: UNHCR, "2008 Iraq Situation Supplementary Appeal," January 8, 2008.

TABLE 2.41

the work to achieve a national political dialogue.⁵²⁰

United Nations Assistance for Refugees and IDPs

The GOI's Ministry of Displacement and Migration (MoDM) requested the UN's assistance to improve its ability to determine the magnitude and difficulty of the refugee and internally displaced persons (IDP) situation. Based on the request, the UN developed an assistance initiative which includes: giving technical advice as requested by the GOI, creating monitoring and data collecting tools, supporting the voluntary and safe return of IDPs, and supplying capacity-building support to the GOI's MoDM.⁵²¹

On January 8, 2008, the UN High Commissioner for Refugees (UNHCR) issued an appeal for more than \$260 million in funding from the international community to support Iraqi refugees, IDPs, returnees, and refugees from third countries hosted in Iraq. Table 2.41 lists the main objectives of the appeal.⁵²²

Also, the Arab League, which comprises 22 member countries, launched an initiative during January 2008 to increase public awareness and raise funds to assist refugees and IDPs. The UNHCR will assist with the project; the campaign will be aired on various television stations throughout the Arab community and

will include feature stories, documentaries, and interviews with refugees.⁵²³

For more information on refugees and IDPs, see Section 2b of this Report.

Local Area Development Programme

On December 5, 2007, the GOI and the UN officially commenced the Local Area Development Programme (LADP).⁵²⁴ The LADP is a joint effort of the GOI and seven⁵²⁵ UN agencies.⁵²⁶

The focus of the program is to increase the capacities of local authorities in Sulaymaniyah, Babylon, and the marshlands. The program will plan and execute local development in coordination with private sector and community leaders and is expected to accelerate economic development and improve essential services at the local level.⁵²⁷

The LADP is currently funded through a \$30 million contribution from the EC, which was deposited through the UN Development Group Iraq Trust Fund (UNDG ITF). Additionally, the Swedish International Development Agency has contributed approximately \$2.4 million, specifically for social and basic infrastructure projects in the marshlands.⁵²⁸

United Nations Outlook for 2008

The UN has identified six key issues for 2008:

- refugees and IDPs⁵²⁹

INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

WORLD BANK IDA LOANS TO IRAQ (\$ MILLIONS)

| NAME | PROJECT AMOUNT | APPROVAL DATE | IMPLEMENTING AGENCY | DESCRIPTION | STATUS |
|---|----------------|---------------|-----------------------------|---|---|
| Third Emergency Education Project | \$100 | November 2005 | Ministry of Education | Finances the construction of approximately 82 new primary and secondary schools in 15 provinces. The project will directly benefit about 57,000 students. | Became effective on October 15, 2007. |
| Emergency Road Rehabilitation Project | \$135 | June 2006 | Ministry of Construction | Will rehabilitate and reconstruct highways and village access roads and replace approximately three floating bridges with permanent structures in central and southern Iraq. | Became effective on October 15, 2007. Project was re-launched, after delays, at a workshop in Amman during December 2007. Civil works and consultant services contracts have begun for highway rehabilitation in Erbil. |
| Dokan and Darbandihkan Emergency Hydropower Project | \$40 | December 2006 | KRG Ministry of Electricity | Part of Iraq's overall Electricity Master Plan, providing electricity in the Kurdistan region and to the interconnected national grid. The project will directly impact approximately 490,000 households and provide benefits for industrial consumers. | Main consulting contract for the rehabilitation needs assessment was approved in July 2007. Work on the contract was delayed until September 2007; progress is now satisfactory. Bidding documents are being prepared by a consultant for the urgent rehabilitation. |
| Emergency Electricity Reconstruction Project | \$124 | March 2007 | Ministry of Electricity | Aims to restore the base-load generation capacity of the Hartha Power Station and to build capacity in the Ministry of Electricity. | Became effective on December 17, 2007. Rehabilitation works contract is currently under negotiation. Technical proposals for construction supervision are currently being reviewed by the Ministry of Electricity; the proposals should be submitted to the World Bank in January 2008. |
| Total | \$399 | | | | |

Source: IRFFI, *World Bank Operations in Iraq Data Sheet*, December 31, 2007.

Note: Data not formally reviewed, audited, or verified.

TABLE 2.42

- Article 140, on Kirkuk and disputed territories (The deadline of December 31, 2007, was extended for six months.⁵³⁰)
- presidency powers⁵³¹
- Article 115, on the regions law/Executive Procedures Law⁵³²
- Article 41, on personal freedoms⁵³³
- oil and gas laws⁵³⁴

The UN programs in Iraq for 2008 will be focused on assisting the GOI to implement its democratic initiatives.

WORLD BANK

The World Bank's program aims to support these GOI reconstruction efforts:⁵³⁵

- reinstating basic services
- aiding private sector development
- improving social safety nets
- enhancing public sector governance

Through its International Development Association (IDA), the World Bank supplies loans to improve social services, including education, electricity, transportation, and water supply. As of December 31, 2007, the World Bank has approved four projects for Iraq through the IDA loans, totaling \$399 million.⁵³⁶ The Emergency Electricity Project—a loan valued at \$124 million and co-financed by a \$6 million World Bank Iraq Trust Fund (ITF) grant—became effective on December 17, 2007. As of December 31, 2007, no funding has been disbursed for these projects.⁵³⁷ For the status of these projects, see Table 2.42.

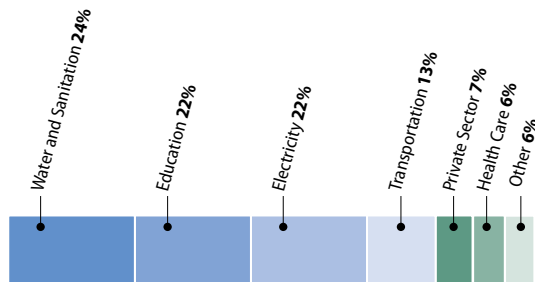
The World Bank also provides aid through the ITF. The majority of World Bank aid supports projects in the Water and Sanitation, Education, and Electricity sectors.⁵³⁸ For a breakdown of total World Bank lending, by sector

INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

Figure 2.42

ACTIVE WORLD BANK LENDING

Source: IRFFI, *World Bank Operations in Iraq Data Sheet* (11/30/2007)



Notes:

1. Data is based on both International Development Association lending and approved funding through the World Bank Iraq Trust Fund.
2. Other includes: Economic Management and Social Protection, Rural Development, Capacity Building and Public Administration, and Environment.

(including both IDA loans and World Bank ITF), see Figure 2.42.

INTERNATIONAL MONETARY FUND

The purposes of the IMF are to promote global monetary cooperation, aid the growth of international trade, support exchange stability, encourage the creation of a system of payments, and lessen poverty through these primary activities:⁵³⁹

- Surveillance: provide communication and policy advice to members and perform regular economic reviews of each member country.
- Technical Assistance: provide technical aid and training to member countries on subjects such as fiscal policy, monetary and exchange rate policies, banking and financial system regulation, and statistics.
- Lending: provide an economic reform program for the country to offer financial support.

In 2005, the IMF entered into an initial Stand-By Arrangement (SBA) with Iraq to assist the advancement of economic and financial sector reforms.

IMF Stand-By Arrangement

On December 19, 2007, the IMF's Executive Board approved a successor SBA for approximately \$744 million. The current SBA, which had been in effect since December 23, 2005, was canceled before approving the successor SBA.⁵⁴⁰ The GOI intends to treat the new arrangement as precautionary and does not plan to borrow the money.⁵⁴¹

Under the new arrangement, aid for Iraq's economic program will continue through March 2009 with these primary objectives:⁵⁴²

- retain macroeconomic stability
- assist in increasing investment and production in the oil sector
- advance key economic reforms that began under the initial SBA

The successor SBA focuses on the following fundamental structural reforms:⁵⁴³

- improve the public financial management system and the Central Bank of Iraq's (CBI's) accounting structure
- assist with restructuring of the state-owned banks
- enhance governance in the oil sector

Table 2.43 provides the structural performance criteria and structural benchmarks for the new SBA.

STRUCTURAL PERFORMANCE CRITERIA AND STRUCTURAL BENCHMARKS FOR THE NEW SBA

| CRITERIA/BENCHMARK | EXPECTED DATE |
|---|---------------|
| Structural Performance Criteria | |
| Prevent restrictions that limit participation or bids in the CBI's currency auctions, except to prevent money laundering and to aid with counter-terrorism initiatives. | Continuous |
| Pass amendment(s) to the pension law to ensure the law is fiscally sustainable. | 12/31/2007 |
| Complete an external audit of the CBI's net international reserves data, as of December 31, 2007. Audit should include a count of gold and foreign exchange holdings that are held at the CBI. | 3/31/2008 |
| Complete an external audit of the CBI's 2007 financial statements; audit should be completed in accordance with International Standards of Accounting. | 6/30/2008 |
| Structural Benchmarks | |
| Implement a recurring reconciliation of the following CBI accounts: local banks' current accounts, intra-branch accounts, and suspense accounts. | 3/31/2008 |
| Establish reserves management guidelines by the CBI. | 3/31/2008 |
| Complete the operational and financial audits of the two largest state-owned banks, Rasheed and Rafidain, for 2006 financial statements. | 5/31/2008 |
| Adopt new weighting for the Consumer Price Index based on the 2007 household expenditure survey. | 5/31/2008 |
| Submit to the Board of Supreme Audit the final accounts of the federal budget for 2007 year-end. | 6/30/2008 |
| Complete census of all public service employees, including central government and military. | 6/30/2008 |
| Develop and implement an action plan to improve the financial management system. | 7/31/2008 |
| Finalize a thorough set of regulations for commercial banks. | 7/31/2008 |
| Publish the audit reports required by the Committee of Financial Experts and present the first semi-annual including recommendations to the Council of Ministers (first semi-annual will be for the period of January through June 2008). | 9/15/2008 |
| Create a periodic adjustment mechanism for fuel prices; adjustments will be based on changes in domestic production costs and import costs. | 9/30/2008 |
| Implement an operational restructuring program for Rafidain bank addressing the audit findings. | 9/30/2008 |
| Implement an operation and financial restructuring program for Rasheed bank addressing the audit findings. | 9/30/2008 |
| Submit the publication of the audited accounts of the federal budget for the 2007 year-end to the Council of Representatives, in accordance with the Financial Management Law of 2004. | 11/15/2008 |

Source: IMF, "IMF, Iraq, Request for Stand-By Arrangement and Cancellation of Current Arrangement," December 5, 2007, p. 37.

TABLE 2.43

Based on its assessment of progress to date, the successor SBA expects that during 2008:⁵⁴⁴

- Overall GDP growth could reach 7%.
- Annual consumer price inflation will fall to 12%.
- Net international reserves of the CBI could reach \$34 billion.

The IMF will continue to sponsor technical assistance missions to provide training to Iraqis on economic matters such as: fiscal, monetary, financial sector, debt management policy, and statistical capacity development.⁵⁴⁵

The Deputy Managing Director of the IMF's Executive Board noted that the GOI has advanced its economic program during 2006 and 2007, despite the security and political situation, and noted these signs of progress during the past year:⁵⁴⁶

- appreciation of dinar
- tightening of monetary policy
- reduction in inflation
- elimination of direct budgetary fuel subsidies (except on kerosene)
- loosening of regulation on private fuel imports
- adoption of new chart of accounts and budget classification
- updated payments system

For additional updates on Iraq's economic progress, see the discussion of Economic Development in Section 2b of this Report.

IMF Role in Foreign Direct Investment

Increased Foreign Direct Investment is an important part of the successful implementation of economic reform. The IMF has supported the creation of a functioning investment commission and prompt passage of hydrocarbon legislation.⁵⁴⁷

One of the key components of both the previous and new SBA is that Iraq should not initiate new foreign exchange restrictions by regulating participation in the CBI currency auctions; the only exceptions would include the prevention of money laundering and assistance with counter-terrorism initiatives. Going forward, the IMF will continue to prevent foreign exchange restrictions and to support the legislation and initiatives aimed at economic reform.⁵⁴⁸

Update on Bank Restructuring Program

The two largest state-owned banks, Rafidain and Rasheed, operate under a Memorandum of Understanding (MOU) between the Minister of Finance (MOF) and the CBI that guides bank restructuring requirements. The bank restructuring initiative aims to increase the role of private banks in the financial and economic sector.⁵⁴⁹

The Rafidain and Rasheed banks represent approximately 90% of the banking transactions in Iraq, and restructuring is being led by the World Bank and IMF. Discussions have been held between the World Bank and IMF on the remaining three state-owned banks—Agriculture Bank, Real Estate Bank, and Industrial Bank, and a decision has not yet been made

on their future. An Action Plan was developed to support the MOU, which includes specific tasks to meet the 46 mandated items to be addressed.⁵⁵⁰

This quarter, an external international audit firm began to perform operational and financial audits of both Rafidain and Rasheed. This is considered a key step in the overall restructuring process.⁵⁵¹

On December 6-9, 2007, the IMF hosted a bank restructuring workshop to discuss the financial and operating requirements remaining to meet the bank restructuring benchmarks. Attendees also considered how the external audits of the banks will affect the bank restructuring program. The workshop was attended by individuals from the CBI, MOF, Board of Supreme Audit, state-owned banks, IMF, World Bank, and U.S. Department of the Treasury.⁵⁵²

EUROPEAN COMMISSION

The EC provides support for Iraq reconstruction both through bilateral projects and the International Reconstruction Fund Facility for Iraq (IRFFI). The EC currently has five staff working in Iraq—their work is primarily focused on maintaining diplomatic relations with the GOI and other key international players in Iraq.⁵⁵³

European Commission Support

On December 12, 2007, the EC announced a \$73.38 million grant. The assistance is aimed at expanding health and education services for Iraqi refugees in Syria and Jordan.⁵⁵⁴

The EC has partnered with other organizations to sponsor projects supporting Iraq's reconstruction, including:⁵⁵⁵

- teamed with the International Organization for Migration to provide assistance to the GOI elections
- collaborated with the UN Office of Project Services (UNOPS) to assist Iraqi NGOs that are working on human rights and anti-torture initiatives
- worked with the International Management Group to provide technical assistance to the GOI

The EC's Assistance Program for Iraq during 2007 included five new operations, totaling more than \$130 million, supporting:⁵⁵⁶

- Electoral Process—\$29.44 million
- Public Financial Management Reform—\$29.44 million
- Rule of Law and Justice—\$20.61 million
- Refugees: Aid to Jordan's Education System to increase the educational opportunities available for Iraqi refugees—\$39.28 million
- Refugees: Assistance to Syria's public health facilities to increase availability of medical assistance for Iraqi refugees—\$13.25 million

Additionally, the EC has provided financial assistance through the IRFFI—the EC is the top donor in terms of deposits to IRFFI with \$687.36 million in deposits to the two funds under IRFFI.⁵⁵⁷ On December 13, 2007, the EC signed

an agreement to provide approximately \$29 million of additional funding to the World Bank ITF for Public Finance Management Reform.⁵⁵⁸

Trade Progress

The EC and Iraq are actively working to developing a Trade and Cooperation Agreement (TCA). The third round of negotiations took place November 27–28, 2007,⁵⁵⁹ when the EC reinforced these priorities for Iraq under the TCA.⁵⁶⁰

- Strengthen relations with the EC.
- Advance bilateral trade in agreement with World Trade Organization principles.
- Bolster trade agreements with the EC.
- Continue assimilation into the world economy and return to normalized business relations with the international community.

The fourth and fifth rounds of negotiations are expected to occur during February and June 2008. Both the GOI and EC have expressed their interest in completing the negotiations as soon as possible.⁵⁶¹

Support from Donor Countries

As noted earlier in this Report, Iraq is returning to normalized bilateral relations with the international community, giving the United States less visibility into donor pledge funding. As a result, this quarter, SIGIR revised its methodology for reporting donor pledge figures, using the NEA-I figure of nearly \$15.826 billion in international pledge funding for Iraq reconstruction (excluding the United States).⁵⁶²

Based on data from the DAD, commitments have increased by \$759.46 million since last quarter, resulting in a total of nearly \$4.56 billion. Disbursements have remained virtually the same at a total of approximately \$2.49 billion.⁵⁶³

Despite the difficulty in reporting on international support to date, SIGIR can report that Japan and the United Kingdom have been two of the major international donors to Iraq; both of these countries have supported reconstruction efforts across Iraq with projects in various sectors.

JAPAN

After the United States, Japan has provided the most financial assistance for Iraq reconstruction, with a package totaling \$5 billion. This includes approximately \$1.5 billion in grant aid to meet immediate reconstruction needs and approximately \$3.5 billion, mainly through Japanese Official Development Assistance (ODA) Loans, to assist with medium-term needs.⁵⁶⁴

The Government of Japan has also provided humanitarian assistance in Iraq. During November 2007, Japan granted emergency aid of \$5.18 million specifically aimed at improving conditions for IDPs and refugees.⁵⁶⁵

As of August 2007, the \$1.5 billion in grant aid has already been obligated and disbursed for projects across the sectors, although most has funded Electricity (30%) and Health/Medical Care (22%). For details on Japanese assistance by province, see Figure 2.43.⁵⁶⁶

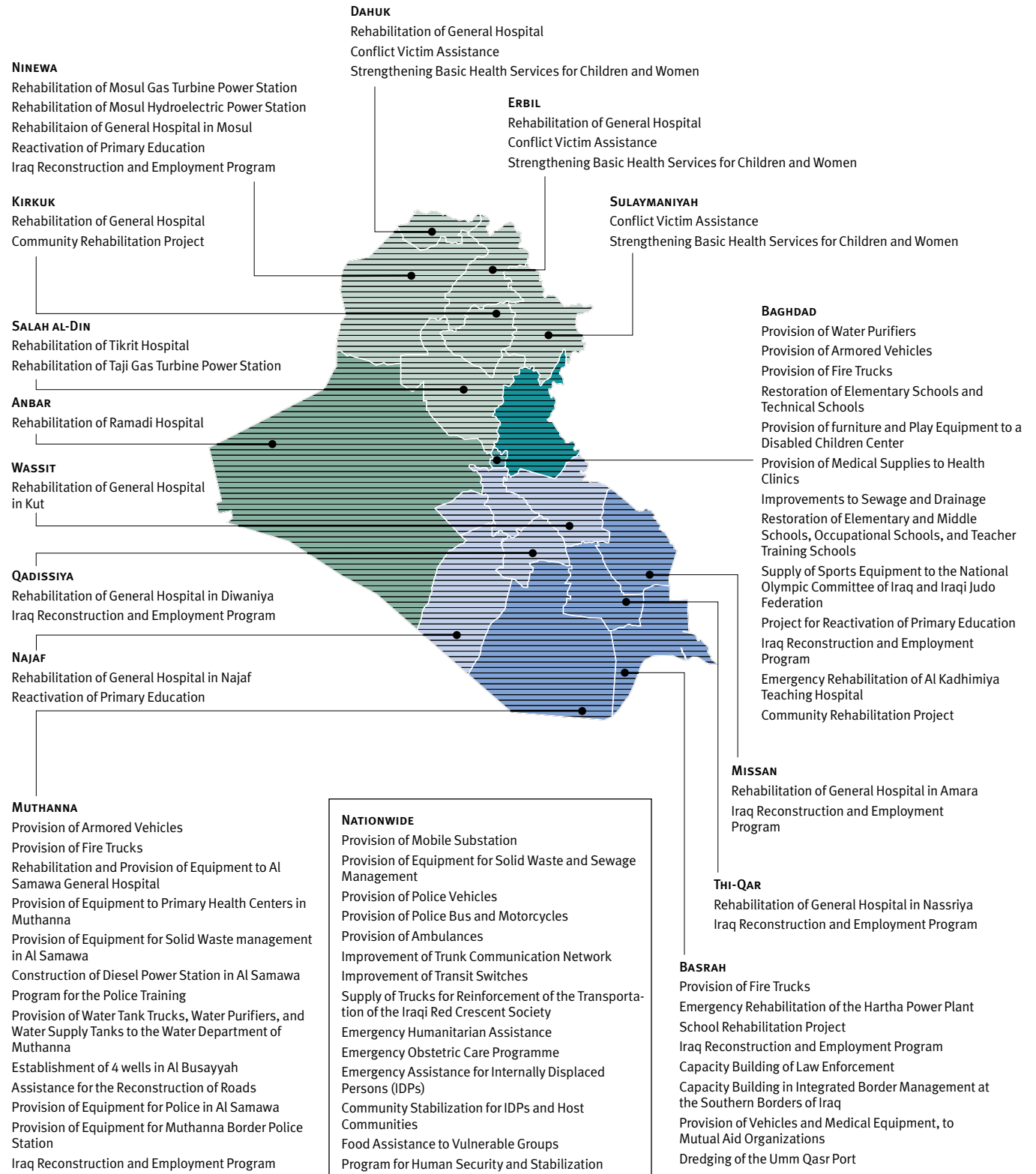
In July 2007, Japan signed ten exchange notes for ODA loans that will finance projects up to

INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

Figure 2.43

JAPAN ASSISTANCE MAP

Source: Embassy of Japan in Iraq, Response to SIGIR Data Call (12/3/2007)



\$2.1 billion. The exchange notes provide loans at an interest rate of 0.75% and a repayment period of up to 40 years, including a 10-year grace period.⁵⁶⁷ Details of the ten projects are highlighted in Table 2.44.

UNITED KINGDOM

The Department for International Development (DFID) oversees the United Kingdom's (UK) assistance to poor countries. The UK's primary objective in Iraq is to build the capacity of the GOI, and in particular, to expand the GOI's capability to provide security and essential services to the Iraqi people. The DFID has identified these five key initiatives:⁵⁶⁸

- providing expert assistance to key ministries within the GOI
- working through the Provincial Reconstruction Team in southern Iraq to support provincial authorities to improve services at the local level
- delivering improvements to power and water supplies in southern Iraq
- supporting Iraqi civil society and the creation of an independent media
- funding humanitarian agencies working in Iraq and the region to provide emergency relief to IDPs and refugees

For examples of projects supported by the UK, see Table 2.45.

International Reconstruction Fund Facility for Iraq

The International Reconstruction Fund Facility for Iraq (IRFFI) is one of the principal mechanisms for international donor funding. This donor fund was created by the UN and World Bank for donor countries to channel funding for a coordinated international assistance effort. On October 29, 2007, at the 6th IRFFI Donor Committee meeting, the Donor Committee adopted a revised Terms of Reference that strongly links the IRFFI to the Compact.⁵⁶⁹ This reinforces the role of the Compact as the primary mechanism for international donor support.⁵⁷⁰ Additionally, IRFFI's management structure will be aligned with the Compact: the IRFFI Executive Committee's primary responsibility will be to assist in the coordination between the IRFFI and the Compact.⁵⁷¹

Operations for the IRFFI were extended until 2010⁵⁷² signifying the importance of coordinating donor support. The Donor Committee noted in its "Review of the Terms of Reference" that there were various opinions of donor country representatives on whether IRFFI would be allocated additional funding or its role would be focused on overseeing implementation of donor projects.⁵⁷³

At the most recent meeting, donors emphasized these priorities for the IRFFI:⁵⁷⁴

INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

JAPANESE ODA LOAN PROJECTS (\$ MILLIONS)

| PROJECT | AMOUNT | LOCATION | DESCRIPTION | E/N SIGNED | CoR APPROVED | PC APPROVED |
|--|----------------|----------------------------|--|------------|------------------|------------------|
| Crude Oil Export Facility Rehabilitation Program | \$421 | Fao | Construction of an on-shore/off-shore pipeline to export oil. Installation of off-shore loading facilities. | 4/9/2007 | 7/29/2007 | Not yet approved |
| Basrah Water Supply Improvement Project | \$361 | Basrah | Improve water supply facilities in Basrah City and surrounding areas. | 7/31/2007 | Not yet approved | Not yet approved |
| Al-Musayab Thermal Power Plant Rehabilitation Project | \$309 | Suburb of Baghdad | Rehabilitate existing units of thermal power plants. | 1/10/2007 | 9/24/2007 | 11/4/2007 |
| Electricity Sector Reconstruction Project | \$274 | Nationwide | Supply machinery and materials to stabilize the power supply. Project will target areas of high priority. | 4/9/2007 | 7/29/2007 | Not yet approved |
| Port Sector Development | \$254 | Basrah | Renovate the Port of Umm-Qasr and surrounding areas by dredging the shipping lanes, eliminating wrecked ships, and rehabilitating the port facilities. Provide equipment and materials such as dredgers. | 1/10/2007 | 9/24/2007 | 11/4/2007 |
| Khor Al-Zubair Fertilizer Plant Rehabilitation Project | \$152 | Basrah | Supply machinery for Kohr Al-Zubair Fertilizer Plant. | 4/9/2007 | 7/29/2007 | Not yet approved |
| Electricity Sector Reconstruction Project | \$124 | Dahuk, Erbil, Sulaymaniyah | Supply machinery and materials for power transformation and distribution system in Kurdistan Region. | 7/31/2007 | Not yet approved | Not yet approved |
| Irrigation Sector Loan Program | \$80 | Nationwide | Provide irrigation drainage pumps, equipment, and materials for maintaining the operation of irrigation channels in areas where agriculture is of central importance. | 1/10/2007 | 9/24/2007 | 11/4/2007 |
| Samawa Bridges and Roads Construction Project | \$28 | Al-Samawa | Construction and rebuilding of bridges over the Euphrates River; construction of connecting roads in Al-Samawa and surrounding areas. | 1/10/2007 | 9/24/2007 | 11/4/2007 |
| Engineering Services for Basrah Refinery Upgrading Project | \$17 | Basrah | Construction of a new plant to increase the productivity of refining gasoline and other products in the existing refinery. | 1/10/2007 | 9/24/2007 | 11/4/2007 |
| Total | \$2,020 | | | | | |

Notes:

1. Source for project description: Japan Ministry of Foreign Affairs, Japan's Assistance to Iraq Fact Sheet, August 2007.
2. Source for amount and dates: Japanese ODA Loan Progress Chart, Embassy of Japan in Iraq, response to SIGIR data call, December 3, 2007.
3. Source for location: Yen Loan Project Location Map, Embassy of Japan in Iraq, response to SIGIR data call, December 3, 2007.
4. E/N is abbreviation for Exchange Notes.
5. CoR is abbreviation for Council of Representatives.
6. PC is abbreviation for Presidency Council.

TABLE 2.44

UNITED KINGDOM: SAMPLE PROJECTS

| INITIATIVE | SELECTED ASSISTANCE ACTIVITIES |
|--|--|
| Providing expert assistance to key ministries within the GOI | <ul style="list-style-type: none"> • The Ministry of Finance (MOF) – Project valued at £13 million to help develop and execute economic reform aimed at the poorest population. The project is focused on: (1) improving the GOI's management of the economy, (2) assisting the GOI with structural reforms, and (3) aiding the GOI with developing domestic investment. • GOI, including the Prime Minister's Office – Team of five full-time individuals in the Prime Minister's Office; this team also helps the Council of Ministers Secretariat with the operating of the Cabinet committee. • Southern Provinces – Support UK-led PRT team in Basrah. • Provincial Government officials and local Iraqi engineering firms in the South – Provide information to local contractors and Provincial Government official on best practices for infrastructure delivery and project management. |
| Working through the Provincial Reconstruction Team in southern Iraq to support provincial authorities to improve services at the local level | <ul style="list-style-type: none"> • PRT team in Basrah is led by UK. • Assist with Basrah Provincial Council's three-year development strategy to plan and execute essential repairs to roads, water and sewage infrastructure, and power generation. |
| Delivering improvements to power and water supplies in southern Iraq | <p>Projects completed:</p> <ul style="list-style-type: none"> • Water training center in Basrah to assist in training of Iraqi engineers, center opened in March 2006 • Assisted Iraqi Ministry of Electricity with repairs to a 90-meter chimney at Al-Hartha power station • Replaced damaged turbines at a power plant in southern Iraq; completed in July 2006 <p>Projects in process or planned:</p> <ul style="list-style-type: none"> • Construction of three new water towers in Basrah. Project is expected to provide 250,000 people with clean drinking water. • Construction of new gas pumping station; new station will increase the gas available to two power stations currently in southern Iraq. Project is estimated to provide Iraqis an extra 20MW of power and secure an additional 30MW. • Refurbish existing water pumping station and a reverse osmosis unit. This project will provide an estimated 250,000 Iraqis in the Basrah area with access to clean drinking water. |
| Supporting Iraqi civil society and the creating of an independent media | <ul style="list-style-type: none"> • Provided voter education seminars to over 300,000 Iraqis across Iraq to aid the January 2005 elections. • Provided election coverage training for Iraqi journalists and facilitated political awareness discussion groups for women. • Arranged constitutional awareness workshops for young female students. • Facilitated several independent TV and radio stations. |
| Funding humanitarian agencies working in Iraq and the region to provide emergency relief to internally displaced people and refugees | <ul style="list-style-type: none"> • Provided over £125 million in humanitarian relief to meet the urgent needs. |

Source: United Kingdom, Department for International Development Country Profiles: Iraq, January 2, 2008.

TABLE 2.45

PRIORITY INITIATIVES FOR IRFFI

| | |
|----|---|
| 1 | Improve policies, strategies, and related institutional development that are sensitive to social inclusiveness and economic growth. |
| 2 | Enhance key sectors of local economy in most-deprived areas. |
| 3 | Sustain agricultural development, food security, and natural resource development. |
| 4 | Strengthen electricity and transportation sectors for rapid economic growth. |
| 5 | Increase access to safe water, improved sanitation, sewage treatment, and solid waste collection/disposal. |
| 6 | Improve access, attendance, and completion of quality education at all levels, including vocational training. |
| 7 | Enhance access to quality health and nutritional services. |
| 8 | Improve delivery system for housing and shelter. |
| 9 | Strengthen human rights monitoring, reporting, and protection system and services. |
| 10 | Increase participation in free and fair elections. |
| 11 | Strengthen national dialogue for reconciliation. |
| 12 | Empower civil society, including media members. |
| 13 | Enhance rule-of-law framework in line with international standards. |
| 14 | Strengthen local governance for effective service delivery and sustainable livelihoods, improved security (mine threats). |

Source: UNAMI, Compact Priority Sectors for IRFFI Projects in 2008 – Working Document, received December 18, 2007.

TABLE 2.46

- support the GOI with the challenges of executing the budget and using Iraq’s resources to improve the delivery of essential services
- assist with increasing capacity development
- implement initiatives/projects in sectors considered of high priority by donor countries and the GOI

Because the majority of its funds have already been allocated, IRFFI’s efforts will focus on implementing, monitoring, and evaluating existing projects.⁵⁷⁵ Any new programs and projects sponsored by IRFFI will be selected under the framework of Iraq’s National Development Strategy (NDS) and the Compact.⁵⁷⁶

On December 8, 2007, the IRFFI executive committee set a priority list for programs linking the UN Country Team outcomes, Compact benchmarks, and Compact action items based on priority sectors for 2008.⁵⁷⁷ Table 2.46 lists the priority initiatives.

IRFFI guides donor funding and coordinates monetary support for Iraq’s reconstruction and development through two trust funds—the World Bank ITF and the UNDG ITF.⁵⁷⁸

Twenty-five donors have committed \$1.766

billion to the two IRFFI funds.⁵⁷⁹ The increase of \$15 million from last quarter is from additional commitments made by South Korea—\$5 million to the World Bank ITF and an additional \$10 million to the UNDG ITF. Nearly 98% of IRFFI commitments have been deposited.⁵⁸⁰

WORLD BANK IRAQ TRUST FUND

The World Bank ITF is one component of the overall World Bank program in Iraq. As of November 2007, 17 donors have deposited \$464.6 million in funding to the World Bank ITF. Nearly all of the donor deposits (\$436.7 million) have been approved for specific projects. However, only \$125.9 million of this funding has been disbursed.⁵⁸¹ See Figure 2.44 for the status of funding.⁵⁸²

On December 13, 2007, the EC signed an agreement with the World Bank to provide an additional \$29 million in funding for the World Bank ITF. This funding is specified to support Public Finance Management Reform.⁵⁸³ For details of the top five donors to the World Bank ITF, in terms of deposits, see Table 2.47.

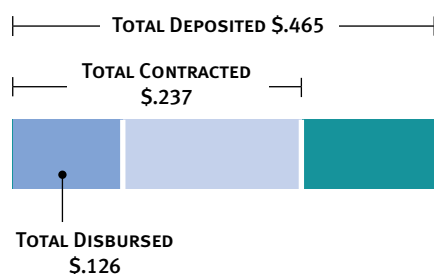
The World Bank ITF currently has 14 active projects, implemented mainly by the GOI. Two

Figure 2.44

WORLD BANK IRAQ TRUST FUND — STATUS OF FUNDS

\$ Billions, Total Committed \$.467

Source: IRFFI, *World Bank Operations in Iraq Data Sheet*, (11/30/2007)



Notes:

1. Numbers are affected by rounding.
2. Source for contracted amount: IMF, "IMF Staff Report for Request for Stand-By Arrangement and Cancellation of Current Arrangement - Informational Annex," December 5, 2007, p. 7.
3. Commitment is a legally binding contribution to the fund; deposit is actual cash received by the fund; contracted is amount under contract for a project; disbursed is amount paid to a vendor or entity.

active projects are implemented directly by the World Bank ITF. Additionally, two projects have been completed.⁵⁸⁴

Only one project was approved during 2007—Emergency Electricity Project, for \$6 million, which was approved during March. This project is being co-financed by an IDA credit.⁵⁸⁵ On December 17, 2007, this project became effective.⁵⁸⁶

During December 2007, two new schools were opened in Anbar that were financed by the World Bank ITF—the Emergency School Construction and Rehabilitation Project. More

WORLD BANK ITF: TOP FIVE DONORS (\$ MILLIONS)

| DONOR | DEPOSIT AS OF NOVEMBER 2007 |
|---------------------|-----------------------------|
| European Commission | \$150.0 |
| Japan | \$130.6 |
| UK | \$71.4 |
| Canada | \$26.7 |
| Spain | \$20.0 |

Source: IRFFI, *World Bank Operations in Iraq Data Sheet*, November 30, 2007.

TABLE 2.47

than 800 students will attend these schools. The construction was managed by the Ministry of Education and used local contractors.⁵⁸⁷

Seven of the active projects account for approximately 81% of the total approved project funding—see Table 2.48 for details of these projects.

On October 23, 2007, the World Bank completed a Country Portfolio Performance Review (CPPR) for Iraq; the purpose of a CPPR is to improve the implementation and impact of projects financed by the World Bank. The review covered 11 projects financed by the World Bank

INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

WORLD BANK IRAQ TRUST FUND: SNAPSHOT OF SELECTED PROJECTS

| NAME | PROJECT AMOUNT | DISBURSED | APPROVAL DATE | IMPLEMENTING AGENCY | DESCRIPTION | STATUS |
|---|----------------|-----------|---------------|---|---|---|
| Emergency Water Supply, Sanitation, and Urban Development Project | \$110.0 | \$18.6 | December 2004 | Ministry of Municipalities and Public Works | Finances water supply and sanitation rehabilitation in nine cities, and urban reconstruction in the poorest areas of three cities. The project benefits more than two million people. Additionally, the project offers capacity-building support through training and technical assistance. | Rehabilitation work, valued at \$71 million, is in progress. During this quarter, the Ministry of Municipalities and Public Works finished a nationwide water and wastewater survey. A national water sector study was expected to be completed during December 2007. |
| Emergency Baghdad Water Supply and Sanitation Project | \$65.0 | \$7.7 | December 2004 | Municipality of Baghdad | Assists in restoring basic water supply and sanitation services in Baghdad through reconstruction and rehabilitation of existing priority networks and treatments facilities, as well as providing capacity building support. | Mayorality of Baghdad contracted consultants to develop tender documents and designs for the construction phase. Contracts for \$6.3 million have been signed for goods and works. The mayorality also has recruited a team to develop and execute a city development plan for Baghdad. |
| Emergency School Construction and Rehabilitation Project | \$60.0 | \$16.7 | October 2004 | Ministry of Education | Aims to improve learning conditions in primary and secondary schools through the construction of 56 new schools and major rehabilitation of 133 schools. Project is expected to benefit more than 100,000 families. | Major rehabilitation has been completed for 133 schools. Project has benefited 46,000 students so far. The rehabilitation portion of the project was completed in 2005. The construction portion is in progress but the scale of this portion was reduced since the dinar has appreciated. As of November 2007, there were 30 new schools under construction. Two of these schools opened during December 2007. |
| First Private Sector Development Project | \$55.0 | \$4.4 | November 2004 | Ministry of Planning and Development Cooperation and ITPC | Assists with capacity building aimed to increase growth and investment in the private sector. Finances the installation of a high-capacity national telecommunications network to improve the communications infrastructure. | Work has begun on the installation of the telecommunications network. Contracts have been awarded for public institution component, competitive component, and payment system infrastructure. Approximately 95% of the project amount has been committed. |
| Emergency Health Sector Rehabilitation Project | \$25.0 | \$8.4 | November 2004 | Ministry of Health | Aids with the rehabilitation of emergency services in nine hospitals; project was scaled back from initial target of 12 hospitals. Project also provides equipment and essential drugs to 12 hospitals. | Completed rehabilitation of four hospitals and work is in progress for three additional hospitals. The rehabilitation of the remaining two hospitals was expected to begin during January 2008. |
| Emergency Community Infrastructure Rehabilitation Project | \$20.0 | \$16.0 | December 2004 | Ministry of Water Resources | Finances small-scale, labor-intensive civil works programs. Project is expected to improve approximately 80,000 hectares of irrigated land and benefit more than 130,000 farmers. | Completed 20 sub-projects, which have benefited approximately 121,500 farmers. There are two remaining sub-projects which have been initiated; these are estimated to be complete by February 2008. |
| Emergency Disabilities Projects | \$19.5 | \$1.5 | November 2005 | Ministry of Health | Project will: (1) assist the creation of national disabilities policy; (2) improve the capacity of the GOI and other partners to meet the needs of disabled individuals; (3) provide improved equipment and infrastructure for selected rehabilitation and prosthetic centers. | The design and bid submissions for eight disability centers have begun. This step is expected to be completed by January 2008. The project had some delays in procuring goods but now the project is progressing. |

Source: IRFFI, *World Bank Operations in Iraq Data Sheet*, November 30, 2007.

COUNTRY PORTFOLIO PERFORMANCE REVIEW: PRIORITY ISSUES AND RECOMMENDATIONS

| WORLD BANK ISSUE | RECOMMENDATION |
|---|--|
| Lack of a central government counterpart that oversees the World Bank's portfolio and that can work across ministries to address project bottlenecks and troubleshoot as needed | <ul style="list-style-type: none"> GOI to appoint a technical-level counterpart to help monitor project progress and address implementation impediments. Through such a counterpart, the World Bank and the government can seek to resolve various issues identified in the CPPR. |
| Project financing shortfalls due to currency fluctuation and price escalation | <ul style="list-style-type: none"> Project teams to identify funding shortfalls and opportunities to restructure projects to maximize impact of remaining funds and to reallocate to components that can be completed by the closing date. Bank will provide GOI with a summary of project financing shortfalls for a decision on how to address each shortfall (additional financing from the World Bank ITF, government co-financing, project restructuring, etc.) |
| Delays in making payments to contractors | <ul style="list-style-type: none"> World Bank to formally approve the use of Designated Accounts (revolving advance account from the World Bank) for two projects on a pilot basis, to provide needed liquidity and reduce payment delays. World Bank to hold high-level discussions with the Ministry of Finance to resolve all remaining project account issues and to ensure adequate liquidity to Iraqi project accounts. |

Source: World Bank, "Iraq Country Portfolio Performance Review," October 23, 2007.

TABLE 2.49

UNDG ITF: ADDITIONAL DONOR DEPOSITS SINCE JULY 2007 (\$ MILLIONS)

| DONOR | ADDITIONAL GROSS DEPOSIT SINCE JULY 2007 |
|-------------|--|
| Spain | \$30.54 |
| South Korea | 10.00 |
| EC | 8.55 |
| Total | \$49.09 |

Source: IRFFI, *UNDG Iraq Trust Fund Newsletter*, November 2007.

Note: Change is based on difference between IRFFI, *UNDG Iraq Trust Fund Newsletter*, November 2007 reported deposits and IRFFI, *UNDG Iraq Trust Fund Newsletter*, July 2007 reported deposits.

TABLE 2.50

ITF and implemented by the GOI.⁵⁸⁸

The CPPR identified three issues as priorities for resolution and provided recommendations on how to improve these matters.⁵⁸⁹ Table 2.49 provides details on the issues and recommendations.

UN DEVELOPMENT GROUP IRAQ TRUST FUND

The UN Development Programme (UNDP) manages the UNDG ITF. Twenty-five donors have committed nearly \$1.30 billion to the UNDG ITF—an increase of \$10 million above last quarter.⁵⁹⁰

Of the total commitments, nearly \$1.27 billion has been deposited, as of November 30, 2007. Since last quarter, deposits have increased by nearly \$50 million.⁵⁹¹ Table 2.50 provides details on the additional donor deposits that have been made since July 2007.

UNDG ITF: TOP FIVE DONORS (\$ MILLIONS)

| DONOR | GROSS DEPOSIT AS OF NOVEMBER 2007 | INCREASE FROM JULY 2007 |
|---------------------|-----------------------------------|-------------------------|
| European Commission | \$537.36 | \$8.55 |
| Japan | \$360.95 | \$0 |
| Spain | \$93.17 | \$30.54 |
| Canada | \$63.79 | \$0 |
| UK | \$55.54 | \$0 |

Source: IRFFI, *UNDG Iraq Trust Fund Newsletter*, November 2007.

Note: Change is based on data from IRFFI, *UNDG Iraq Trust Fund Newsletter*, July 2007.

TABLE 2.51

UNDG ITF: TOP FIVE IMPLEMENTING AGENCIES (\$ MILLIONS)

| AGENCY | APPROVED FUNDING AS OF NOVEMBER 2007 | CHANGE FROM JULY 2007 | NUMBER OF PROJECTS | CHANGE FROM JULY 2007 |
|---|--------------------------------------|-----------------------|--------------------|-----------------------|
| UN Development Programme | \$301.91 | \$5.22 | 30 | 2 |
| UN Office for Project Services | \$185.59 | \$8.42 | 27 | 2 |
| UN Children's Fund | \$153.15 | \$3.40 | 20 | 2 |
| World Health Organization | \$105.57 | (\$5.14) | 18 | 1 |
| Food and Agriculture Organization of the UN | \$87.45 | \$1.72 | 10 | 1 |

Source:

IRFFI, *UNDG Iraq Trust Fund Newsletter*, November 2007.

Note:

1. Top five is determined based on total approved funding.

2. Change is based on data from IRFFI, *UNDG Iraq Trust Fund Newsletter*, July 2007.

TABLE 2.52

Funding Details

Currently, 16 UN agencies are implementing 132 projects with more than \$1.079 billion in funding.⁵⁹² Since July 2007, an additional 23 projects have been closed for a total of 48 projects closed since the UNDG ITF's inception.⁵⁹³ The top five donors in terms of deposits and top five implementing agencies are highlighted in Table 2.51 and Table 2.52.

Of the approved funding, \$806 million (75%) has been contracted, and \$700 million (65%) has been disbursed.⁵⁹⁴ See Figure 2.45 for the status of UNDG ITF funding.

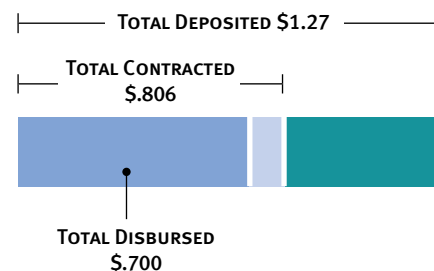
Infrastructure rehabilitation is the sector supported with the most approved funding, followed by education and culture, and support to

Figure 2.45

UN DEVELOPMENT GROUP IRAQ TRUST FUND STATUS OF FUNDS

\$ Billions, Total Committed \$1.30

Source: IRFFI, *UNDG Iraq Trust Fund Newsletter*, November 2007



Notes:

1. Numbers are affected by rounding.

2. Commitment is a legally binding contribution to the fund; deposit is actual cash received by the fund; contracted is amount under contract for a project; disbursed is amount paid to a vendor or entity.

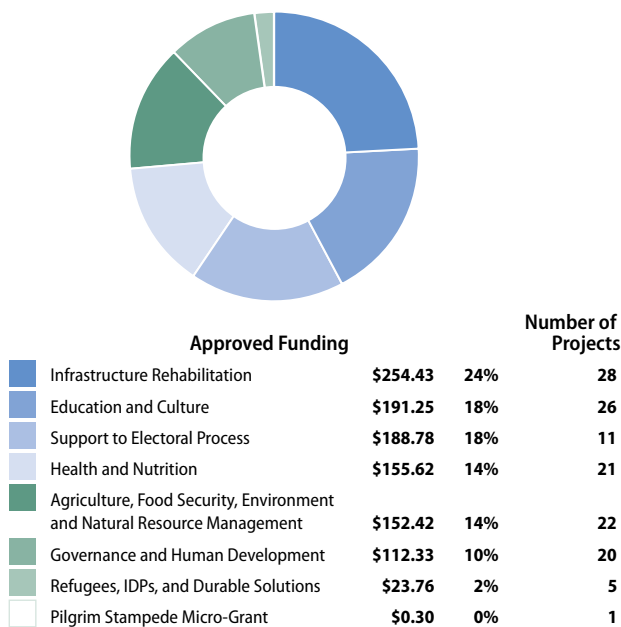
INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

Figure 2.46

UNDG ITF APPROVED FUNDING BY SECTOR

\$ Millions

Source: IRFFI, *UNDG Iraq Trust Fund Newsletter*, November 2007



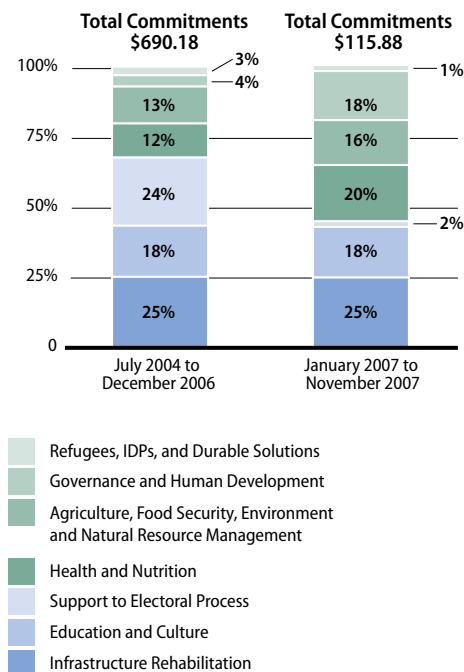
Note: Numbers are affected by rounding.

Figure 2.47

UNDG ITF COMMITMENTS BY SECTOR COMPARISON OF 2004 TO 2006 VERSUS 2007

\$ Millions

Source: IRFFI, *UNDG Iraq Trust Fund Newsletter*, November 2007



Note: Numbers are affected by rounding.

the electoral process. For a breakdown of sector funding, see Figure 2.46.

Comparing the timeframe of 2004-2006 to 2007, commitments and disbursements have generally declined. Overall, 86% of total commitments were made during 2004-2006, and 84% of total disbursements were made during 2004-2006. At the sector level, funding focus has shifted away from projects supporting the electoral process; this sector represented 24% of the total commitments made during 2004-2006, but only represented 2% of the total commitments made during 2007. During 2007, Governance and Human Development and Health and Nutrition have become more prominent sectors for international funding compared to 2004-2006.⁵⁹⁵

Figure 2.47 shows a comparison of the sector breakdown based on the total commitments made from 2004-2006 versus 2007. This figure illustrates the changes in sector focus over the two time periods.

Project Updates

From January 1 to September 30, 2007, 25 new projects were financed with total approved funding of \$177.66 million. UN agencies have recognized the need to develop partnerships which should improve the coordination of project development and implementation. Therefore, the UN created 14 of the new projects as joint initiatives with other organizations.⁵⁹⁶

UN agencies have noted some challenges in implementing projects—these agencies estimated that 11-22% of their projects have experienced severe implementation problems and 55-80% of their projects have experienced moderate problems. Project completion has also experienced some difficulties. Overall, projects have experienced delays of between 12 and 24 months compared to original estimates of completion times.⁵⁹⁷

SIGIR OVERSIGHT

SIGIR AUDITS
SIGIR INSPECTIONS
SIGIR INVESTIGATIONS
SIGIR HOTLINE
SIGIR WEBSITE
LEGISLATIVE UPDATE

SECTION

3

SIGIR AUDITS

From November 1, 2007, to January 30, 2008, the Special Inspector General for Iraq Reconstruction (SIGIR) completed seven new audit products. Since March 2004, SIGIR has issued 108 audit products. Details on SIGIR audits are presented throughout this Report.

This quarter, SIGIR audits addressed a diverse range of issues and programs, including:

- two in a continuing series of focused contract audits dealing with outcome, cost, and oversight associated with major reconstruction contracts in Iraq
- two reports involving issues related to contract management fees
- two reports providing updated information on efforts to implement a financial-management information system and strengthen anticorruption efforts in Iraq

- a report addressing trends in funding of large construction projects under the Commander's Emergency Response Program (CERP)

Table 3.53 lists these audit products.

SIGIR has ten ongoing audits, and others are planned to start next quarter. SIGIR performs audit work under generally accepted government auditing standards.

SIGIR's reports have produced scores of recommendations designed to achieve management improvements and corrective actions needed in reconstruction and relief activities. The implementation of audit recommendations is crucial. SIGIR auditors regularly follow up on open recommendations in an effort to achieve their full implementation to the extent practical.

SIGIR FINAL AUDIT PRODUCTS, SINCE NOVEMBER 1, 2007

| REPORT NUMBER | REPORT TITLE | DATE ISSUED |
|---------------|---|--------------|
| 08-004 | Outcome, Cost, and Oversight of Reconstruction of Taji Military Base and Baghdad Recruiting Center | January 2008 |
| 08-005 | Differences in Services and Fees for Management and Administration of Iraq Reconstruction Contracts | January 2008 |
| 08-006 | Commander's Emergency Response Program in Iraq Funds Many Large-Scale Projects | January 2008 |
| 08-007 | Efforts To Implement a Financial-Management Information System in Iraq | January 2008 |
| 08-008 | U.S. Anticorruption Efforts in Iraq: Sustained Management Commitment Is a Key to Success | January 2008 |
| 08-009 | Appropriate Award Fee Conversion Scales Can Enhance Incentive for Contractor Performance | January 2008 |
| 08-010 | Outcome, Cost, and Oversight of Iraq Reconstruction Contract W914NS-04-D-0006 | January 2008 |

TABLE 3.53

- For information on all SIGIR audit work completed as of January 30, 2008, and for the full text of all final audit products, see Appendix J, Table J-1, and the SIGIR website: www.sigir.mil.
- For information on the implementation status of SIGIR recommendations from its audit reports and recommendations that remain open, see Appendix J, Table J-2.

SIGIR's audit work is well coordinated with other audit entities engaged in Iraq-related work. Representatives of these entities meet quarterly on the Iraq Inspectors General Council (IIGC) to formally coordinate audit activities to prevent duplication of effort and to share information gained from ongoing audit activity. The IIGC met on November 14, 2007, at SIGIR headquarters in Arlington, Virginia; some members participated by phone from Baghdad and other U.S. locations. The meeting was attended by representatives from:

- SIGIR
- Army Inspector General (Army IG)
- Department of Defense Office of Inspector General (DoD OIG)
- Department of State Office of Inspector General (DoS OIG)
- U.S. Agency for International Development Office of Inspector General (USAID OIG)
- Defense Contract Audit Agency (DCAA)
- U.S. Army Audit Agency (USAAA)
- Air Force Audit Agency
- Naval Audit Service
- Government Accountability Office (GAO)

Final SIGIR Audit Products Outcome, Cost, and Oversight of Reconstruction of Taji Military Base and Baghdad Recruiting Center

(SIGIR-08-004, JANUARY 2008)

Introduction

A December 2006 amendment to SIGIR's enabling legislation requires that, before its termination, SIGIR prepare a final forensic audit report on funds made available to the Iraq Relief and Reconstruction Fund. To help meet this requirement, SIGIR is undertaking a series of focused contract audits examining major Iraq reconstruction contracts. The objective of these audits is to examine contract outcome, cost, and management oversight, emphasizing issues related to vulnerabilities to fraud, waste, and abuse.

This report, another in the series, examines reconstruction work contracted for by the U.S. government and performed by Parsons Infrastructure & Technology Group, Inc. (Parsons) of Pasadena, California. It complements other SIGIR audit work related to Iraq reconstruction under other Parsons contracts. In some cases, including this one, contractors have completed their work and been paid. Future reports will address other Iraq reconstruction projects.

In January 2004, at the request of the Coalition Provisional Authority,⁵⁹⁸ the Air Force Center for Environmental Excellence—now known as the Air Force Center for Engineering and the Environment (AFCEE)—awarded a cost-plus fixed-fee task order under an existing contract to Parsons. Under the task order, Par-

sons was to renovate and replace facilities and provide infrastructure repairs at the Taji Military Base and the recruiting stations in Hilla, Kirkuk, and Ba'quba. Parsons was also to construct a logistical support facility at the Kirkush Military Training Base in Diyala.

Subsequent modifications to the task order eliminated the requirements to renovate the three recruiting stations and the logistical support facility at the Kirkush base. Modifications also increased the scope of work at the Taji Military Base and added a requirement to renovate the Baghdad Recruiting Center, which had recently been bombed. As a result, the final scope of work comprised rebuilding the Taji base and the Baghdad Recruiting Center.

Results

Between May and June 2004, Parsons and its subcontractors largely completed facility construction and repair work at the Taji Military Base (costing about \$36.5 million) and the renovation of the Baghdad Recruiting Center (about \$922,000). The government expressed satisfaction with the overall project—particularly the work of AFCEE. The cost of these two projects was about \$11.1 million more than estimated for the original five projects; the increase was caused by several factors, including changes in the scope of work and security issues, according to AFCEE.

Information obtained by SIGIR indicates that there were significant limitations to full-and-open competition in awarding subcontracts. The absence of such competition can make the government vulnerable to inflated subcontract prices.

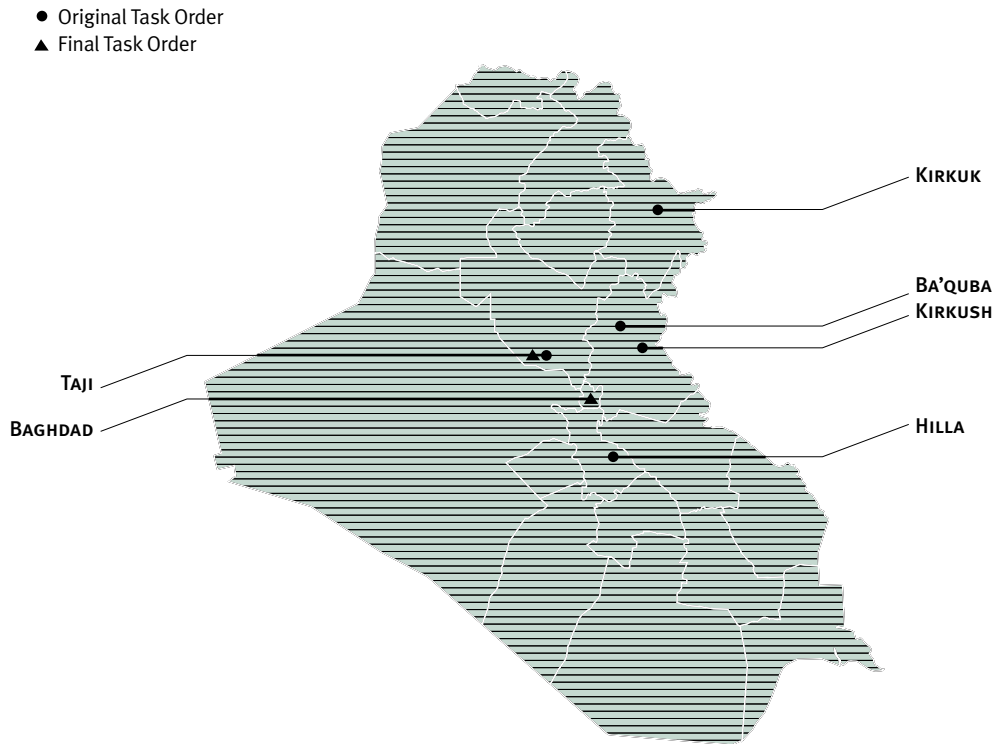
Government oversight was also a concern, and at the time of construction, weaknesses in the Parsons contract-billing system increased the risk of erroneous billings. These deficiencies have since been corrected. In addition, although construction work has been completed, the task order remains open because of inventory discrepancies, leaving the government vulnerable to undetected loss or theft. The value of this inventory is about \$859,000.

Construction Outcome and Cost

Work under the task order was completed to the government's general satisfaction. By May 2004, Parsons and its subcontractors finished reconstruction of the Baghdad Recruiting Center; by June 2004, reconstruction of the Taji Military Base was completed as well. Although the total cost of this competitively awarded task order was originally estimated at \$26.3 million, the actual cost rose by approximately 42%, from \$11.1 million to \$37.4 million. Reconstruction of the Taji base used \$36.5 million of these funds. Initially, Parsons was to perform work at five sites, but subsequent modifications reduced the number of

Figure 3.48

AUDIT MAP



sites to two and made other scope changes. As a result, the final project comprised rebuilding Taji and the Baghdad center. For the planned and actual construction locations, see Figure 3.48.

According to Parsons and AFCEE officials, a number of factors caused cost increases during execution of the task order, including:

- task-order scope changes
- late delivery of subcontractor materials and equipment
- changes in work priority
- difficulty in getting Iraqis on and off the base
- the deteriorating security situation on the ground
- security travel restrictions (lockdowns)

Contract Administration and Oversight

According to information obtained by SIGIR, there were significant limitations to full-and-open competition in awarding subcontracts,

which account for almost three-quarters of the cost of reconstruction. These conditions created risks, especially to ensuring fair and reasonable subcontract prices. Parsons officials acknowledge that competition was limited by several factors:

- the lack of means, such as newspapers, radio, the Internet, or common mail service, for distributing solicitations to a large supplier base
- the inability of subcontractors to assume additional workloads
- the inability of many potential subcontractors to prepare proposals

Also, as a result of the dangers of working in Baghdad and at Taji and the urgent need to begin construction quickly, Parsons said that using suppliers known by the company was essential to ensuring that it would be capable of performing the work.

Given the operational environment in Iraq at the time, Parsons' performance under this task order was for the most part positive, according to an AFCEE contracting official. AFCEE's own performance was considered very positive by the commander of the Multi-National Security Transition Command-Iraq (MNSTC-I). However, Parsons reportedly did not properly manage one of its subcontractors, resulting in a poorly constructed water-storage tank. In addition, government quality assurance (QA) oversight was a concern. As a result, AFCEE subsequently contracted with a private firm specializing in QA. An AFCEE official commented that, "A Professional set of QA personnel helps ensure project success. Using augmentees and untrained personnel to provide construction oversight is a recipe for disaster."

The Defense Contract Audit Agency (DCAA) examined Parsons' contract-billing system as of April 2004 and concluded that it was inadequate. After construction was completed and payments were made, Parsons corrected its deficiencies to DCAA's satisfaction. Construction work on this task order was, for the most part, completed by mid-2005. However, the task order remains open because accountability for inventory valued at about \$859,000 has not been transferred to the government. Delays in reconciling inventory-record discrepancies and transferring property accountability to the government leave inventory vulnerable to undetected loss or theft. This inventory includes bulletproof vests, cameras, radios, televisions, trailers, and other items.

Recommendation

SIGIR recommends that MNSTC-I direct AFCEE to work with Parsons, DCAA, and the Defense Contract Management Agency (DCMA), to establish milestones and timeframes to reconcile inventory-record discrepancies and close the task order.

Lessons Learned

Because work under the task order has been completed and the contractor has been paid, SIGIR also identified lessons learned that may be applicable to future contract-management strategies in similar environments. These practices are vital to reducing the opportunities for fraud, waste, and abuse:

- using existing contracts to speed up task-order execution
- increasing competition for subcontracts
- providing sufficient and competent QA staff
- implementing procedures to account for government-furnished equipment
- accomplishing pre-construction planning

Management Comments and Audit Response

MNSTC-I concurred with SIGIR's recommendation. It directed AFCEE to work with Parsons, DCAA, and DCMA to establish milestones and timeframes to reconcile inventory-record discrepancies and close the task order. It established an estimated completion date of March 15, 2008.

Differences in Services and Fees for Management and Administration of Iraq Reconstruction Contracts

(SIGIR-08-005, JANUARY 2008)

Introduction

After the U.S. government discovered that Iraq's infrastructure was in far worse condition than pre-war assessments had indicated, billions of dollars were appropriated to assist in reviving the infrastructure and economy. These funds were allocated among a number of U.S. agencies, but most funds went to the Department of Defense (DoD), which has responsibility for oversight of military construction programs. Two primary U.S. military organizations currently providing management and administration of Iraq reconstruction contracts are the Gulf Region Division (GRD) of the U.S. Army Corps of Engineers (USACE) and the Air Force Center for Engineering and the Environment (AFCEE), a field operating agency of the Air Force Civil Engineer. Officials involved in reconstruction efforts have expressed interest in an analysis of the two organizations' management and administration procedures, particularly the fees they charged.

These were SIGIR's reporting objectives:

- compare and contrast GRD and AFCEE management and administration of Iraq reconstruction projects, including the services provided and fees charged
- determine the extent to which DoD has assessed the efficiency and cost-effectiveness of these activities

Results

Collectively, as of September 30, 2007, USACE-GRD and AFCEE have managed and administered more than \$10.3 billion of Iraq reconstruction contracts and charged about \$535 million in fees for their services. GRD managed and administered about \$6.3 billion—more than 60% of the total amount—and charged about \$418 million in fees. AFCEE had about \$4.0 billion of reconstruction contracts and charged about \$117 million in fees.

Both USACE-GRD and AFCEE provided construction services that included project management and design, contract administration, fiscal and administrative management, and quality assurance (QA); however, they used differing approaches to managing and administering U.S.-funded reconstruction projects. GRD's work on design-build contracts required more direct and extensive involvement in the design and construction phases, and AFCEE's approach did not include detailed design. As another distinction between the business models of these organizations, GRD depended primarily on its military and civilian employees for QA and other management and administrative services, while AFCEE relied on contractors to provide many of its services.

SIGIR's ability to make a full comparative analysis was limited by insufficient data on the differences in fee structures and services provided and a lack of comparability and transparency in the fees and services. However, SIGIR found that DoD has not conducted an analysis of

the two organizations' business models, services provided, or fee structures and that such an analysis could provide the basis for enhanced policy guidance.

USACE-GRD and AFCEE Differ in Approaches, Services, and Fees

Most of GRD's early project management and contract administration work involved major design-build,⁵⁹⁹ cost-plus contracts that were awarded by its predecessor organization and employed large multi-national firms. In 2004, USACE-GRD began to move away from these types of contracts to ones with local and regional firms for smaller, shorter-term projects. With the shift, GRD began to engage more directly in reconstruction contracting, as opposed to its previous role, which was largely confined to project management and QA. As of September 29, 2007, *GRD Reconstruction Snapshot* reported that 3,641 projects have been completed, including 424 projects in the electricity sector, 76 in the oil sector, 667 in the water sector, and others in the transportation and communication, health and education, and security and justice sectors.

Initially, AFCEE's role in Iraq reconstruction was to meet an urgent reconstruction requirement—estimated at \$238.6 million—for the New Iraqi Army. Later, AFCEE took on an expanded role and began awarding task orders for reconstruction of schools, government office buildings, and other projects. A 2004 SIGIR report⁶⁰⁰ addressed this expanded scope and, based on the report's recommendation, AFCEE

revised the agreement governing this work. As of September 30, 2007, AFCEE had awarded 245 task orders for 590 projects (a task order may involve multiple projects) and completed more than 4,217 facilities—including barracks, schools, border forts, and police stations—with more than 60 million total square feet.

Both GRD and AFCEE provided such services as project and cost management, contract administration, construction QA, and construction fiscal and administrative management. However, the specific services provided varied based on customer needs and the project and contract type. Those variances made side-by-side comparison between GRD and AFCEE difficult. However, major differences in management and administration of Iraq reconstruction projects were most evident in the pre-design and construction phases of their projects. GRD's initial work involved design-build contracts that required more direct and extensive involvement in the design and construction phases. AFCEE, on the other hand, provided none of the detailed design services and used indefinite delivery, indefinite quantity contracts and cost-plus fixed-fee task orders to expedite reconstruction projects. It accomplished the construction through the use of conceptual work plans without detailed design packages. For QA efforts, AFCEE used contractor services; GRD relied on its military and civilian employees.

In a gross comparison, GRD's fees appeared much higher than AFCEE's. GRD's fees ranged from 4% to 9.2%, but it charged 6.5% for full contract supervision and administrative services.

AFCEE's initial fee for comparable services was 1.5% of project cost, but its fee in the past year has increased to just more than 3%. In general:

- Both charged fees intended to recover costs.
- Both recognized that costs would be higher than the fee on some projects and lower on others, with total fees adjusted to recover costs.
- Neither recorded actual costs on individual projects.
- Neither recovered security and life-support costs in their fees. However, there is little comparability and transparency of the fees charged and services provided by the two organizations.

DoD Has Not Assessed Differences

The Under Secretary of Defense for Acquisition, Technology and Logistics is responsible for monitoring the execution of military, emergency, and contingency construction programs to ensure their efficient, expeditious, and cost-effective accomplishment. However, SIGIR found that no analysis exists at that level to determine the merits of the differing USACE-GRD and AFCEE approaches, services, and fees.

USACE and AFCEE each made limited and incomplete assessments, highlighting the benefits of their approaches. But these comparisons were based mostly on generalizations rather than specific analysis, and SIGIR found that each contained unsubstantiated claims and did not fully resolve questions related to differences in approaches, services, and fees.

A more thorough analysis could provide les-

sons learned to improve the efficiency of project management and administration, reduce costs, and use reconstruction funds more efficiently and effectively. It could also provide the basis for enhanced policy guidance concerning the use of the organizations and their approaches. The issues that could be addressed go beyond a comparison of services and fees and extend to the business models used by the organizations to award, manage, and administer construction contracts and to account for and report on costs and fees. A comparative analysis could also consider the benefits of a managed degree of competition between the organizations. Without competition, USACE and AFCEE have less incentive to rigorously manage costs.

Recommendation

Because of the potential for involvement and interest of several DoD organizations and the military departments, SIGIR recommends that the Secretary of Defense direct a thorough and detailed comparative analysis of the construction administrative and management services provided by USACE-GRD and AFCEE. The analysis should examine the business models used, types of services provided and means by which they are provided, the fees charged and means by which costs are recovered and accounted for, and the elements of costs that are being recovered.

Management Comments and Audit Response

The Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics and USACE-GRD provided written comments on

a draft of this report, and AFCEE provided informal comments. The Office of the Under Secretary of Defense stated that the SIGIR effort justified further study of how best to meet reconstruction and contingency construction requirements and that a “best practice” approach will be undertaken. The Office non-concurred with the overall report, suggesting it lacked a comparative analysis to support the report’s recommendation. SIGIR reported that a full comparative analysis was not done, but believed the work completed and the issues identified justified a recommendation for further DoD analysis. DoD agreed with the need for further analysis.

USACE-GRD’s comments contained suggestions for technical changes in the report. SIGIR considered these comments in preparing this final report and made changes as appropriate. AFCEE, in informal comments, generally concurred with the report.

Commander’s Emergency Response Program in Iraq Funds Many Large-Scale Projects

(SIGIR-08-006, JANUARY 2008)

Introduction

In May 2003, the Coalition Provisional Authority formalized the Commander’s Emergency Response Program (CERP) in Iraq, authorizing U.S. field commanders to use available funds to respond to urgent humanitarian, relief, and reconstruction requirements within a commander’s area of responsibility by executing programs that immediately assist Iraqis and achieve “focused effects.” CERP guidance directs

commanders to focus funds on projects that improve water and sanitation, electricity, and civic cleanup and that employ the most Iraqis over an extended period of time. Selection of a project is expected to be based on how quickly it can be executed, how many Iraqis would be employed, how many would benefit, and the “visibility” of the project.

Initial funding for CERP came from seized Iraqi assets and the Development Fund for Iraq.⁶⁰¹ By late 2003 the United States began to appropriate U.S. dollars to the CERP program in Iraq, and by the end of FY 2007, the Congress had appropriated more than \$2.3 billion.

Multi-National Corps-Iraq (MNC-I) is the overall program coordinator for CERP. MNC-I publishes *Money as a Weapon System (MAAWS)*, a policies and procedures manual that directs program execution and establishes the goals for CERP funding.

This SIGIR report contrasts funding devoted to small-scale projects, typically associated with the CERP program, with funding devoted to more expensive, large-scale CERP projects. It also provides observations about the applicability of selected management issues identified in prior SIGIR reviews and lessons learned noted in this review that could be important to managing such projects.

Results

Improved management controls over CERP projects, particularly those that are costly, will help ensure each project’s long-term benefit and viability, as well as the effective investment

of U.S. funds. Since the inception of CERP in Iraq in 2003, more than 18,000 projects have been initiated, and more than 14,000 have been completed. According to CERP guidelines, the program's undertakings should primarily be small-scale, urgent humanitarian relief and reconstruction projects for the benefit of the Iraqi people—and to some extent, that has been the case. For example, since FY 2004, CERP projects estimated to cost⁶⁰² \$25,000 or less have represented more than 44% of total CERP projects in Iraq—but just 4% of total dollars obligated for the program. Conversely, since FY 2004, CERP projects estimated to cost \$500,000 or more have represented less than 3% of all CERP projects, but nearly 37% of total dollars obligated. Most large-scale CERP projects have been in the water sector, which has received about \$567 million—more than 28% of all CERP-obligated funds. Electricity projects and transportation projects have also been heavily funded.

In several reports on CERP program management, SIGIR has identified management weaknesses, including:

- coordination of program activities
- maintenance of project folders
- planning for the transition of completed projects to the Iraqi government

The third of these issues includes both the physical handover of completed projects and planning for their long-term maintenance and sustainment. SIGIR included the issues in this report because of their importance to the long-term success of large-scale projects.

SIGIR has previously reported that the Iraqi government is not yet fully prepared to take over the near- or long-term management and funding of many U.S.-funded infrastructure projects, and additional efforts are needed to ensure their viability. Although MNC-I has said that it has increased emphasis on transition and sustainment issues, SIGIR is concerned that the *MAAWS* guidance still contains little specific direction on unit responsibilities in these areas. These issues take on greater importance for Iraq reconstruction projects because most funding from the principal source of reconstruction funding, the Iraq Relief and Reconstruction Fund, has been obligated, leaving CERP as a significant source.

During SIGIR's review, CERP program officials discussed important lessons learned that, if adequately documented, could benefit future program managers. These lessons focus primarily on giving greater emphasis to transfer and sustainment issues. However, MNC-I has no formal process for collecting and documenting these lessons.

Recommendations

SIGIR recommends that the Commanding General, MNC-I, direct that these actions be taken:

- Reinforce the importance of documenting project files, especially for large-scale projects that are considered high-cost, technologically complex, and maintenance-intensive.
- Include more specific guidance in the *MAAWS* to address both transition and sustainment of CERP projects above an established value—particularly those projects that are considered high-cost, technologically complex, and maintenance-intensive.
- Develop an appropriate process for developing and disseminating lessons learned from the CERP program to assist future program officials as unit rotations occur to reduce learning curves and facilitate continuity in program management.

Management Comments and Audit Response

SIGIR received written comments on a draft of this report from MNC-I. The MNC-I Chief of Staff concurred with all recommendations and has identified corrective actions that have been initiated or planned. According to the comments, they have implemented a records recovery/reconstruction policy to remedy missing project files. MNC-I agreed that while lessons learned were captured and disseminated in various media, a more formal process would be helpful. They agreed to explore more formal options, including the Center for Army Lessons Learned (CALL). The comments are included in the Management Comments section of this report.

Efforts To Implement a Financial-Management Information System in Iraq (SIGIR-08-007, JANUARY 2008)

Introduction

In early summer 2003, the Coalition Provisional Authority (CPA) and the International Monetary Fund (IMF) conducted assessments that identified a need for improvements in the budget and financial control system for the Government of Iraq (GOI). These assessments found that the GOI financial structure provided limited ability to monitor Iraqi ministerial budgets and expenditures, leaving the ministries vulnerable to fraud, waste, and misappropriation of funds. According to a senior advisor with the CPA, “the Iraqi Ministry of Finance had been completely looted and burned... There were no computers... Everything was paper-intensive.” The CPA, which then managed the budget, conceived the Iraq Financial Management Information System (IFMIS) as a solution to manage and oversee the GOI budget.

When instructed by CPA to implement an Iraqi financial management information system, the U.S. Agency for International Development (USAID) entered into a broad-based contract with BearingPoint, Inc., for that purpose. That contract had numerous other tasks related to economic and financial reforms. IFMIS represented only a small part of the total effort and estimated cost under the contract, which was known as Economic Governance I (EG-I). In September 2004, USAID awarded to BearingPoint a follow-on contract for the continuation of the economic and financial reforms. That contract, known as Economic Governance II

(EG-II), continued to fund IFMIS, which again was only a small part of the total effort and cost. Both contracts were cost-plus fixed-fee level of effort.

In September 2006, the Joint Contracting Command-Iraq/Afghanistan issued to BearingPoint two concurrent contracts for the Iraq Reconstruction Management Office—now the Iraq Transition Assistance Office. The first had three components: two related to IFMIS, and one related to fiscal policy reforms. The second contract was to integrate a procurement module into IFMIS.

In July 2007, the U.S. Embassy in Iraq ordered the suspension of the IFMIS project because the BearingPoint project leader and his security detail had been kidnapped, and the GOI lacked support for the system. To provide timely information on economy and efficiency issues and respond to a request for assistance from the U.S. Embassy, SIGIR issued an interim report on the IFMIS contracts.⁶⁰³ SIGIR recommended that the Embassy establish a working group to evaluate a number of factors impacting the way forward and that further work on a financial management system be contingent on the GOI's commitment to such a system and an independent assessment of GOI needs. This report presents SIGIR's overall review results of the IFMIS project.

SIGIR's overall objective for this report was to assess the U.S. government efforts to improve GOI budgeting and financial management through IFMIS. Specifically, SIGIR looked at:

- U.S. funding for IFMIS development and implementation

- the extent to which IFMIS development and implementation objectives and schedule were achieved
- operational issues that impacted the success and acceptability of IFMIS
- USAID's actions with regard to the recommendations in SIGIR's interim report

Results

Before it was shut down in June 2007, IFMIS had achieved limited functionalities. Its costs at that time were estimated at \$26 million. Lack of GOI support for the system and security issues were the key contributing factors to the shutdown.

In November 2007, USAID began initiatives to ensure GOI support for the system in the future. In mid-January 2008, the Iraqi Minister of Finance and Acting Mission Director of USAID signed a Memorandum of Understanding to restart the system. These initiatives are in line with SIGIR's prior recommendation to secure the GOI's commitment to a financial management information system. They also align with SIGIR's prior recommendation that USAID undertake an independent, third-party assessment of the GOI's management-system requirements and capabilities.

Although deteriorating security conditions and competing demands no doubt adversely impacted IFMIS development, there was also a lack of clear direction based on user requirements. Neither the USAID EG-I and EG-II contracts nor BearingPoint's work plans provided that direction. Information was not available to clearly assess progress on the system in relation to available benchmarks, making it difficult for

USAID to assess BearingPoint’s performance.

Cost is an important factor in managing any system’s development, and the USAID contracts did not require the identification of IFMIS costs. SIGIR considers that a weakness in the contract requirements. SIGIR also believes that the use of the cost-plus fixed-fee level of effort contracts was not the best choice for a system development and implementation effort because it placed greater cost risk on the U.S. government.

SIGIR recognizes that Iraq was and still is a complex and difficult environment in which to operate and that policy considerations drove many of the early decisions on how to help improve the GOI’s financial management information. Because IFMIS development and implementation has ceased and SIGIR previously provided recommendations for improving the system, SIGIR makes no further recommendations. However, SIGIR believes that valuable lessons—with broader applicability—can be gleaned from the course followed by the IFMIS development project.

Management Comments and Audit Response

USAID strongly disagreed with SIGIR’s positions and information on the status and cost of the system and the type of contract used. SIGIR believes that its positions are sound and that the information in the report is accurate. SIGIR addresses these differences in this report, where applicable. Further, SIGIR added recent information pertaining to the GOI’s commitment to IFMIS. A copy of USAID’s detailed comments is included in the Management Comments section of this report.

U.S. Anticorruption Efforts in Iraq: Sustained Management Commitment Is a Key to Success

(SIGIR-08-008, JANUARY 2008)

Introduction

This report is the latest in a series of SIGIR reports on U.S. government anticorruption efforts in Iraq. SIGIR instituted reviews of anticorruption programs in recognition of the importance that eliminating corruption plays in promoting the economic, social, and political reconstruction of Iraq; SIGIR has described the impact that corruption has had on Iraq as the “second insurgency.” Previous SIGIR reports concluded that U.S. efforts lacked a comprehensive plan that tied program activities to an overall strategy as well as baselines from which progress could be measured. Moreover, SIGIR found that U.S. anticorruption efforts have gone through periods of high activity and also through periods when they have languished. SIGIR’s objective for this report was to review U.S. Department of State (DoS) progress in implementing SIGIR’s prior recommendations to improve the management of U.S. anticorruption efforts in Iraq.

Results

SIGIR found that the U.S. Embassy in Iraq has taken or planned steps to address SIGIR’s concerns that if effectively implemented would address all recommendations contained in previous SIGIR reports.⁶⁰⁴ Most notably, the Ambassador has identified actions to improve the oversight and coordination of the U.S.

anticorruption effort and in December 2007 proposed to the Secretary of State a reorganization of personnel to elevate the importance of anticorruption programs.

SIGIR supports these actions but notes that past efforts to revitalize and coordinate U.S. anticorruption efforts have been largely ineffective. These efforts suffered from a lack of management follow-through on planned actions. Therefore, the success of these new efforts will largely depend on sustained management commitment, particularly in terms of day-to-day leadership and senior management oversight.

The recent U.S. Embassy actions include proposals to revamp the U.S. anticorruption strategy, elevate its priority within the Embassy's areas of responsibility, and better manage and oversee activities. To that end, the Ambassador approved a reorganization that calls for a senior official, reporting directly to the Deputy Chief of Mission, who would be responsible for coordinating all U.S. anticorruption policy and programs. On December 7, 2007, the Ambassador requested Secretary of State support for the plan, to include recruiting a senior official for the coordinator position. Pending the Secretary's approval of the program, the Embassy has taken initial management actions, such as restarting the Anticorruption Working Group and beginning to develop an inventory of all U.S.-funded anticorruption programs. On January 9, 2008, the Secretary of State notified the Embassy of DoS's support for the reorganization. Accordingly, SIGIR makes no recommendations in this report.

Management Comments and Audit Response

SIGIR provided DoS a draft of this report for comment, and DoS agreed with it.

Appropriate Award Fee Conversion Scales Can Enhance Incentive for Contractor Performance

(SIGIR-08-009, JANUARY 2008)

Introduction

In March 2004, the U.S. government issued seven cost-plus award-fee contracts, providing program-management support services for reconstruction efforts in Iraq. On October 29, 2007, SIGIR issued a report that broadly addressed the use and performance of these contracts in managing Iraq relief and reconstruction projects.⁶⁰⁵ SIGIR decided to separately address the issue of using conversion scales in determining contractor performance-award fees. Accordingly, this follow-on report discusses the extent to which these contracts followed the U.S. Army's recommended best practices in using conversion scales in the award-fee process.

Each of the seven contracts was awarded on a cost-plus award-fee basis, and contractor costs were reimbursed. The contractor also received a base fee of 3% of budgeted cost and was eligible for an award fee of up to 12% of the budgeted cost. SIGIR noted one exception—the electricity sector, in which award-fee eligibility ranged from 9-13%, depending on the year.

Results

The contracts and related guidelines did not specify the type of award-fee conversion scale that was to be used in calculating award fees under these contracts. The government agencies involved in managing the contracts used the same scale for calculating award fees for all sectors and all award-fee periods. However, this conversion scale was not recommended by the U.S. Army because it did not provide proper incentives for contractors to strive for better-than-expected results. For example, the scale awarded no fee for a performance score of less than 60, but did award a fee of at least 60% of the fee pool for a score of at least 60. Thus, a performance score of 65, which is in the “Good” range and barely above the award threshold, would earn the contractor 65% of the award-fee pool. Use of this scale represented a departure from the best practices recommended by the Army and reduced the incentive for improved contractor performance.

In September 2003, the *Army Contracting Agency (ACA) Award Fee Contracts Handbook* was issued to provide information and guidelines for developing and administering this type of contract. The ACA handbook is intended to be a “living” document—updated to reflect current best practices and policy on award-fee contracts and to respond to the needs of the ACA acquisition community. The handbook suggests different types of conversion scales that could be used to create incentives for the contractor to achieve superior results. However, a common characteristic of effective incentives on all of the recommended scales is that the percentage of the

fee awarded for meeting the minimum threshold begins at 0, not 60. For example, one of the conversion scales recommended by the ACA is the cubic-distribution award-fee scale, by which a score of 70 would translate to an award of only 19% of the fee pool.

The value of using a more appropriate, Army-approved conversion scale is best illustrated through the example of the fees awarded to one of the sector contractors. Over a 15-month period, the contractor received performance ratings ranging from 61.79 to 81.23. These scores were converted to award fees totaling \$3,239,178. If the cubic-distribution award-fee scale had been used, the authorized fees would have been \$1,085,700—a difference of \$2,153,478. Because the contractor received high fees for a relatively modest performance, SIGIR concluded that using a recommended conversion scale might have provided greater incentive for the contractor to achieve superior results at perhaps less cost to the government.

Lesson Learned

Because work on the support contracts that SIGIR reviewed has ceased or will end soon, SIGIR made no new recommendations. On September 23, 2007, SIGIR advised officials of the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) of these findings. A senior JCC-I/A official responded that the U.S. government had transitioned to a strategy of awarding more firm-fixed-price contracts for Iraq reconstruction and was relying less on cost-plus award-fee contracts. However, when cost-plus award-fee contracts are used, government agencies can expect to achieve

superior results by adopting an appropriate conversion scale and writing it into the award-fee plan.

Management Comments

The U.S. Army Corps of Engineers, Gulf Region Division (GRD), in commenting on a draft of this report, indicated that it agreed with SIGIR's "lesson learned" regarding the use of appropriate conversion scales as an incentive for greater performance. The Office of the Assistant Deputy Assistant Secretary of the Army (Policy and Procurement)-Iraq/Afghanistan noted that the Army's *Award-Fee Contracts Handbook* does not mandate the use of a particular conversion scale and that, in the absence of evidence to the contrary, it is presumed that the Contracting Officer determined that the incentive structure provided in the contract was the one that would best motivate the contractor under the difficult circumstances of working in Iraq.

The Assistant Deputy also referenced Office of the Secretary of Defense policy guidance issued in 2006, which emphasizes that award-fee contracts must be structured in ways that will focus the government and contractor's efforts on meeting or exceeding cost, schedule, and performance requirements. The response suggested that the Army's handbook and the OSD policy guidance would be used in the development of future award fee plans. The SIGIR report provides a discussion of best practices and notes that the conversion scale used for contracts included in this report was never identified in the award-fee plans for these contracts. This is the basis for the lesson learned. SIGIR did not

receive comments from the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) or the Iraq Transition Assistance Office (ITAO).

Outcome, Cost, and Oversight of Iraq Reconstruction Contract W914NS-04-D-0006

(SIGIR-08-010, JANUARY 2008)

Introduction

In March 2004, the U.S. Army Corps of Engineers, on behalf of the Coalition Provisional Authority, awarded Parsons Delaware, Inc. (Parsons) a cost-plus award-fee contract (W914NS-04-D-0006) to provide design and construction services. This contract was one of ten design-build construction contracts approved by the Deputy Assistant Secretary of the Army (Policy and Procurement) to provide an overarching framework for procuring design-build construction services to restore the Iraq infrastructure. The contracts were issued in defined work sectors, such as the electric sector and the water resources and sanitation sector. This Parsons contract was awarded for projects in the buildings, housing, and health care sectors. The statement of work for each contract was generic and performance based; however, the Parsons contract identified three objectives:

- repair and renovate selected Iraqi ministry buildings that suffered severe looting, vandalism, and some fire damage in 2004
- renovate and repair Iraq hospitals to improve functions and cleanliness required of hospitals
- build new primary healthcare clinics throughout Iraq

These objectives were to be accomplished by issuing task orders against the basic contract. The government subsequently issued a total of 14 task orders against the contract's \$500 million ceiling; 11 task orders for construction projects, and 3 task orders for mobilization, program support services, and contract close-out. These were the 11 construction task orders:

- 2 construction task orders to renovate or repair 3 Iraqi ministry facilities
- 6 task orders to renovate 20 existing Iraqi hospitals
- 3 task orders to design and construct 150 Primary Healthcare Centers (PHCs)

The objectives of this audit were to assess (1) the outcome of work initiated under this contract, and (2) adequacy of the internal controls used for contract management.

Results

As of August 15, 2007, \$365,217,336 has been obligated and \$342,088,911 disbursed against the contract's \$500 million construction ceiling.⁶⁰⁶ Final contract costs are pending required incurred-cost audits of the contractors' work by the Defense Contract Audit Agency (DCAA) and the settling of contractor claims. Of the 11 construction task orders under the Parsons contract, 3 were completed and 8 were terminated for the convenience of the government with some work completed. When a contract is terminated for the convenience of the government, specific reasons for the termination are

not identified. However, in a written response to an earlier SIGIR report on PHCs,⁶⁰⁷ Gulf Region Division (GRD) identified a number of concerns, including a lack of control of subcontractors, poor construction management and supervision, and a lack of cost control. According to GRD officials:

1. Parsons successfully completed all work on two task orders (Task Orders 2 and 5) to renovate and repair three Iraqi ministerial buildings at a total cost of \$9,744,964. Both task orders had changes in scope but were completed within definitized costs.
2. Parsons successfully completed all work on one task order (Task Order 10) to rehabilitate eight maternity and pediatric hospitals in northern Iraq at a cost of \$16,182,230. This task order had 18 modifications, including 8 modifications to the task order's statement of work. The task orders were completed within definitized costs.
3. Parsons had four task orders (Task Orders 3, 6, 8, and 9) to rehabilitate 12 maternity and pediatric hospitals terminated for the convenience of the government. At the time of termination, work was completed on four hospitals, and between 78% and 98% of the work was completed on the remaining eight.
 - Task order 3 (for one hospital) had a definitized cost of \$14,193,200 and obligations of \$9,585,023. The task order was 80% completed and was one year past its planned completion date.
 - Task Order 6 (for three hospitals) had

a definitized cost of \$19,399,885 and obligations of \$16,755,944. One hospital was completed and two hospitals were estimated at six weeks from their planned completion date and 87-88% complete.

- Task Order 8 (for four hospitals) had a definitized cost of \$13,505,103 and obligations of \$11,066,849. Three hospitals were completed, and the remaining hospital was 82% completed but six months past its planned completion date.
 - Task Order 9 (for one hospital) had a definitized cost of \$5,072,730 and obligations of \$4,412,859. The hospital was 90% completed but was six months past its planned completion date.
4. Parsons had three task orders (Task Orders 4, 11, 12) for the design and construction of 150 PHCs terminated for the convenience of the government. Work was completed on 6 PHCs, and between 9% and 99% of the required work was completed on 135 PHCs. Eight PHCs were dropped after consultations with the Iraqi Ministry of Health. One PHC was dropped, but construction was continued through direct contracting. The total government estimated costs for construction and equipment for the PHCs was approximately \$186,030,873, as of August 15, 2007.
5. The three mobilization program support services and contract close-out task orders (Task Orders 1, 7, and 14) had total obligations of \$124,808,083, or 34% of total contract obligations. Approximately \$115,846,799 (32%) funded program support services (life

support, security management, information technology, in-country project management staff, travel, project office costs, insurance, warranty, and Defense Base Act insurance). GRD cited high contract administrative costs as one reason for terminating contract work.

SIGIR examined the management and contract oversight structure for this contract and found numerous weaknesses. Most of these problems were originally identified in SIGIR's earlier report on PHCs, and to the extent they are discussed in this report, they are only to illustrate problems that affected the contract before it was terminated. GRD and Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) have taken steps to resolve many of these issues. Some of the weaknesses identified in the report include:

- The contracting and program management offices suffered from a heavy rotation of personnel. Moreover, the contracting office personnel had limited construction contracting experience.
- GRD was not responsive to contractor requests for equitable adjustments and excusable delays based on unplanned site conditions, design or scope changes, or site access restrictions or security. For example, many PHC sites were selected by "map spot," and some were not suitable for building. At the same time, the contractor accepted unrealistic schedules and costs for delivering projects and failed to accurately report project status as it fell behind.

- The security environment and a limited number of U.S. government quality assurance personnel affected government oversight of the task orders. For example, GRD officials reported that its South region was responsible for more than 400 projects but employed fewer than 40 military and civilian field engineers and construction inspectors.
- The contract was not specific on the data requirements of the cost performance report, and the government did not require Parsons to produce the monthly reports required by the contract.

During the course of this review, SIGIR identified some additional oversight issues:

- Parsons did not provide adequate oversight of its subcontractors. GRD provided numerous documents referencing inconsistent and infrequent site visits to the project sites by the contractor's personnel. As a result, there was an overall lack of "ground truth" in reporting construction progress.
- Contractor invoices were not reviewed before payment. Instead, the invoices were sent directly to DCAA, creating a potential for payment for work that was not performed or not performed to the contract standards.

Management Actions

U.S. government officials took steps to address some of the issues that SIGIR identified.

- The U.S. government has committed to complete as many projects as possible. GRD has continued the work via direct contracting

with local Iraqi companies and has completed many of the projects since Parsons' work was terminated. According to GRD officials, since termination, construction has been completed on an additional 68 PHCs and 2 hospitals.

- On July 18, 2005, JCC-I/A issued a letter of concern to Parsons "regarding certain shortfalls and non-compliance issues with quality, safety, schedule and performance criteria that must be immediately addressed and rectified." The letter referred to issues raised as a result of a Project and Contracting Office (PCO) site visit to PHCs in the Baghdad area.
- In the fall of 2005, JCC-I/A assigned an overall interim unsatisfactory performance evaluation to the contractor because of unmet milestones, schedule slippages, and elusive administrative task order costs.
- Lacking confidence in the Parsons Global Services, Inc. weekly cost performance reports, the contracting officer requested the monthly cost performance reports as prescribed by contract section 2.3.5. On October 23, 2005, the government and Parsons agreed upon a format for the new reports. Subsequently, Parsons has produced monthly cost performance reports in the new format.
- On October 24, 2005, the contracting officer informed PCO and Parsons Global Services, Inc., that required procedures for "constructive changes" to the project would be enforced. The contracting officer required that future constructive changes be properly definitized. He also pushed the formal

process to bring the outstanding request for equitable adjustment (REA) to resolution. On December 21, 2005, negotiations commenced to reconcile Parsons' \$39 million REA. As of February 24, 2006, 50 of 58 items had been resolved for \$22 million. An agreement was signed, and the task orders were funded. The eight remaining items were resolved under a unilateral agreement and the contract modification was signed on March 17, 2006.

- On December 21, 2005, Parsons Global Services, Inc., and the U.S. government began negotiation of Parsons' submission of excusable delays. An agreement was reached, and schedules were adjusted in February 2006.
- On February 4, 2006, GRD-PCO convened a teleconference with both U.S. government officials and Parsons representatives to determine a workable solution for how many PHCs should be completed by Parsons and how many PHCs should be descoped. The conference led to the plan where Parsons would complete 20 centers by April 3, 2006, and the other 121 centers would be descoped. According to GRD, it is exploring options to complete the remaining 121 PHCs.

Lessons Learned

The U.S. reconstruction program in Iraq has been exceedingly difficult. From the beginning, there have been planning and deployment issues, resulting in delays in the start-up of projects and increased contractor overhead costs. Rising security problems also made pre-award site assessments difficult to perform, created prob-

lems in defining project requirements, and, in some cases, prevented project site selection. The security environment also affected the delivery of supplies and affected both the government's ability to successfully oversee its contractor's work and the contractor's capacity to properly supervise its subcontractors.

In this environment, it is not unexpected that individual project costs would increase and projects would be delayed. What is not expected, however, is the inability of management to remedy problems in a timely manner. This contract demonstrates multiple problems:

- The statements of work for task orders were poorly defined.
- The contractor accepted an unrealistic schedule, falling steadily behind that schedule and failing to accurately report project status.
- The government failed to take effective action to remedy the problems.

Although government visits to project sites were clearly difficult, oversight and surveillance of service and construction contracts is a fundamental element of acquisition and is the collective responsibility of the requiring and contracting activities. For this contract, there were clearly problems on both sides. However, SIGIR believes that the preeminent lesson learned is that the government is responsible for ensuring that the contractor satisfies the contract requirements for cost, schedules, and performance. For this contract, there appears to be a lack of effective action to resolve the myriad problems encountered.

Ongoing and Planned Audits

SIGIR conducts primarily performance audits that assess the economy, efficiency, effectiveness, and results of Iraq reconstruction programs, often with a focus on the adequacy of internal controls and the potential for fraud, waste, and abuse. This includes a series of focused contract audits⁶⁰⁸ of major Iraq reconstruction contracts that will enable SIGIR to respond to congressional direction for a “forensic audit” of U.S. spending associated with Iraq reconstruction.

Ongoing Audits

SIGIR is currently working on these ongoing audits:

- SIGIR-7018: Review of Spending and Performance under Blackwater Contracts (focused contract review)
- SIGIR-7022: Review of Spending and Performance under FluorAMEC Joint Venture Contracts—Electric & Public Works/Water Sectors (focused contract review)
- SIGIR-7023: Review of Spending and Performance under Research Triangle Institute (RTI) Contracts
- SIGIR-7027: Review of Spending and Performance under Perini Corp Contracts—Electric Sector (focused contract review)
- SIGIR-7029: Survey of Iraq Reconstruction Projects Terminated for Convenience or Terminated for Default
- SIGIR-8001: Survey of Iraq Security Forces Fund (ISFF)
- SIGIR-8002: Survey of Economic Support Fund (ESF)
- SIGIR-8003: Review of Spending and Performance under Kellogg Brown & Root Services, Inc. (KBR) Reconstruction Projects—Oil Sector (focused contract audit)
- SIGIR-8004: Review of 100 SIGIR Audits (capping report)
- SIGIR-8006: Review of Spending and Performance under Parsons Reconstruction Projects—Security and Justice
- SIGIR-8010: Development Fund Iraq Cash Accountability
- SIGIR-8011: Review of ISF Force Strength Accounting

Planned Audits

During FY 2008, SIGIR will continue its series of focused contract audits to respond to congressional direction for a “forensic audit” of U.S. spending associated with Iraq reconstruction. When the series is complete, SIGIR plans to prepare a capping report summarizing the results of that work. Next quarter, SIGIR will reassess the timing for completing this work based on changes in expected legislation affecting its tenure and the scope of its work.

During the remainder of this fiscal year and beyond, as appropriate, SIGIR expects to complete periodic update assessments of U.S. strategy, progress, and status related to fostering Iraq’s anticorruption efforts. Also, SIGIR expects to continue providing periodic update assessments of U.S. efforts to foster effective planning, programming, and budgeting for the transfer of reconstruction projects to the Iraq government. This will ensure adequate maintenance and long-

term sustainment of the completed projects.

Recently, the Congress passed the National Defense Authorization Act for FY 2008, which would expand the scope of SIGIR's work and extend the tenure of the organization beyond the previously anticipated 2008 end-date. However, the President vetoed the legislation because of concern over an unrelated provision. As this Quarterly Report was being prepared, the Congress and the Administration were engaged in discussions over potential changes to the legislation. At this point, SIGIR can only presume that any revised legislation would likely retain the previously approved expanded authority and tenure for SIGIR. The focus of SIGIR's previous work has been on construction projects funded through two congressional appropriations referred to as the Iraq Relief and Reconstruction Fund (IRRF 1) and (IRRF 2), and specifically, on appropriations made through FY 2006.

As provided for in the recently vetoed legislation, SIGIR would have been given oversight over all funds appropriated for the reconstruction of Iraq without regard to fiscal year and without being limited to specific appropriation accounts. SIGIR will be making more complete assessments of how the requirements of any revised legislation subsequently enacted will affect its work. Absent changes in the legislative provisions affecting it, SIGIR would expect the legislation, at a minimum, to expand its workload in these directions:

Non-construction Projects. The focus of much of SIGIR's work to date has been on con-

struction projects. SIGIR would shift its focus to activities and programs that are funded with reconstruction funds but which are supporting other than "traditional" construction efforts. The United States has expended hundreds of millions of reconstruction dollars on critical programs, including democracy-building activities, USAID's Community Action, economic governance activities, private-sector development, refugee support, and human rights. SIGIR's planned work would include assessments of those programs, their costs, and outcomes.

Capping Reports. SIGIR plans to present a series of performance audit capping reports, summarizing the accomplishments within each of these reconstruction sectors:

- security and law enforcement
- justice, public safety infrastructure, and civil society
- electric
- oil
- water resources and sanitation
- transportation and telecommunications
- roads, bridges, and construction
- private sector development
- education, refugees, human rights, democracy, and governance

These reports will build on the information obtained in the focused contracting reviews conducted in FY 2008 and provide detailed descriptions of the projects completed within each sector and the associated costs. SIGIR would also assess how well the projects are being

maintained by the Iraqis and the impact of each project on the local communities.

Economic Support Fund (ESF). SIGIR currently has authority to review FY 2006 funds, which total approximately \$1,485 billion. It is anticipated that SIGIR will be given authority over FY 2007 and FY 2008 ESF funding, and SIGIR will perform audits focused on financial controls and how outcomes are tracked and reported.

Iraq Security Forces Fund (ISFF). SIGIR recently gained authority to review expenditures of FY 2006 funds, and it expects its authority will be extended to cover the remaining funds. SIGIR's projected audit workload for activities funded by the ISFF will include reviews of infrastructure built with ISFF funding, training, operations conducted, and equipment and transportation purchases.

Recovery of Contract Overpayments. Under OMB Memorandum M-03-07, this audit will determine whether agencies involved in Iraq reconstruction have taken action to establish a cost-effective program for identifying errors made in paying contractors and for recovering

amounts erroneously paid to the contractors. This requirement was mandated in Section 831 of the Defense Authorization Act for FY 2002 by adding a new subchapter to the U.S. Code (31 USC 3561-3567). The new subchapter requires agencies that enter into contracts with a total value of more than \$500,000,000 in a fiscal year to carry out this error identification and recovery program.

Other. SIGIR will also continue completing reviews of the Commander's Emergency Response Program for fiscal years in which it has oversight authority.

Additionally, the vetoed legislation would have given SIGIR a lead role in developing a comprehensive audit plan for a series of audits of federal agency contracts, subcontracts, and task and delivery orders for the performance of security and reconstruction functions in Iraq, in consultation with other affected inspectors general. If its inclusion in legislation is ultimately enacted, SIGIR will consult with the Congress to ensure a thorough understanding of congressional expectations in completing this work.

SIGIR INSPECTIONS

This quarter, SIGIR assessed and reported on six projects. Four of the six were assessments of relief and reconstruction work funded under the Commander's Emergency Response Program (CERP)—two construction and two sustainment projects. SIGIR also assessed two projects under construction that are funded by the Iraq Security Forces Fund (ISFF).

SIGIR's sustainment assessments focus on whether the projects delivered to the Iraqis were operating at the capacity planned in the original contract or task order objective. To accomplish this, SIGIR determined whether the projects were at planned capacity when accepted by the U.S. government, when transferred to Iraqi operators, and during the assessment. In addition, SIGIR determined whether sustainability was adequately planned for and whether it is likely to continue.

These were the general objectives of SIGIR's construction assessments:

- Were the project components adequately designed before construction or installation?
- Did the construction or rehabilitation meet the standards of the design?
- Were the contractor's quality control (QC) and the U.S. government's quality assurance (QA) programs adequate?
- Were project sustainability and operational effectiveness adequately addressed?
- Were the project results consistent with the original objectives?

The key objectives of the ISFF assessments were to answer these questions:

- Was the planning for construction and sustainability adequate?
- Were the contract execution and construction management practices adequate?
- Will asset transfer to the GOI likely be completed in a timely manner?

Since the Inspections program began in the summer of 2005, SIGIR has completed 108 project assessment reports, 96 limited on-site inspections, and 425 aerial assessments.

As in previous quarters, insecurity in parts of the country impedes Iraq reconstruction projects and SIGIR assessments, significantly limiting access to the project sites. Because of insurgent activity in the Mahalla and Karadah neighborhoods of Baghdad, both the private security contractor and the U.S. Army denied the Inspection team's requests for escorts to the Mahalla 824 Sewer Collapse Project and the Al Escanddrone School Project. Consequently, SIGIR was unable to perform on-site assessments of two of the four CERP projects this quarter. The two ISFF projects were still in progress at the time of SIGIR's assessment. The Erbil Police Academy was approximately 24% complete. The Iraqi Army Facility at Diyanah was 14% complete; Debecha, 17% complete. However, based on the assessment results, both projects should result in complete and adequate facilities.

Table 3.54 lists the project assessments that SIGIR completed this quarter. For a complete list of project assessments from previous quarters, see Appendix K.

Figure 3.49 shows the approximate location of each project assessed this quarter, as well as in previous quarters.

SIGIR Project Assessments

This section provides summaries of SIGIR project assessment reports completed this quarter. For the full reports, see the SIGIR website, www.sigir.mil.

Al Escanddrona School, Baghdad, Iraq SIGIR PA-07-110

The overall objective of the project was to rehabilitate the Al Escanddrona School in the Karadah district of the city of Baghdad to benefit approximately 450 children. On March 12, 2006, a firm-fixed-price contract for \$86,615 was awarded to a local contractor. The Al

Escanddrona School rehabilitation project was completed in May 2006, and the final payment to the contractor was paid in June 2006.

Project Assessment Objectives

The objective of this project assessment was to determine whether the project was operating at the capacity stated in the original contract. To accomplish the objective, SIGIR determined whether the project was at full capability or capacity when accepted by the government, when transferred to Iraqi operators, and during the U.S. Army Corps of Engineers (USACE) inspection on November 5, 2007.

Conclusions

The SIGIR inspection of the Al Escanddrona School included a review and analysis of contract documentation, including the contract itself, related contract documentation, the Statement of Work, the design package (drawings and specifications), QC reports, QA

SIX PROJECTS ASSESSED THIS QUARTER (\$ MILLIONS)

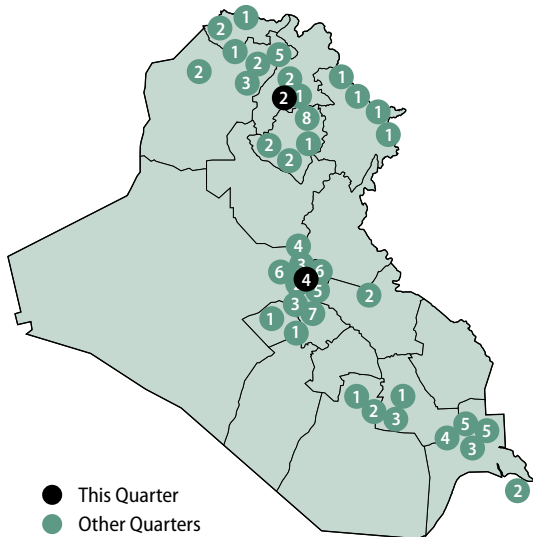
| PROJECT NAME | ASSESSMENT TYPE | PROVINCE | BUDGETED COST | EXECUTING AGENCY | FUNDING SOURCE | CONTRACTOR | GRD REGION |
|--|-----------------|----------|---------------|------------------|----------------|----------------|------------|
| Al Escanddrona School | Sustainment | Baghdad | \$0.866 | GRD | CERP | Local | Central |
| Rehabilitation of the Mansour Pump Station | Sustainment | Baghdad | \$0.123 | GRD | CERP | Local | Central |
| Mahalla 824 Sewer Collapse Project | Construction | Baghdad | \$0.629 | GRD | CERP | Local | Central |
| Iraqi Army Facilities located in Diyanah and Debecha | Construction | Erbil | \$9.3 | AFCEE | ISFF | Toltest, Inc. | North |
| Erbil Police Academy | Construction | Erbil | \$10.0 | GRD | ISFF | Tigris Company | North |
| Repair of the Al Ghazaliyah G-7 Sewage Lift Station | Construction | Baghdad | \$0.329 | GRD | CERP | Local | Central |

TABLE 3.54

FIGURE 3.49

PROJECT ASSESSMENTS

Approximate locations of the 108 projects where inspections were conducted, analyzed, and reported to date.



Exterior and interior views of the Al Escanddrone School building after repairs and new paint. (Photos courtesy of USACE)

reports, construction progress photos, final situation reports, invoices, submittals, closeout documents, photographs provided by USACE from a visit on November 5, 2007, and aerial imagery.

Because of increased insurgent activity in the Karadah district of Baghdad, both the U.S. Army and the private security contractor denied the assessment team’s requests for escorts to the school. Consequently, the assessment team was unable to perform a site assessment. However, the USACE documentation confirmed that contract provisions were met and that the school was operational. In addition, USACE provided photos from a visit on November 5, 2007, which reconfirmed the documentation and also provided photographs of the school’s current condition.

Recommendations and Management Comments

SIGIR’s report did not contain any negative findings or recommendations for corrective action; therefore, management comments were not required. However, USACE provided clarifying information for the photos it included for the report and corrected the type of contract cited.

Rehabilitation of the Mansour Pump Station, Baghdad, Iraq

SIGIR PA-07-111

The objective of the project was to rehabilitate the Mansour Pump Station in Baghdad, Iraq, to improve the sewer system in the Al Amerea area. In Iraq, the wastewater systems use gravity to transport wastewater from homes

and businesses to central treatment facilities. The city of Baghdad has many changes in elevation, which require lift stations to pump wastewater to higher elevations. A sewer lift station pumps the effluent to a collection area, ensuring that the wastewater from lower elevation areas is processed. According to contract file documentation, before this contract was issued, the Mansour Pump Station was overflowing with raw sewage, which ran through the streets of the neighborhood. On August 23, 2006, a firm-fixed-price contract of \$122,950 for the Mansour Pump Station rehabilitation was awarded to a local contractor.

Project Assessment Objective

The objective of this project assessment was to provide real-time project information on a relief and reconstruction project to interested parties to enable appropriate action, when warranted. Specifically, SIGIR determined whether the project was operating at the capacity stated in the original contract. To accomplish the objective, SIGIR determined whether the project was at full capability or capacity when accepted by the government, when transferred to Iraqi operators, and during the site inspections on November 9 and November 29, 2007.

Conclusions

The project intent was to rehabilitate the Mansour Pump Station to make it fully serviceable and functioning. The rehabilitation of the Mansour Pump Station lacked a comprehensive vision and a thorough facility inspection to

identify specific problems before the contract was issued. As a result, four separate contracts, with a total value of \$683,400, were awarded to different contractors to rehabilitate the facility. However, after reviewing the available contracts, SIGIR found that there was duplicative work. For example, the Phase 2 contract required the installation of a 350-millimeter (mm) vertical pump, but the Phase 3 contract required the contractor to “disconnect the existing burned 350 [mm] vertical pump and install a new pump supplied by the Government...” The contract file lacked any documentation to indicate why the 350-mm vertical pump, which was installed in January 2006, needed to be replaced with a new pump less than one year later.

Further, the Phase 4 contract required the contractor to “completely service” the same 350-mm vertical pump. Consequently, in less than two years, the 350-mm vertical pump has been replaced twice and serviced once.

The apparent duplication of effort and materials in the four awarded contracts appears to be the result of a lack of a comprehensive vision to rehabilitate the pump station. For example, an engineer with the U.S. Army Corps of Engineers (USACE) for the Phase 3 contract stated that his Statement of Work was “deficient to achieve robust function of this facility.” Additionally, at the conclusion of the Phase 3 work, USACE determined that the 600-mm and 800-mm pumps could not be operated because the “750-kilovolt (kV) ampere generator is not working [and] not



Photo taken November 9, 2007, of the flooded streets in the Al Amerea area of Baghdad outside the Mansour Pump Station.



Previously flooded streets in the Al Amerea area were dry when SIGIR revisited the site on November 29, 2007.

covered by this [Statement of Work]” and the “350 [mm and] the 500 [mm pumps] have mechanical problems which are not covered by this [Statement of Work].” Consequently, at the conclusion of the first three contracts, valued at \$432,900, the Mansour Pump Station was still not operational—the objective of all three contracts. As a result, a fourth contract for \$250,500 was awarded one month after the turnover of Phase 3 to correct problems identified in the first three contracts.

The lack of an extensive assessment of the pump station by USACE resulted in the failure of each of the contracts’ Statements of Work to identify and correct the problems necessary to make it fully serviceable and functioning. Without the fourth contract awarded to address the pump station’s mechanical problems, the pump station would remain non-operational.

SIGIR made two visits to the project site. During the first visit, the team observed that sewer water was backed up in the Al Amerea area; however, the backup did not appear to be as rampant as described before the four contracts were issued. During the first visit, only the 500-mm vertical pump was operational.

According to the pump station operator, there was not sufficient power to run the other three vertical pumps because of a fuel shortage and a broken transformer.

During SIGIR’s second site visit, sewer water was not backed up on the streets as identified on the previous visit. During the second visit, the 350-mm and 500-mm vertical pumps were operational.

SIGIR determined that the contractor did not install the 600-mm and 800-mm vertical pump control panels required by the contract; instead, the two vertical pumps and motors are directly tied to the 750-kV generator for power, creating a potentially dangerous situation. The 750-kV generator requires a step-down transformer to properly power the vertical pumps and motors; however, the current transformer on site does not work. Therefore, the 600-mm and 800-mm vertical pumps remain non-operational.

SIGIR determined that the contractor did not install the 100-mm submersible pump required by the contract. Instead, SIGIR found a severely rusted and corroded submersible pump that is approximately 20 to 30 years old.

SIGIR confirmed the operability of the 350-

mm and 500-mm vertical pumps and motors; however, the operability of the 600-mm and 800-mm vertical pumps and motors could not be determined.

Further, two different contracts required the repair or replacement of check valves and gate valves. SIGIR determined that the contractors simply painted over the pre-existing check valves and gate valves.

The execution of the Phase 3 contract was not consistent with the project objective of rehabilitating the Mansour Pump Station to make it fully serviceable and functional. SIGIR determined that at least two vertical pumps need to be operated concurrently to eliminate backed-up sewer water in the neighborhood. However, the Phase 3 contract failed to provide the pump station with adequate power to operate more than one vertical pump at a time. The Phase 4 contract identified this problem and attempted to correct it by servicing the existing on-site generators. However, the pump station needs appropriately sized step-down transformers to take advantage of both the on-site 750-kV generator and the 5 to 7 hours of daily grid power available to operate the two large, vertical pumps (600-mm and 800-mm).

During preparation for visits to the Mansour Pump Station, SIGIR observed approximately 20 vertical pumps, motors, and accessories at the Gulf Region Central facility. Gulf Region Central representatives told SIGIR that the equipment had been procured in 2005 for use at other pump stations. Although this critical equipment is not intended for the Mansour Pump Station, SIGIR is concerned that it has been sitting idle at Gulf Region Central since 2005. Pump stations throughout Iraq are

in need of verticle pumps and motors. In addition, SIGIR observed that the vertical pump motors were lying on their sides, which over time will result in degrading of the equipment. Several million dollars in equipment is not being used for its intended purposes, and it is not protected from the elements.

Recommendations

SIGIR recommended that the Commander, Gulf Region Central:

1. Provide and install a step-down 11-kV/3.3-kV (850-kV Ampere) transformer with all required cables, main power panel, breakers, sub-panels, distribution panels, and control panels for the Mansour Pump Station to capture and use available power from the national grid to operate the 600-mm and 800-mm vertical pumps.
2. Determine whether the various existing vertical pumps, motors, and associated components outside the Gulf Region Central living quarters are still functional. If they are functional, house them in an area safe from environmental conditions and determine an appropriate project for them.

Management Comments

SIGIR received comments on the draft report from the Gulf Region Division of the United States Army Corps of Engineers concurring with the recommendations and provided clarifying information for the final report.

Evaluation of Management Comments

Management comments addressed the issues raised in the report. The Gulf Region Division's planned actions are responsive and should



Collapsed existing manhole before construction completed by the contractor. (Photo courtesy of USACE)



Newly constructed manhole. (Photo courtesy of USACE)

identify and correct any potential problems.

SIGIR reviewed the information, documentation and clarifying comments provided by the Gulf Region Division and revised the final report as appropriate.

Indications of Potential Fraud

During this inspection, SIGIR found indications of potential fraud and referred these matters to SIGIR Investigations for appropriate action.

Mahalla 824 Sewer Collapse Project, Baghdad, Iraq

SIGIR PA-07-112

The objective of the Mahalla 824 Sewer Collapse Project was to tear down the existing sanitary sewer and replace it with a new sanitary sewer. In addition, the standing sewage was to be removed from the road, and a new storm drain was to be constructed.

Project Assessment Objectives

The objective of this project assessment was to provide real-time information about relief and reconstruction projects to interested parties to enable appropriate action, when warranted. Specifically, SIGIR determined whether:

- the project components were adequately designed before construction or installation
- the construction or rehabilitation met the

standards of the design

- the contractor QC and the U.S. government QA programs were adequate
- project sustainability was addressed
- the project results were consistent with the original objectives

Conclusions

The assessment determined that:

- The contract did not require the contractor to provide a design. The existing design drawing provided typical details for the main and subsidiary sewer pipes. The contract required the contractor to replace the failed/collapsed and old, existing pipes. The new pipes were to match the existing diameter and slope of the current pipes and manholes. Therefore, the design drawing was adequate.
- The construction appeared to be consistent with the intent of the project. Security conditions prevented the assessment team from visiting the project site and observing any on-site construction. Thus, SIGIR's conclusions are based on a review of the contract files, including QA reports and progress photos, interviews with USACE staff, and aerial imagery. The USACE Iraqi QA representative identified and documented construction deficiencies as they occurred.
- The contractor did not provide a QC plan



Subcontractor reworked lintels at the Debecha Iraqi Army facility.

to effectively guide the contractor's quality management (QM) program. The contractor did not submit QC reports, and USACE did not enforce requirements that mandated the contractor to provide QC reports. The QC reports were to contain information, such as the work accomplished each day with the location, activity, by whom, test results, deficiencies and corrective actions, labor distribution, equipment used, and material received on site. In addition, the contractor did not maintain deficiency logs to document problems noted with construction activities.

- The government QA program was not effective in monitoring the contractor's QC program for the Mahalla 824 Sewer Collapse Project. However, the QA activities were sufficiently documented because of the efforts of the Iraqi QA representative during the course of the project.

- A review of the contract file disclosed no sustainability issues associated with the project. The contract did not require specialized equipment or maintenance manuals.

If USACE continues its current level of oversight, the Mahalla 824 Sewer Collapse Project, when completed, should meet and be consistent with the original contract objectives. The completed project should result in a functioning sewer line in the Doura governorate.

Recommendations and Management Comments

SIGIR's report did not contain any negative findings or recommendations for corrective action. Therefore, management comments were not required. The USACE notified SIGIR that it had reviewed the report and had no comments.



Construction work at the Debecha Iraqi Army facility.



Renovation work at the Diyanah Iraqi Army facility.

Iraqi Army Facilities, Diyanah and Debecha, Iraq

SIGIR PA-07-114

The objective of the project was to have the contractor provide services to plan, restore, construct, and improve military unit facilities in Iraq. The sites included a mix of new construction and renovation of existing structures and facilities. The Statement of Requirements and Specifications provided that renovation of existing structures, when possible, was preferred. In addition, the U.S. government encouraged the contractor to use local Iraqi subcontractors as much as possible. Based on a review of quality assurance (QA) reports detailing the manpower mix on site, more than 90 subcontractors were Iraqi.

Project Assessment Objectives

The objective of this assessment was to provide real-time relief and reconstruction information about the Iraqi Army facilities in Diyanah and

Debecha to interested parties to enable appropriate action, if warranted. Specifically, SIGIR determined whether:

- the construction and sustainability planning were adequate
- the contract execution and construction management practices have been adequate
- asset transfer to the GOI will likely be completed in a timely manner.

Conclusions

The assessment determined that:

- Planning for construction and sustainment was adequate.
- The mix between renovation and new construction appeared to be reasonable in terms of using structurally sound buildings when practical, while providing for new construction when applicable to meet capacity or operational requirements. Numerous details pertaining to materials and design guidelines included in the Statement of Requirements and Specifica-

tions will positively affect functionality and durability over the long term. For example, sustainability over the long term should be enhanced by using single-story troop dormitories and stand-alone latrines. As a result, the facilities, when completed, should fully meet the overall operational and capacity requirements for battalion-sized units of the Iraqi Army.

- Contract execution and construction management practices were adequate because a QM process was effectively implemented from the beginning of construction. For example, the contractor QC and government QA personnel documented a critical deficiency and worked together to have the subcontractor remove and replace a substantial number of defective lintels (concrete door headers) throughout the Debecha facility. In another case, effective QC and QA oversight of processes to place backfill and test soil compaction prevented a premature pouring of a concrete floor.
- In addition, both the Diyanah and Debecha sites were adequately staffed by contractor managers. Each facility had one full-time engineer responsible for construction management and one full-time engineer responsible for QC. As a result, at the time of the site visit construction appeared to comply with requirements. If the current QM practices continue, construction should be satisfactory upon project completion.

- Review of file documentation and discussions with contractor and U.S. government officials disclosed no reasons to prevent asset transfer to the GOI in a timely manner.

Recommendations and Management Comments

SIGIR's report did not contain any negative findings or recommendations for corrective action; therefore, management comments were not required. The results of this assessment were discussed with a Multi-National Security Transition Command-Iraq (MNSTC-I) J-7 (Engineering) representative and the Officer in Charge, Air Force Center for Engineering and the Environment (AFCEE). MNSTC-I and AFCEE officials reviewed a draft of this report, provided no comments, and offered no additional information.

Erbil Police Academy, Erbil, Iraq

SIGIR PA-07-115

The project objective was to design and construct a police training academy to accommodate 650 students. When the Erbil Police Academy project was planned, none of the 4,300 Erbil province police officers had attended a training course approved by the Civilian Police Assistance Training Team (CPATT). When completed, the Erbil Police Academy should substantially contribute to achieving the Iraqi national goal of 135,000 properly trained police officers.



Rebar was pre-measured and marked to facilitate correct placement of rebar assembly components.



Throughout the facility, exposed concrete finish was smooth, with no sign of excessive material separation during casting. Also, per the Scope of Work, below-grade concrete was waterproofed.

Project Assessment Objectives

The objective of this assessment was to provide real-time information about relief and reconstruction projects to interested parties to enable appropriate action, when warranted. Specifically, SIGIR determined whether:

- the construction and sustainability planning were adequate
- the contract execution and construction management practices have been adequate
- asset transfer to the GOI will likely be completed in a timely manner

Conclusions

The assessment determined that:

- Planning for construction and sustainment was adequate because applicable policy and procedures were implemented. The Scope of Work was detailed, understandable, and could be used as a management tool, ensuring that the contractor and USACE personnel had the same point of reference. This lessened the risk of confusion about

requirements.

- The Scope of Work included clear descriptions of material requirements and construction specifications. Planning also included an effective partnership with the Kurdistan Regional Government (KRG), starting in the preliminary planning stage of the project. Also, KRG officials were included in determining project needs. As a result, the design-build process was effectively managed with timely contractor submittals and USACE approval.
- Contract execution and construction management practices have been adequate because an effective quality management (QM) process was implemented. In addition, the USACE Resident Engineer initiated a formal in-house QM training program to ensure that all parties are briefed and trained in the expectations and processes required by the contract to effectively monitor and control construction activity in real time.
- SIGIR observed that contractor QC and

government QA personnel had satisfactory administrative office space, which aided in contract execution and construction. Concrete-forming techniques ensured even horizontal and vertical edges. Lean concrete pours were proper. Steel reinforcement bars were properly sized and placed. Poured concrete columns, beams, and walls showed no separation of materials, which attests to the fact that the concrete was poured properly. Also, required testing (materials, soil, poured concrete, etc.) has been completed without any rejections to date.

- Acceptance of the project by KRG officials should be accomplished in a timely manner, primarily because of the innovative approach of including KRG ministry level officials in the initial planning of the project. Based on discussions conducted with ministry officials, ownership of the project was “assumed” from project beginning. The KRG has partnered with the U.S. government. Specifically, the U.S. government has contracted to build selected elements of the overall project valued at approximately \$10 million, and KRG has selected other parts of the overall project valued at approximately \$5.4 million.

Recommendations and Management Comments

SIGIR’s report did not contain any negative findings or recommendations for corrective action; therefore, management comments were not required. When the fieldwork was

completed, the results of this assessment were discussed in detail with the USACE Resident Engineer, Erbil Resident Office, and briefed to the USACE Area Engineer, Mosul Area Office. MNSTC-I and Gulf Region Division officials reviewed this report, had no comments, and offered no additional information.

Repair of the Al Ghazaliyah G-7 Sewage Lift Station, Baghdad, Iraq

SIGIR PA-07-118

The objective of the contract was to restore two lift stations in the Al Ghazaliyah area to designed operational capacity. Specifically, the repair and rehabilitation work was to include replacement and maintenance of generators and pumps at each site, as well as necessary electrical and control work and limited architectural renovations. The two lift stations covered by this contract were the Al Ghazaliyah G-6 and G-7 Sewage Lift Stations.

Project Assessment Objective

The objective of this project assessment was to provide real-time relief and reconstruction project information on repair of the Al Ghazaliyah G-6 and G-7 Sewage Lift Stations in Baghdad to interested parties to enable appropriate action, when warranted. Specifically, SIGIR determined whether:

- the project components were adequately designed before construction or installation
- the construction or rehabilitation met the standards of the design
- the contractor QC and the U.S. government



External view of the Al Ghazaliyah G-7 Sewage Lift Station.



Interior view of the Al Ghazaliyah G-7 building.



Backed-up sewer water in the Al Ghazaliyah area of Baghdad.

- QA programs were adequate
- project sustainability was addressed
- the project results were consistent with the original objectives

Because of insurgent activity in the area of the Al Ghazaliyah G-6 Sewage Lift Station, both the U.S. Army and private security contractor denied the assessment team's repeated requests for escorts to inspect the site. Consequently, only the Al Ghazaliyah G-7 Sewage Lift Station is included in this assessment report. SIGIR will address the Al Ghazaliyah G-6 Sewage Lift Station in a future report.

Conclusions

The assessment determined that:

All project components were not adequately designed before renovation and construction at the Al Ghazaliyah G-7 Sewage Lift Station.

The contract file lacked necessary design submittals from the contractor and USACE, such as schematic diagrams identifying the flow of sewer water entering and exiting the Al Ghazaliyah G-7 and throughout the Al Ghazaliyah area.

In addition, no diagrams provided clarity on the location and function of specific pieces of equipment. Further, the contract file lacked design calculations determining the volume of sewer water entering the facility and the capacity of each submersible pump, which would identify the correct number and size of submersible pumps needed for installation.

Finally, no electrical plans or electrical

single-line diagrams were available for the installation of the Main Distribution Panel connecting the facility to the on-site generator and main distribution grid.

Because of the limited amount of time available on-site and the lack of available power at the site, SIGIR could not definitively determine the quality of the contractor's work. For example:

- The contract required a 100-kV Amp generator and a 1,000-liter fuel tank; however, the generator was not operating on either of the site visits.
- A single 150-mm submersible pump was delivered and installed, but it was not operational during the site visits. Because USACE had already terminated the contract, no one was onsite to operate the equipment. Consequently, SIGIR inspectors could not determine if either piece of equipment was non-operational because of inferior quality contract work or because of the lack of available power.

SIGIR did identify construction deficiencies, including the inadequate installation of the Main Distribution Panel. Also, the panel was located outside, exposed to wind, rain, and excessive heat.

The contractor's QC plan was sufficiently detailed, including the use of daily QC reports to document construction deficiencies, but the contractor's QC program implementation did not identify any significant construction deficiencies, such as potentially dangerous

electrical installation practices:

- The daily QC reports did not identify any construction deficiencies or international standard violations.
- The daily QC reports did not have a section to document construction deficiencies, international code violations, or test and/or inspection results.
- This project had no QC deficiency log.
- The government QA program was not adequate.
- According to U.S. Army Corps of Engineers documentation, only ten daily QA reports exist for this project; the last daily QA report was issued in December 2006.
- The daily QA reports were vague and did not document critical information, such as insight into any problems encountered at the site.
- In March 2007, the contractor submitted a final invoice; however, when a USACE representative visited the site, it was determined the contractor had only "completed approximately 20%" of the project. The lack of on-site government QA presence contributed to this situation.

Sustainability was addressed in the contract and delivery order requirements. The contract's "Warranty Management" clause required the contractor to provide a one-year overall warranty of construction; the delivery order required the contractor to provide all operations and maintenance manuals and all certified warranties. To maintain continuous

use of the on-site generators, the delivery order provided that the sewage lift station would be furnished with a six-month fuel supply. However, according to Gulf Region Central documentation, when the delivery was terminated because the deteriorated security situation in the area prohibited the contractor from completing the projects, the contractor had furnished only a three-month fuel supply to the project site.

The Al Ghazaliyah G-7 Sewage Lift Station renovation and construction project results were not consistent with the original objectives of the delivery order. The delivery order Statement of Work required the contractor to “provide a complete and useable facility upon the conclusion of construction...” Specifically, this project was needed to eliminate the excessive amount of backed-up sewer water in the Al Ghazaliyah neighborhood.

- At the time of the site visits, the Al Ghazaliyah G-7 facility was not operational. Consequently, SIGIR witnessed sewer water backing up in the neighborhood streets.
- In addition, broken sewer pipes leading into the facility resulted in a large pool of sewer water that settled directly outside of the building. As a result, the neighborhood residents continue to wade through large pools of sewer water and live in constant threat of disease and illness.

Additional Contract To Complete Facility

During the course of this assessment, the 2nd Brigade of the 101st Airborne Division representatives informed the SIGIR team members that they had identified and developed contract terms to resolve the outstanding issues and problems of the Al Ghazaliyah G-7 Sewage Lift Station and make it functional and useable. As the SIGIR team completed its assessment, the 2nd Brigade of the 101st Airborne Division was in the process of awarding the contract.

Recommendations and Management Comments

SIGIR determined that the action being implemented by the 2nd Brigade of the 101st Airborne Division should be sufficient to resolve the problems noted in this assessment and consequently makes no further recommendations. Therefore, management comments to this report were not required. However, SIGIR received comments on the draft report from the Gulf Region Division of the U.S. Army Corps of Engineers, which provided clarifying information for the final report. SIGIR reviewed the clarifying comments and revised the final report as appropriate.

Aerial Project Survey Program

The SIGIR Satellite Imagery Group, based in Arlington, Virginia, conducts aerial assessments of U.S.-funded reconstruction project sites throughout Iraq. The SIGIR satellite imagery analyst provides up-to-date imagery, imagery-based intelligence, and map products to the SIGIR directorates—Inspections, Audits, and Investigations. This has enabled SIGIR to provide current information on remote site locations and to track construction progress at project sites throughout Iraq.

This quarter, SIGIR conducted imagery analysis of 37 images and created 25 imagery products, using satellite imagery and limited available contract information. The imagery provides visual assessment of progress at reconstruction site locations throughout Iraq. SIGIR shares its imagery products with government contracting agencies to update their project information and to identify any obvious deficiencies. The SIGIR imagery analyst assessed and reviewed CERP and ISFF projects evaluated this quarter. For an overview of the images produced, see Table 3.55.

IMAGERY PRODUCTS PRODUCED THIS QUARTER

| PROJECT TYPE | NUMBER OF IMAGES |
|------------------------------------|------------------|
| Sewer pump stations and facilities | 9 |
| Military base | 2 |
| Water treatment plant | 2 |
| School | 1 |
| ADDITIONAL IMAGERY PRODUCTS | |
| Indistinct imagery analyzed | 8 |
| Power station | 2 |
| Port | 1 |

TABLE 3.55



Aerial Image 1. Imagery overview of the Al Ghazaliyah G-6 and G-7 Sewage Lift Stations taken August 29, 2007, which inspectors assessed this quarter in PA-07-118.



Aerial Image 2. Imagery taken on September 19, 2007, of the Mansour Pump Station, which was assessed in SIGIR PA-07-111.



Aerial Image 3. Imagery overview of the Kohr Az Zubayar Power Station taken on November 22, 2006.



Aerial Image 4. Overview of the Umm Qasr South Pier 2 taken November 5, 2005.

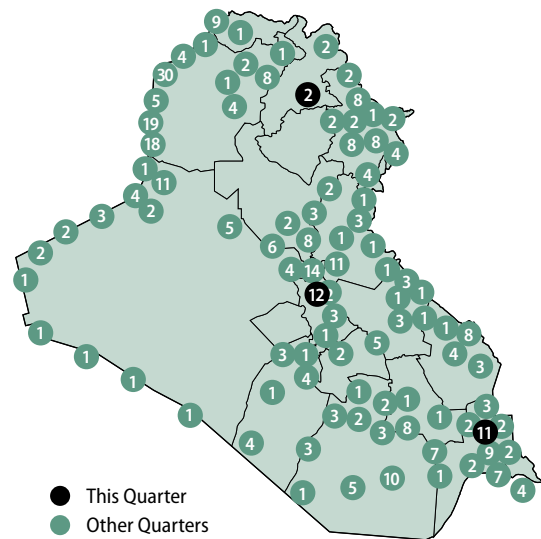
Imagery support products—including site overviews, project site break-outs, and site assessments—are used to prepare for inspection site visits and to identify possible problems (see aerial images 1, 2, 3, and 4).

For the fourth quarter, one map graphic was provided to the audit directorate for use in a report. The Satellite Imagery Group also conducted imagery analysis of 14 images for SIGIR Investigations for an ongoing investigation and have produced three viable products for use in the case.

In partnership with the National Geospatial-Intelligence Agency and the National Ground Intelligence Center, SIGIR imagery analysis has resulted in 425 cumulative satellite imagery assessments and products (Figure 3.50).

FIGURE 3.50

AERIAL IMAGERY ASSESSMENTS



SIGIR INVESTIGATIONS

SIGIR Investigations continues its work with a wide range of U.S. agency partners to pursue allegations of fraud, waste, and abuse in Iraq reconstruction. SIGIR currently has 56 open investigations, 36 of which have been assigned to prosecutors in the U.S. Department of Justice (DoJ) or are with DoJ for a prosecutorial decision. This quarter, SIGIR had 6 agents assigned to Baghdad and 13 agents at SIGIR headquarters in Arlington, Virginia.

To date, the work of SIGIR investigators has resulted in 14 arrests, 14 indictments, 5 convictions and imprisonments, and more than \$17 million in fines, forfeitures, recoveries, and restitution.

SIGIR and Its Investigative Partners

SIGIR's investigative partners include:

- U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit (CID-MPFU)
- Defense Criminal Investigative Service (DCIS)
- Federal Bureau of Investigation (FBI)
- U.S. Agency for International Development, Office of Inspector General (USAID OIG)
- U.S. Department of State, Office of Inspector General (DoS OIG)

The International Contract Corruption Task Force (ICCTF), which comprises SIGIR and the agencies listed above, coordinates all of the work on fraud in Iraq. Since October 2006,

the ICCTF's Joint Operations Center (JOC) has provided strategic and operational support to the participating partners, including case coordination and de-confliction, analytical support, and criminal intelligence. The JOC, based at the FBI in Washington, D.C., is managed by senior investigative officials from the ICCTF agencies. Its primary goal is to enhance interagency cooperation and maximize the investigative resources of the partner agencies.

SIGIR continues to support the ongoing Defense Finance and Accounting Service invoice review project in Rome, New York. DCIS initiated this project to detect fraud involved with payments made by the U.S. Army to support the war effort in Iraq. This project links with the JOC to provide investigative analysis of Iraq contract invoice payment data to support SIGIR's investigations.

SIGIR participates in the National Procurement Fraud Task Force (NPFTF) and the International Working Committee (IWC), a subcommittee of the NPFTF. In October 2006, the DoJ Criminal Division created NPFTF to promote the early detection, prevention, and prosecution of procurement fraud associated with increased contracting activity for national security and other government programs. The IWC links DoJ and federal law enforcement agencies and provides a venue to address prosecutorial issues resulting from fraud investigations conducted in an international war zone.

The Logistics Civil Augmentation Program (LOGCAP) Task Force in Rock Island, Illinois,

continues to prosecute a wide variety of cases of fraud and other criminal activity related to U.S. activities in Iraq. The work of the task force is conducted by investigators from CID-MPFU, DCIS, FBI, and the Internal Revenue Service, as well as prosecutors from the U.S. Attorney's Office, Central District of Illinois, and the Criminal Division of DoJ. LOGCAP is a U.S. Army initiative for the use of civilian contractors in wartime and other contingencies to support U.S. forces, allowing the release of military units for other missions or to fill support shortfalls. Although not a member of this group, SIGIR reports the task force's cases to show the overall picture of fraud in Iraq. For details on indictments and convictions, see Table 3.57.

In addition to the agencies listed above, SIGIR agents also work with these agencies in the United States:

- Immigration and Customs Enforcement (ICE)
- Internal Revenue Service (IRS), Criminal Investigation Division (IRS-CID)
- U.S. Army Suspension and Debarment Authority

Legal Actions this Quarter

SIGIR previously reported that the joint investigative efforts by CID-MPFU, SIGIR, DCIS, FBI, ICE, and IRS resulted in July 2007 indictments of Major John Cockerham, Melissa Cockerham, and Carolyn Blake. These indictments are pending trial, currently scheduled for April 21, 2008, in San Antonio, Texas.

On November 16, 2007, further investigative efforts on this case resulted in the arrest of Terry Hall on a criminal complaint charging bribery. Subsequently, on November 20, 2007, a federal grand jury indicted Hall for soliciting bribes. The indictment alleged that Hall paid money and other things of value to a U.S. military contracting officer to influence the actions of the officer, including the award of more than \$20 million in military contracts.

A trial arising from SIGIR investigations, involving five subjects, is scheduled to start in March 2008. Three of the subjects were active-duty military personnel: U.S. Army Colonel Curtis G. Whiteford and U.S. Army Lt. Colonels Debra M. Harrison and Michael Wheeler. Two civilians, Michael Morris and William Driver, also will stand trial for various crimes the five are alleged to have committed in Iraq. The charges include conspiracy, bribery, wire fraud, interstate transport of stolen property, bulk cash smuggling, money laundering, and preparing a false tax form.

Since December 2005, SIGIR and its partner agencies have worked closely with the Army Legal Service Agency's Procurement Fraud Branch to suspend and debar contractors for fraud or corruption within the Army, including those involving Iraq reconstruction or Army support contracts in Iraq. In June 2003, the Department of Defense designated the Department of the Army as the executive agent for contracting support to the Coalition Provisional Authority. As a result, the Army's Suspension and Debarment Authority leads

the effort to ensure the integrity of contractors performing these contracts. The goal of this program is to ensure that these contracts are awarded to, and performed by, contractors who are honest and ethical and who have the ability to successfully perform this important work. The Procurement Fraud Branch has also taken a leading role within the Army and at joint contracting organizations to train contracting officers to aid in the prevention and early detection of contractor fraud in Iraq reconstruction and support contracts.

Since SIGIR's last Quarterly Report, the

Procurement Fraud Branch has suspended 3 individuals or companies, based on allegations of fraud and misconduct connected to Iraq reconstruction and contractor fraud bringing the total suspensions to date to 32. In addition, since the last Quarterly Report, 2 individuals and companies have been proposed for debarment and 3 have been debarred, bringing the total proposed debarments to 30 and the total debarments to 20.

For a list of suspensions and disbarments this quarter, see Table 3.56. For details on suspensions and debarments, see Appendix L.

SUSPENSIONS AND DEBARMENTS THIS QUARTER

| DEBARRED | |
|-------------------------------|------------------------|
| Merkes, Steven | 9/27/2007 |
| Hopfengardner, Bruce | 9/20/2007 |
| Seamans, Stephen | 7/27/2007 ^a |
| Proposed for Debarment | |
| Rivard, John | 11/27/2007 |
| Insaat, Yuksel | 11/8/2007 |
| Suspended | |
| Ward, Wallace | 10/11/2007 |
| Sellman, James | 10/11/2007 |
| Crenshaw, Joseph | 12/3/2007 |

^a Not previously reported.

TABLE 3.56

INDICTMENTS AND CONVICTIONS

| NAME | POSITION | CONTRACTOR/COMPANY/ AGENCY | CHARGES | DATE OF CONVICTION | SENTENCE | DATE OF SENTENCE |
|------------------------------------|--|--|---|-------------------------------|--|---------------------|
| Investigations Led by SIGIR | | | | | | |
| Philip Bloom | Owner | Global Business Group, GBG Holdings & GBG-Logistics Division | Conspiracy, bribery, and money laundering | 3/10/2006 | 46 months in prison; 2 years of supervised release; \$3.6 million in restitution and \$3.6 million in forfeiture, and a \$300 special assessment | 2/16/2007 |
| LTC Bruce D. Hopfengardner | Special Advisor to the CPA-SC | U.S. Army Reserves | Conspiracy and conspiring to commit wire fraud and money laundering, and smuggling currency | 8/25/2006 | 21 months in prison, \$144,500 forfeiture, 3 years supervised release, and a \$200 fine | 6/25/2007 |
| Steven Merkes | DoD Civilian | U.S. Army Reserves | Accepting illegal gratuities | 2/16/2007 | 12 months and 1 day in prison; \$24,000 in restitution | 6/1/2007 |
| Faheem Mousa Salam | Interpreter | Titan Corporation | Violating the FCPA's Anti-Bribery Provisions | 8/4/2006 | 3 years in prison; 2 years of supervised release; 250 hours of community service; and a \$100 special assessment | 2/2/2007 |
| Robert Stein | CPA-SC Comptroller and Funding Office | CPA | Felon in possession of a firearm, possession of machine guns, bribery, money laundering, and conspiracy | 2/2/2006 | 9 years in prison; 3 years of supervised release; \$3.5 million in restitution, \$3.6 million in forfeiture, and a \$500 special assessment | 1/29/2007 |
| Curtis G. Whiteford | Colonel | U.S. Army Reserves | Conspiracy, bribery, and wire fraud | Trial scheduled for 3/11/2008 | | |
| Michael B. Wheeler | Lieutenant Colonel | U.S. Army Reserves | Conspiracy, bribery, wire fraud, interstate transportation of stolen property, bulk cash smuggling | Trial scheduled for 3/11/2008 | | |
| Debra M. Harrison | Lieutenant Colonel | U.S. Army Reserves | Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, preparing false tax return | Trial scheduled for 3/11/2008 | | |
| William Driver | (Husband of Debra Harrison) | | Money laundering | Trial scheduled for 3/11/2008 | | |
| Michael B. Morris | Businessman | | Conspiracy, wire fraud | Trial scheduled for 3/11/2008 | | |
| Led by Other Agencies | | | | | | |
| Jennifer Anjakos | Military Reservist | California Army National Guard/223rd Finance Detachment | Conspiracy to commit wire fraud | 11/13/2006 | 3 years probation; \$100 assessment; \$86,557 restitution | 9/17/2007 |
| Christopher Cahill | VP, Middle East & India | Eagle Global Logistics, Inc. (EGL) | Major fraud against the United States | 2/16/2006 | 30 months in prison; 2 years supervised release; \$10,000 fine; \$100 assessment (a civil settlement with EGL arising from the same facts resulted in a settlement of \$4 million) | 8/30/2006 |
| Lomeli Chavez | Enlisted, Grade 05, Military Reservist | California Army National Guard/223rd Finance Detachment | Conspiracy to commit wire fraud | 11/13/2006 | 3 years probation; \$100 assessment; \$28,107 restitution | 9/17/2007 |
| Derryll Hollier | Enlisted, Grade 05, Military Reservist | California Army National Guard/223rd Finance Detachment | Conspiracy to commit wire fraud | 11/13/2006 | 3 years probation; \$100 assessment; \$83,657.47 restitution | 9/19/2007 |
| Shabbir Khan | Director of Operations, Kuwait & Iraq | Tamimi Global Co., Ltd (subcontractor for KBR) | Bribery | 6/23/2006 | 51 months in prison; 2 years supervised release; \$10,000 fine; \$133,860 in restitution; \$1,400 assessment | 12/1/2006 |
| Jesse D. Lane | Military Reservist | California Army National Guard/223rd Finance Detachment | Conspiracy and honest services wire fraud | 6/5/2007 | 30 months in prison; \$323,228 in restitution; 3 years supervised release | 10/15/2007 |
| Luis Lopez | Enlisted, Grade 05, Military Reservist | California Army National Guard/223rd Finance Detachment | Conspiracy to commit wire fraud | 11/13/2006 | 3 years probation; \$100 assessment; \$66,865 restitution | 9/17/2007 |

INDICTMENTS AND CONVICTIONS

| NAME | POSITION | CONTRACTOR/COMPANY/ AGENCY | CHARGES | DATE OF CONVICTION | SENTENCE | DATE OF SENTENCE |
|-------------------------|--|--|--|-------------------------------|---|------------------------------|
| Anthony J. Martin | Subcontract Administrator | KBR | Violation of the Anti-Kickback Act | 7/13/2007 | No press release | 11/16/2007 |
| Bonnie Murphy | Contracting Officer's Representative (COR) | DoD Defense Reutilization and Marketing Service (DRMS) | Accepting unlawful gratuities | 11/7/2006 | 1 year supervised release; \$1,500 fine | March 2007 |
| Gheevarghese Pappen | Army Corps of Engineers (Civilian Employee, GS-12) | U.S. Army/Area Support Group, Host Nation Office, Camp Arifjan, Kuwait | Soliciting and accepting illegal gratuities | 10/12/2006 | 2 years in prison; \$28,900 in restitution; one year supervised release | 1/30/2007 |
| CWO Peleti Peleti, Jr. | Army's Food Service Advisor for Kuwait, Iraq & Afghanistan | U.S. Army | Bribery and smuggling cash | 2/9/2007 | | |
| Glenn Powell | Subcontracts Manager | KBR | Major fraud and violating the Anti-Kickback Act | 8/1/2005 | 15 months in prison; 3 years supervised release; \$90,973.99 in restitution; \$200 assessment | 11/18/2005 |
| Stephen Seamans | Subcontracts Manager | KBR | Wire fraud, money laundering, and conspiracy | 3/1/2006 | 12 months and 1 day in prison; 3 years supervised release; \$380,130 in restitution; \$200 assessment | 12/1/2006 |
| Kevin A. Smoot | Managing Director | Eagle Global Logistics, Inc. | Violating the Anti-Kickback Act, false statements | 7/20/2007 | 14 months in prison; 2 years supervised release; \$6,000 fine; \$17,964 in restitution | 12/18/2007 |
| John Allen Rivard | Major | U.S. Army Reserves | Bribery, conspiracy, money laundering | 7/23/2007 (pled guilty) | 10 years in prison; 3 years supervised release; \$5,000 fine; \$1 million forfeiture order | 10/19/2007 |
| Maj. John Lee Cockerham | Contracting Officer | U.S. Army | Bribery, conspiracy, money laundering | Trial scheduled for 4/21/2008 | | |
| Melissa Cockerham | (Wife of John Cockerham) | | Conspiracy, money laundering | Trial scheduled for 4/21/2008 | | |
| Carolyn Blake | (Sister of John Cockerham) | | Conspiracy, money laundering | Trial scheduled for 4/21/2008 | | |
| CPT Austin Key | Contracting Officer | U.S. Army | Bribery | 12/19/2007 (pled guilty) | | Sentencing set for 6/27/2008 |
| Samir Mahmoud | Employee of U.S. Construction Company | | Pleaded guilty to making false statements during investigation into possible violations of Anti-Kickback Act | 11/3/2006 (pled guilty) | 1 day credit for time served; 2 years of supervised release | 2/2/2007 |
| Ali Hijazi | Kuwaiti Businessman | | 4 counts of major fraud against U.S. and 6 counts wire fraud | Fugitive | | |
| Jeff Alex Mazon | Subcontractor Employee | KBR | 4 counts of major fraud against U.S. and 6 counts wire fraud | Trial scheduled for 4/14/2008 | | |
| Zubair Khan | Contractor | Tamini Global Co. Ltd | Wire fraud, witness tampering, obstruction of justice, and making false statements | Fugitive | | |
| Terry Hall | Contractor | U.S. Army, Camp Arifjan, Kuwait | 2 counts of bribery | Trial date pending | | |
| Samir Itani | Owner | American Grocers Inc. | 46 counts of false claims and conspiracy | Trial scheduled for 6/2/2008 | | |

TABLE 3-57

SIGIR HOTLINE

The SIGIR Hotline facilitates reporting of fraud, waste, abuse, mismanagement, and reprisal in all programs associated with Iraq reconstruction efforts funded by the American taxpayer. Cases received by the SIGIR Hotline that are not related to the Iraq Relief and Reconstruction Fund (IRRF), to funds appropriated or otherwise made available for FY 2006 for the reconstruction of Iraq, or to programs and operations of the former Coalition Provisional Authority (CPA) are transferred to the appropriate entity. The SIGIR Hotline receives walk-in, telephone, mail, fax, and online contacts from people in Iraq, the United States, and throughout the world.

Fourth Quarter Reporting

As of December 31, 2007, the SIGIR Hotline had initiated 618 cases. Of these cases, 553 have been closed, and 65 remain open. For a summary, see Table 3.58.

New Cases

During this reporting period, the SIGIR Hotline received 17 new complaints for a cumulative total of 618 Hotline cases. The new complaints were classified in these categories:

- 9 involved contract fraud.
- 3 involved personnel issues.
- 2 involved mismanagement.
- 3 involved miscellaneous issues.

SUMMARY OF SIGIR HOTLINE CASES, AS OF DECEMBER 31, 2007

| OPEN CASES | | | | | |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-------------|
| Investigations | | | | | 55 |
| Audits | | | | | 10 |
| Total Open | | | | | 65 |
| CLOSED CASES | | | | | |
| | 1ST QTR 2007 | 2ND QTR 2007 | 3RD QTR 2007 | 4TH QTR 2007 | CUMULATIVE* |
| Freedom of Information Act | 0 | 0 | 0 | 0 | 4 |
| OSC Review | 0 | 0 | 0 | 0 | 2 |
| Assists | 0 | 0 | 0 | 1 | 45 |
| Dismissed | 5 | 6 | 2 | 4 | 112 |
| Referred | 8 | 10 | 7 | 6 | 232 |
| Inspections | 0 | 0 | 0 | 0 | 79 |
| Investigations | 3 | 0 | 1 | 0 | 70 |
| Audits | 0 | 0 | 0 | 0 | 9 |
| Total Closed | 16 | 16 | 10 | 11 | 553 |
| Cumulative* Open & Closed | | | | | 618 |

*Cumulative totals cover the period since the SIGIR Hotline began operations—from March 24, 2004, to December 31, 2007.

TABLE 3.58

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal by electronic mail. The SIGIR's 17 new Hotline complaints were received by these means:

- 14 by electronic mail
- 1 by SIGIR Hotline phone call
- 1 referred by the DoD Hotline
- 1 by walk-in

Closed Cases

During this quarter, 11 Hotline cases were closed:

- 6 were referred to other inspector general agencies.
 - 4 were dismissed for lack of sufficient information.
 - 1 was closed by the SIGIR Director of Information Services.
- 1 was sent to the Department of Defense Inspector General.
 - 1 was sent to the U.S. Army Inspector General.
 - 1 was sent to the Multi-National Force-Iraq Inspector General.
 - 1 was sent to the Joint Contract Command-Iraq/Afghanistan.
 - 1 was sent to the U.S. Agency for International Development Inspector General.

Referred Complaints

After a thorough review, 6 complaints were referred to outside agencies for proper resolution:

- 1 was sent to the Department of State Inspector General.

SIGIR WEBSITE

During this reporting period, the SIGIR website (www.sigir.mil) recorded these activities:

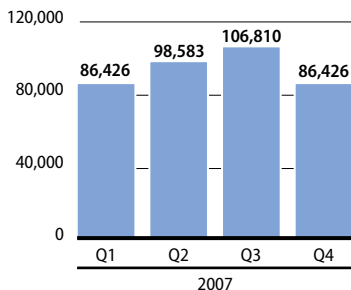
- The site had nearly 90,000 visitors this past quarter—just under 1,000 users per day.
- Most users were from within the United States (82%). The remaining 18% were from 168 other countries, mainly in Western Europe (6%), Asia (4%), and the Middle East (2%).
- The Arabic language section of the site received 850 visits, a slight decrease from

the previous quarter.

- A significant percentage of visitors to the SIGIR website were from government agencies, most notably DoD, DoS, and the U.S. House of Representatives.
- Users visited the SIGIR Reports section most often.
- The most frequently downloaded documents were SIGIR's most recent Quarterly Reports.

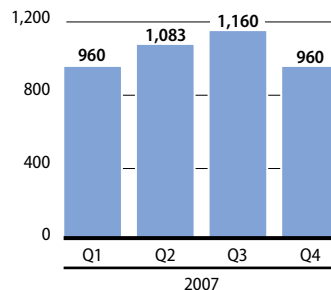
TOTAL NUMBER OF VISITORS PER QUARTER

Source: Web Trends Analytics



AVERAGE NUMBER OF VISITORS PER DAY

Source: Web Trends Analytics



LEGISLATIVE UPDATE

In December 2007, the Congress passed the National Defense Authorization Act (NDAA), expanding SIGIR's jurisdiction and effectively extending SIGIR's tenure. Although the NDAA was vetoed, a similar bill was passed in January 2008. As this Report went to press, no final action was imminent on the NDAA. In addition, during the reporting period, the Inspector General testified twice before congressional committees.

Authority of SIGIR and Related Matters

On December 14, 2007, the Congress cleared the Conference Report on the National Defense Authorization Act for Fiscal Year 2008 (H.R. 1585) and sent the bill to the President on December 19. On December 28, the President said that he would withhold his approval, thus exercising a "pocket veto" of the bill. The House of Representatives, on January 16, 2008, passed another version of the bill, H.R. 4986, also entitled the National Defense Authorization Act for Fiscal Year 2008, which modified the provision (unrelated to SIGIR) to which the President objected. As of January 21, 2008, no action had been taken on the new bill in the Senate, but its passage is imminent, and it is likely to be signed by the President.

The Conference Report included three sections affecting SIGIR. First, SIGIR's oversight jurisdiction is expanded to include all

amounts appropriated "for the reconstruction of Iraq" and defines that term to include all amounts appropriated for any fiscal year to the Iraq Relief and Reconstruction Fund, the Iraq Security Forces Fund, and the Commander's Emergency Response Program, as well as all amounts appropriated for "assistance for the reconstruction of Iraq" under the Economic Support Fund, the International Narcotics Control and Law Enforcement account, or any other provision of law. The Conference Report also modified the provisions terminating SIGIR to provide that SIGIR shall terminate 180 days after the date on which unexpended amounts appropriated for the reconstruction of Iraq are less than \$250 million.

Second, the Conference Report directs the DoD OIG, SIGIR, and the new Special Inspector General for Afghanistan Reconstruction (SIGAR) to develop audit plans as follows:

1. DoD OIG shall develop a comprehensive plan for a series of audits of contracts, subcontracts, and task and delivery orders addressing the logistical support of coalition forces in Iraq and Afghanistan. DoD OIG shall do so "in consultation with other Inspectors General" mentioned elsewhere in the section "with respect to any contracts...over which such Inspectors General have jurisdiction."
2. SIGIR shall develop a comprehensive audit plan for a series of audits of federal agency

contracts, subcontracts, and task and delivery orders for the performance of security and reconstruction functions in Iraq. SIGIR shall do so “in consultation with other Inspectors General” mentioned elsewhere in the section “with respect to any contracts...over which such Inspectors General have jurisdiction.”

3. SIGAR shall develop a comprehensive plan parallel to SIGIR’s but focused on Afghanistan. SIGAR shall do so “in consultation with other Inspectors General” mentioned elsewhere in the section “with respect to any contracts...over which such Inspectors General have jurisdiction.”

The Conference Report further provides that the IGs for DoD, DoS, USAID, SIGIR, and SIGAR shall perform the audits identified in the plan within the respective scope of their duties as specified in law. The IGs are to plan and perform their audits in an independent manner without consulting with the newly created Commission on Wartime Contracting in Iraq and Afghanistan, but audit reports may be provided to the Commission.

Third, a provision of the Conference Report provides additional protections to whistleblowers who allege fraud, waste, or abuse concerning DoD contracts. The provision protects

persons making certain disclosures of wrongdoing to Inspectors General, including SIGIR.

Congressional Appearances

Since the last SIGIR Quarterly Report, the Inspector General appeared before congressional committees on two occasions:

1. October 30, 2007—House Committee on Appropriations, Subcommittee on State, Foreign Operations, and Related Programs—Hearing on “Assessing an Effective Diplomatic and Development Program in Iraq: An Examination of the Diplomatic Surge.” The Inspector General provided testimony about the effectiveness of reconstruction and development in Iraq as SIGIR’s 15th Quarterly Report was released.
2. January 24, 2008—Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security—Hearing on “Management and Oversight of Contingency Contracting in Hostile Zones.” The Inspector General provided testimony on lessons learned from contracting in a wartime environment, including recommendations for strengthening the procurement system.

OTHER AGENCY OVERSIGHT

INTRODUCTION

OTHER AGENCY AUDITS

OTHER AGENCY INVESTIGATIONS

SECTION

4



INTRODUCTION

In March 2004, SIGIR formed the Iraq Inspectors General Council (IIGC)⁶⁰⁹ to provide a forum for discussion of oversight in Iraq and to enhance collaboration and cooperation among the Inspectors General of the agencies that oversee Iraq reconstruction funds. Representatives of member organizations meet quarterly to exchange details about current and planned audits, identify opportunities for collaboration, and minimize redundancies.

The most recent meeting was held on November 14, 2007, at the SIGIR office in Arlington, Virginia. The following organizations attended the meeting:

- Department of Defense Office of Inspector General (DoD OIG)
- Department of State Office of Inspector General (DoS OIG)
- U.S. Army Audit Agency (USAAA)
- U.S. Agency for International Development Office of Inspector General (USAID OIG)

- Government Accountability Office (GAO)
- Defense Contract Audit Agency (DCAA)
- Defense Intelligence Agency Office of the Inspector General
- Naval Audit Service
- Army Inspector General (Army IG)
- Air Force Audit Agency
- SIGIR

Each quarter, SIGIR requests updates from member organizations on their completed, ongoing, and planned oversight activities. This section summarizes the audits and investigations reported to SIGIR this quarter by DoD OIG, DoS OIG, USAID OIG, GAO, and USAAA. For DCAA updates, see Appendix M. The U.S. Department of the Treasury and the U.S. Department of Commerce did not complete or initiate any new audits this quarter.



Refurbished water treatment plant.

OTHER AGENCY AUDITS

This section updates the audits that IIGC member agencies reported to SIGIR:

- For recently completed oversight report activity, see Table 4.1.
- For ongoing oversight report activity of other U.S. agencies during this reporting period, see Table 4.2.
- For more information on other agency audits, including audit summaries, see Appendix M.
- For a complete historical list of audits and reviews on Iraq reconstruction by all entities, see Appendix N.

RECENTLY COMPLETED OVERSIGHT REPORTS OF OTHER U.S. AGENCIES, AS OF 12/31/2007

| AGENCY | REPORT NUMBER | REPORT DATE | REPORT TITLE |
|--------|-----------------|-------------|--|
| DoD | D-2008-033 | 12/28/2007 | Training for U.S. Ground Forces at Army Maneuver Combat Training Centers |
| DoD | D-2008-038 | 12/21/2007 | Army's Procurement and Conditional Acceptance of Medium Tactical Vehicles |
| DoD | D-2008-029 | 12/5/2007 | Request for and Use of Emergency Supplemental Funds for the Rapid Fielding Initiative |
| DoD | D-2008-026 | 11/30/2007 | Management of the Iraq Security Forces Fund in Southwest Asia—Phase III |
| DoD | D-2008-027 | 11/21/2007 | Air Force Use of Global War on Terrorism Supplemental Funding Provided for Procurement and Research, Development, Test, and Evaluation |
| GAO | GAO-08-68 | 11/6/2007 | Global War on Terrorism: DoD Needs To Take Action To Encourage Fiscal Discipline and Optimize Use of Tools Intended To Improve GWOT Cost Reporting |
| GAO | GAO-08-231T | 10/30/2007 | Securing, Stabilizing, and Rebuilding Iraq: GAO Audits and Key Oversight Issues |
| USAAA | A-2008-0021-FFS | 11/28/2007 | Army Operational Plans for Contractor Support on the Battlefield |
| USAAA | A-2008-0010-ALL | 11/2/2007 | Follow-Up Audit of Internal Controls over Cargo Container Payments, Military Surface Deployment, and Distribution Command |

Source: GAO, response to SIGIR data call, January 2, 2008; USAAA, response to SIGIR data call, January 3, 2008; DoD response to SIGIR data call, January 7, 2008.

TABLE 4.1

ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 12/31/2007

| AGENCY | PROJECT NUMBER | DATE INITIATED | PROJECT DESCRIPTION |
|--------|-----------------------|----------------|---|
| DoD | D2008-D000FI-0083.000 | 12/27/2007 | Controls over the Reporting of Transportation Costs in Support of the Global War on Terror |
| DoD | D2008-D000LF-0093.000 | 11/28/2007 | Medical Equipment Used To Support Operations in Southwest Asia |
| DoD | D2008-D000AS-0044.000 | 10/16/2007 | Security over Radio Frequency Identification |
| DoD | D2008-D000FJ-0014.000 | 10/11/2007 | Small Arms Ammunition Fund Management in Support of the Global War on Terror |
| DoD | D2008-D000AS-0022.000 | 10/5/2007 | Contracts for Supplies Requiring Use of Radio Frequency Identification |
| DoD | D2008-D000FJ-0006.000 | 9/20/2007 | Payments for Transportation Using PowerTrack® |
| DoD | D2007-D000FL-0252.000 | 8/31/2007 | Internal Controls and Data Reliability in the Deployable Disbursing System |
| DoD | D2007-D000XA-0249.000 | 8/22/2007 | Summary of Issues Impacting Operations Iraqi and Enduring Freedom Reported by Major Oversight Organizations Beginning FY 2003 through FY 2007 |
| DoD | D2007-D000CK-0256.000 | 8/17/2007 | Defense Hotline Allegations Concerning Contracts Issued by U.S. Army TACOM Life Cycle Management Command to BAE Systems Land and Armaments, Ground Systems Division |
| DoD | D2007-D000LA-0199.001 | 8/14/2007 | Controls over the Contractor Common Access Card Life Cycle |
| DoD | D2007-D000IG-0239.000 | 7/27/2007 | Accountability of Munitions Provided to the Security Forces of Iraq and Afghanistan |
| DoD | D2006-DIP0E3-0038.002 | 7/15/2007 | Lessons Learned: Advisory Support to Iraqi Ministry of Defense and Ministry of Interior Offices of the Inspectors General |
| DoD | D2007-D000CK-0230.000 | 7/13/2007 | Procurement and Delivery of Joint Service Armor Protected Vehicles |
| DoD | D2007-D000FB-0198.000 | 6/19/2007 | Funds Appropriated for Afghanistan and Iraq Processed through the Foreign Military Trust Fund |
| DoD | D2007-D000CK-0201.000 | 6/18/2007 | Operations and Maintenance Funds Used for Global War on Terror Military Construction Contracts |
| DoD | D2007-DINT01-0092.001 | 6/14/2007 | Review of Intelligence Resources at the Joint Intelligence Task Force Combating Terrorism and Special Operations Command in Support of Operation Enduring Freedom and Operation Iraqi Freedom |
| DoD | 2007C003 | 6/13/2007 | Evaluation of the Army Investigations into the Death and Injury of Reuters News Service Employees by U.S. Forces on August 28, 2005 |
| DoD | D2007-DIP0E1-0210 | 5/24/2007 | Review of Investigative Documentation Associated with the Fatality of a U.S. Army Corporal during Convoy Operations in Iraq (Draft report issued November 16, 2007.) |
| DoD | D2006-DIP0E3-0038.001 | 4/19/2007 | Assessment of DoD Support to Iraqi Security Forces OIGs (Ministry of Defense and Ministry of Interior) |
| DoD | D2007-D000LD-0129.000 | 4/13/2007 | Marine Corps' Management of the Recovery and Reset Programs |
| DoD | D2007-D000AS-0157.000 | 3/6/2007 | Defense Hotline Allegations Concerning the Biometric Identification System for Access Omnibus Contract |
| DoD | D2007-D000FD-0145.000 | 3/5/2007 | Internal Controls over Air Force General Funds Cash and Other Monetary Assets |
| DoD | D2007-D000FN-0142.000 | 2/27/2007 | Internal Controls over Navy, General Fund, Cash, and Other Monetary Assets Held Outside the Continental United States |
| DoD | D2007-D000FP-0122.000 | 2/9/2007 | Internal Controls over Army, General Fund, Cash and Other Monetary Assets Held Outside the Continental United States |
| DoD | D2007-D000LH-0108.000 | 1/5/2007 | DoD Training for U.S. Ground Forces Supporting Operation Iraqi Freedom |
| DoD | D2007-DINT01-0092 | 12/15/2006 | Evaluation of DoD Intelligence Support to Combatant Commands in Operation Enduring Freedom and Operation Iraqi Freedom ^a |
| DoD | D2007-D000LC-0051.000 | 12/14/2006 | Hiring Practices Used To Staff the Iraqi Provisional Authorities |
| DoD | D2007-D000LF-0032.000 | 11/30/2006 | Supplemental Funds Used for Medical Support for the Global War on Terror |

OTHER AGENCY OVERSIGHT

| AGENCY | PROJECT NUMBER | DATE INITIATED | PROJECT DESCRIPTION |
|--------|-------------------------------------|-----------------------|--|
| DoD | D2007-D000LA-0054.000 | 11/9/2006 | Procurement, Distribution, and Use of Body Armor in the Department of Defense |
| DoD | D2006-D000LQ-0254.000 | 9/5/2006 | Potable and Nonpotable Water in Iraq |
| DoD | D2006-D000LH-0246.000 | 8/30/2006 | Inspection Process of the Army Reset Program for Equipment for Units Returning from Operation Iraqi Freedom |
| DoD | D2006-D000AE-0241.000 | 8/4/2006 | DoD Use of GWOT Supplemental Funding Provided for Procurement and Research, Development, Test and Evaluation |
| DoD | D2006-DIP0E2-0137 | 7/24/2006 | DoD/Department of Veterans Affairs (VA) Inspectors General Interagency Care Transition Project |
| DoD | D2006-D000AE-0225.000 | 7/10/2006 | Conditional Acceptance and Production of the Army Medium Tactical Vehicles in Support of the Global War on Terror |
| DoD | D2006-D000FL-0208.000 | 5/23/2006 | Internal Controls over Out-of-Country Payments |
| DoS | 07AUD3034 | April 2007 | Review of Procurement Competition: New Embassy Compound Baghdad |
| GAO | N/A | November 2007 | U.S. Assistance for Iraq Refugees and Internally Displaced Persons (IDPs) |
| GAO | 351076 | August 2007 | Body Armor Programs and Testing |
| GAO | 351083 | August 2007 | Use of Private Security Contractors in Iraq |
| GAO | 351092 | August 2007 | Planning for Iraq Drawdown |
| GAO | N/A | August 2007 | DoD Use of Individual Augmentees |
| GAO | 351054 | July 2007 | Commander's Emergency Response Program |
| GAO | N/A | July 2007 | U.S. Forces Rotation Readiness |
| GAO | 120657 | June 2007 | Department of State's Use of Interagency Contracting |
| GAO | 320484 | May 2007 | Budget Expenditures of Key Iraq Ministries |
| GAO | N/A | April 2007 | Deployed Soldiers Medical Status |
| GAO | 351016 | March 2007 | Joint IED Defeat Organization (JIEDDO) Processes to Coordinate Counter-Improvised Explosive Devices (IED) Intelligence Support |
| GAO | 351017 | March 2007 | Joint IED Defeat Organization (JIEDDO) Organizational Management Support Capabilities |
| GAO | 350948 | December 2006 | Factors Affecting U.S. Support for the Iraqi Security Forces |
| GAO | 320461 | October 2006 | Efforts To Stabilize Iraq and Achieve Conditions To Allow the Drawdown of U.S. Troops |
| USAAA | A-2007-ALL-0081 | 9/6/2007 | Management of Shipping Containers in Southwest Asia |
| USAAA | A-2007-ALL-0887.003 | 8/5/2007 | Audit of Joint Contracting Command-Afghanistan |
| USAAA | A-2007-ALL-0887.001 | 7/24/2007 | Audit of Joint Contracting Command-Iraq |
| USAAA | A-2007-ALL-0329 | 10/26/2006 | Audit of U.S. Army Contracting Command Southwest Asia-Kuwait |
| USAAA | A-2006-ALL-0397 | 6/26/2006 | Retrograde Operations in Southwest Asia |
| USAAA | A-2006-ALL-0264 and A-2007-ALL-0212 | 1/3/2005 ^b | Audit of Logistics Civil Augmentation Program |
| USAID | Not Reported | Not Reported | Audit of USAID/Iraq's Community Stabilization Program |
| USAID | Not Reported | Not Reported | Audit of USAID/Iraq's Marla Ruzicka War Victims Assistance Fund |
| USAID | Not Reported | Not Reported | Audit of USAID/Iraq's Management of its Official Vehicle Fleet |
| USAID | Not Reported | Not Reported | Audit of USAID/Iraq's Monitoring and Evaluation Performance Program |

Source: GAO, response to SIGIR data call, January 2, 2008; USAID, response to SIGIR data call, December 17, 2007; USAAA, response to SIGIR data call, January 3, 2008; DoS, response to SIGIR data call, January 3, 2008.

Notes:

^a Project was suspended on June 19, 2007.

^b Preliminary audit planning began on January 3, 2005, and audit work began in Kuwait and Iraq on May 3, 2005.

TABLE 4.2

OTHER AGENCY INVESTIGATIONS

SIGIR regularly coordinates with other government agencies conducting investigations in Iraq.

For statistics of investigative activities from other agencies, see Table 4.3.

STATUS OF INVESTIGATIVE ACTIVITIES FROM OTHER U.S. AGENCIES, AS OF 12/31/2007

| AGENCY | INVESTIGATORS IN IRAQ | INVESTIGATORS IN KUWAIT | OPEN/ONGOING CASES |
|--------------|-----------------------|-------------------------|--------------------|
| CID/MPFU | 6 | 4 | 87 |
| DCIS | 2 | 2 | 105 |
| DoS/OIG | 0 | 0 | 4 |
| FBI | 2 | 1 | 58 |
| USAID | 2 | 0 | 11 |
| Total | 12 | 7 | 265 |

TABLE 4.3

ENDNOTES

1. A recent report on Iraq's capacity to spend its money revealed the weak reliability of GOI economic performance data. The GAO found that various sources reported ranges of 2007 capital expenditure rates from 4% to 24%.
2. SIGIR, *Quarterly Report to the United States Congress*, October 30, 2007, p. 93.
3. IMF, "IMF Country Report No. 08/17," January 2008, p. 26.
4. Dr. Ahmed Chalabi, SIGIR interview, December 2007.
5. FMA Executive News Alert, "Iraqi PM: security pact will set time limit on U.S. troop presence," December 10, 2007.
6. SIGIR Audit 08-006, "Commander's Emergency Response Program in Iraq Funds Many Large-Scale Projects," January 2008.
7. Disbursement data is from the DAD, as of January 16, 2008. DAD data is provided by donor countries to the Ministry of Planning and Development Cooperation. There is no standard timeframe for donor countries to provide updated figures; therefore, DAD data should not be considered as all inclusive and may not provide a complete picture of donor disbursements.
8. SIGIR Audit 06-021, "Joint Survey of the U.S. Embassy-Iraq's Anticorruption Program," July 28, 2006; SIGIR Audit 07-007, "Status of U.S. Government Anticorruption Efforts in Iraq," July 24, 2007.
9. GAO Report 08-153, "Better Data Needed To Assess Iraq's Budget Execution," January 2008.
10. USAID has informed SIGIR that it will not be supporting CLCs in any way using ESF or any other USAID or non-USAID funds. USAID response to SIGIR January 2008 Quarterly Report to the United States Congress, February 2008.
11. DoL, response to SIGIR data call, January 4, 2008.
12. DoS, response to SIGIR data call, January 4, 2008.
13. Committee To Protect Journalists, January 18, 2008, www.cpj.org.
14. UN News Centre, UN News Service, January 4, 2008.
15. UN News Centre, UN News Service, January 10, 2008.
16. The Iraqi Security Forces include Iraq's military and police services.
17. U.S. Congress, "Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief (P.L. 109-13)," May 11, 2005.
18. MNSTC-I noted that FY 2007 funds were issued in six iterations between December 2006 and January 2008, response to SIGIR data call, January 15, 2008.
19. MNSTC-I, response to SIGIR data call, January 15, 2008.
20. This quarter, three of the top obligation amounts were listed without a contractor name. SIGIR cannot determine whether those contracting line items include funding for one or more firms. Instead, they are listed by the awarding agency. Two companies were awarded ISFF contracts by the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL).
21. SIGIR is using MNSTC-I's classification of these topics as sub-activity groups.
22. Lift and Sustain refers to ISFF funding that goes toward supporting Iraq's counterinsurgency efforts, including food, fuel, and other logistical support services.
23. MNSTC-I, *Section 3303 Report to Congress*, January 7, 2008.
24. DoD OIG Report No. D-2008-026, "Management of the Iraq Security Forces Fund in Southwest Asia-Phase III," November 30, 2007, p. 8.
25. DoD OIG Report No. D-2008-026, "Management of the Iraq Security Forces Fund in Southwest Asia-Phase III," November 30, 2007, pp. 7-8.
26. DoD OIG Report No. D-2008-026, "Management of the Iraq Security Forces Fund in Southwest Asia-Phase III," November 30, 2007, p. i.
27. INL, response to SIGIR data call, October 17, 2007.
28. DoD, *Measuring Stability and Security in Iraq*, September 2007, p. 29.
29. DoS, *Iraq Weekly Status Report*, January 23, 2008; OSD-Policy noted on January 16, 2008, "The majority of this increase represents those who have received training at regional and provincial training centers, and they were not part of the programmed Coalition training and were not included in earlier DoD reports."
30. MNSTC-I, response to SIGIR data call, January 4, 2008.
31. DoS, *Iraq Weekly Status Report*, January 9, 2008, slide 11.
32. DoD, *Measuring Stability and Security in Iraq*, December 2007, pp. 29-30.
33. MNSTC-I, response to SIGIR data call, January 15, 2008.
34. DoS, *Iraq Weekly Status Report*, January 23, 2008.
35. DoD, *Measuring Stability and Security in Iraq*, September 2007, p. 29.
36. DoS, *Iraq Weekly Status Report*, January 23, 2008.
37. U.S. Embassy, response to SIGIR data call, January 4, 2008.
38. DoS, *Iraq Weekly Status Report*, January 9, 2008, slide 11.
39. MNSTC-I, response to SIGIR data call, January 4, 2008.
40. DoS, *Iraq Weekly Status Report*, January 23, 2008.
41. MNSTC-I, response to SIGIR data call, January 4, 2008.
42. MNSTC-I, response to SIGIR data call, January 4, 2008.
43. DoS, *Iraq Weekly Status Report*, January 23, 2008;
44. SIGIR, *Quarterly Report to the United States Congress*, October 30, 2007, p. 38.
45. MNSTC-I, response to SIGIR data call, October 9, 2007; CMATT, response to SIGIR data call, October 17, 2007.
46. CMATT Training Cycle data, response to SIGIR data call, January 4, 2008; MNSTC-I, response to SIGIR data call, January 15, 2008.

47. CMATT Training Cycle data, response to SIGIR data call, January 4, 2008; MNSTC-I, response to SIGIR data call, January 15, 2008.
48. MNSTC-I, response to SIGIR data call, January 15, 2008.
49. MNSTC-I, responses to SIGIR data call, January 4, 2008, and January 15, 2008.
50. MNSTC-I, response to SIGIR data call, January 4, 2008.
51. MNSTC-I, *Section 3303 Report to Congress*, January 7, 2008.
52. MNSTC-I, *Section 3303 Report to Congress*, January 7, 2008.
53. MNSTC-I, *Section 3303 Report to Congress*, January 7, 2008.
54. MNSTC-I, *Section 3303 Report to Congress*, January 7, 2008.
55. SIGIR Audit 06-032, "Iraqi Security Forces: Review of Plans to Implement Logistics Capabilities," October 28, 2006.
56. GAO Report 08-143R, "Operation Iraqi Freedom: DoD Assessment of Iraqi Security Forces' Units as Independent Not Clear Because ISF Support Capabilities Are Not Fully Developed," November 30, 2007.
57. Center for Strategic and International Studies, "The Report of the Independent Commission on the Security Forces of Iraq," Report to Congress, September 6, 2007, p. 13.
58. SIGIR Audit 06-032, "Iraqi Security Forces: Review of Plans to Implement Logistics Capabilities," October 28, 2006, p. ii.
59. GAO Report 08-143R, "Operation Iraqi Freedom: DoD Assessment of Iraqi Security Forces' Units as Independent Not Clear Because ISF Support Capabilities Are Not Fully Developed," November 30, 2007, pp. 6-13.
60. In response to SIGIR, MNSTC-I notes that the change in funding for the MOD's "Logistical Self Reliance" Category reflects changes to "the RSU/GSU concept, which evolved into the logistics battalions concept: projects are currently underway;" MNSTC-I, *Section 3303 Report to Congress*, December 31, 2007.
61. MNSTC-I, response to SIGIR data call, January 4, 2008.
62. MNSTC-I, response to SIGIR data call, January 4, 2008.
63. MNSTC-I, responses to SIGIR data call, January 4, 2008, and January 15, 2008.
64. MNSTC-I, "CMATT data on IASSI courses," response to SIGIR data call, January 5, 2008.
65. CMATT, "Command Briefing," December 4, 2007, slide 16.
66. MNSTC-I, response to SIGIR data call, January 4, 2008.
67. MNSTC-I, response to SIGIR data call, January 4, 2008.
68. DoD OIG Report No. D-2008-026, "Management of the Iraq Security Forces Fund in Southwest Asia-Phase III," November 30, 2007, p. i.
69. DoD OIG Report No. D-2008-026, "Management of the Iraq Security Forces Fund in Southwest Asia-Phase III," November 30, 2007, p. i.
70. DoD OIG Report No. D-2008-026, "Management of the Iraq Security Forces Fund in Southwest Asia-Phase III," November 30, 2007, p. 2.
71. DoD OIG Report No. D-2008-026, "Management of the Iraq Security Forces Fund in Southwest Asia-Phase III," November 30, 2007, p. 3.
72. GAO Report 08-143R, "Operation Iraqi Freedom: DoD Assessment of Iraqi Security Forces' Units as Independent Not Clear Because ISF Support Capabilities Are Not Fully Developed," November 30, 2007, p. 4.
73. 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; MNC-I, response to SIGIR data call, January 4, 2008. Up to an additional \$50 million may also be allocated under P.L. 110-161.
74. DoD, "CPA Briefing: Commander's Emergency Response Program," January 14, 2004.
75. IRMS, *CERP Excel Workbook*, January 3, 2008.
76. IRMS, *CERP Excel Workbook*, January 3, 2008.
77. GRD, "Reconstruction in Iraq Special Pullout Briefing Session," November 2006.
78. IRMS, *CERP Excel Workbook*, January 14, 2008.
79. SIGIR Audit 08-006, "Commander's Emergency Response Program in Iraq Funds Many Large-Scale Projects," January 2008.
80. SIGIR Audit 08-006, "Commander's Emergency Response Program in Iraq Funds Many Large-Scale Projects," January 2008.
81. SIGIR Audit 08-006, "Commander's Emergency Response Program in Iraq Funds Many Large-Scale Projects," January 2008.
82. SIGIR Audit 08-006, "Commander's Emergency Response Program in Iraq Funds Many Large-Scale Projects," January 2008.
83. MNC-I, response to SIGIR data call, January 9, 2008.
84. MNC-I, response to SIGIR data call, December 18, 2007.
85. MNF-I, "MNF-I Statistics Seminar: Welcome and Introduction," November 28, 2007, slide 8.
86. MNC-I, response to SIGIR data call, January 9, 2008.
87. MNF-I, "MNF-I Statistics Seminar: Reconciliation and Concerned Local Citizens (CLCs)," November 27-28, 2007, slide 180.
88. DoD, *Measuring Stability and Security in Iraq*, December 2007, p. iii.
89. MNF-I, "MNF-I Statistics Seminar: Reconciliation and Concerned Local Citizens (CLCs)," November 27-28, 2007, slide 180.
90. MNC-I, response to SIGIR data call, December 18, 2007.
91. MNF-I, "SPA Assessments: CLC Contributions," December 3, 2007.
92. MNC-I, response to SIGIR data call, December 18, 2007.
93. DoD Financial Management Regulation, "Summary of Major Changes to DoD 7000.14-R, Volume 12, Chapter 27 Commander's Emergency Response Program (CERP)," updated November 2007.
94. IRMS, *CERP Excel Workbook*, January 3, 2008.
95. IRMS, *CERP Excel Workbook*, January 3, 2008.
96. IRMS, *CERP Excel Workbook*, January 14, 2008.
97. MNC-I, *Money as a Weapon System (MAAWS)*, June 1, 2007, p. 10; MNC-I defines a "disadvantaged entrepreneur" as "one lacking independent wealth or otherwise unable to access sufficient business credit at commercially reasonable terms."
98. DoS, *Iraq Weekly Status Report*, November 5, 2007, p. 18.

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106. Details on executing agencies for ESF FY 2003 funds were not available.
107. ITAO, response to SIGIR data call, January 4, 2008.
108. ESF FY 2007 Supplemental funds could be obligated or expended only when the President certified progress on specific measures in Iraq. The President submitted two benchmark assessment reports (July 12, 2007, and September 14, 2007) that, in combination, released the \$1.554 billion in FY 2007 Supplemental appropriations.
109. For more information on this program, see the discussion of Provincial Reconstruction Teams in Section 2b of this Report.
110. The ISFF funds a similar rapid response program specifically for projects for the ISF; this program is different than the ESF-funded QRF, which supports PRTs.
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119. U.S. Embassy, Provincial Reconstruction Team Portal, "Guidelines for Administration of the PRT/ePRT Quick Response Fund Program," August 12, 2007, p. 2.
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137. CRS Report, "Recent Developments in Reconstruction Assistance," updated May 12, 2005, p. 14.
138. DoS, *Section 2207 Report*, October 2004.
139. GRD, *Bi-Weekly Programs Situation Report*, December 10, 2007, p. 2.
140. GRD, *Bi-Weekly Programs Situation Report*, December 10, 2007, p. 2.
141. GRD, *Bi-Weekly Programs Situation Report*, December 10, 2007, p. 7.
142. SIGIR traditionally uses funding data provided by the Office of Management and Budget. However, data submitted by INL conflicts with OMB funding information. SIGIR only has visibility of data provided by INL for the purposes of relaying obligated and expended data and, therefore, includes INL's information in this section.
143. For the purposes of this report, INL refers to the Bureau itself, and INCLE refers to funding that the Congress has directly appropriated to the Bureau.
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145. INL, response to SIGIR data call, January 4, 2008.
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149. U.S. Embassy, response to SIGIR data call, January 4, 2008.
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151. DoD, *Measuring Stability and Security in Iraq*, December 2007, pp. 37-38.
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182. SIGIR Audit 08-003, "Review of the Use of Contractors in Managing Iraq Relief and Reconstruction Projects," October 29, 2007, p. iii.
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377. DoD, *Measuring Stability and Security in Iraq*, December 2007, p. 14.
378. DoD, “Press Release: USACE Awards New Surgical Hospital in Maysan Province,” November 23, 2007.
379. GRD, response to SIGIR data call, January 4, 2008.
380. DoS, January 19, 2008, www.state.gov.
381. IRMS, *ITAO Rollup*, January 2, 2008.
382. IRMS, *CERP Workbook*, January 3, 2008.
383. U.S. Embassy, response to SIGIR data call, January 4, 2008.
384. USAID, response to SIGIR data call, January 16, 2008.
385. Tatweer, “About Tatweer,” December 22, 2007, www.tatweer-iraq.com.
386. USAID, response to SIGIR data call, January 16, 2008.
387. MNSTC-I, *Section 3303 Report to Congress*, January 7, 2008.
388. DoD, *Measuring Stability and Security in Iraq*, December 2007, p. 34.
389. DoD, *Measuring Stability and Security in Iraq*, December 2007, p. 41.
390. U.S. Embassy, responses to SIGIR data call, January 4, 2008, and January 16, 2008.
391. SIGIR, *Quarterly Report to the United States Congress*, October 2007, p. 104.
392. U.S. Embassy, response to SIGIR data call, January 4, 2008.
393. U.S. Embassy, response to SIGIR data call, January 4, 2008.
394. DoD, *Measuring Stability and Security in Iraq*, December 2007, p. 34.
395. MNSTC-I, *Section 3303 Report to Congress*, January 7, 2008.
396. DoD, *Measuring Stability and Security in Iraq*, December 2007, p. 44.
397. DoD, *Measuring Stability and Security in Iraq*, December 2007, p. 41.
398. DoD, *Measuring Stability and Security in Iraq*, December 2007, p. 41.
399. SIGIR Audit 08-007, “Efforts To Implement a Financial Management Information System in Iraq,” January 2008.
400. SIGIR Audit 08-001, “Interim Report on Efforts and Further Actions Needed To Implement a Financial Management Information System in Iraq,” October 24, 2007.
401. Ministry of Planning and Development Coordination, “Program Overview Briefing,” September 19, 2007.
402. U.S. Treasury, response to SIGIR data call, January 4, 2008.
403. Iraq Ministry of Finance, “Draft 2008 Budget: Summary of Operation Expenses (Key Accounts) to Public Budget 2008 Comparison to Budget Year 2008,” received by SIGIR November 17, 2007.
404. Iraq Ministry of Finance, “Draft 2008 Budget: Summary of Operation Expenses (Key Accounts) to Public Budget 2008 Comparison to Budget Year 2008,” received by SIGIR November 17, 2007.
405. Iraq Ministry of Finance, “Draft 2008 Budget: Summary of Operation Expenses (Key Accounts) to Public Budget 2008 Comparison to Budget Year 2008,” received by SIGIR November 17, 2007.
406. U.S. Treasury and MNF-I, “Iraq Budget Execution,” November 24, 2007, slide 2.
407. U.S. Treasury, response to SIGIR data call, January 4, 2008.
408. Annex to a Letter sent to Iraq’s Prime Minister from the Governorates Administration, October 21, 2007.
409. Annex to a Letter sent to Iraq’s Prime Minister from the Governorates Administration, October 21, 2007.
410. U.S. Treasury, response to SIGIR, January 4, 2008.
411. U.S. Treasury provided SIGIR with the GOI budget for 2008, which included approximately 45.2 trillion dinars for oil revenue (\$37.7 billion U.S. dollars at 1,200 dinars to the dollar). The GOI estimated the price of oil in 2008 at \$57/barrel, which equates to 661,083,099 barrels. The U.S. Department of Energy, however, estimates the price of oil in 2008 at \$85/barrel. At this higher price, the GOI’s total oil revenue would be nearly \$56.2 billion. As a result, the potential budget windfall for Iraq is expected to be approximately \$18.5 billion.
412. DFID, “Briefing on Budget Analysis,” September 16, 2007, received by SIGIR in November 2007.
413. U.S. Treasury, response to SIGIR data call, January 4, 2008.
414. Iraq’s Ministry of Finance, “Summary of Operational Expenses (key accounts) to Public Budget 2008 Comparison to Budget Year 2007,” received by SIGIR November 17, 2007.
415. GAO Report 08-153 calculated that 99% of Iraq’s 2006 salaries budget has actually been expended.
416. U.S. Treasury, response to SIGIR data call, January 4, 2008.
417. U.S. Treasury, response to SIGIR data call, January 4, 2008.
418. GAO Report 08-153, “Iraq Reconstruction: Budget, Security, and Other Factors Limit Iraq’s Ability to Execute Capital Projects Budget and Track Spending,”

- January 2008, p. 2.
419. GAO Report 08-153, "Iraq Reconstruction: Budget, Security, and Other Factors Limit Iraq's Ability to Execute Capital Projects Budget and Track Spending," January 2008, p. 5.
420. GAO Report 08-153, "Iraq Reconstruction: Budget, Security, and Other Factors Limit Iraq's Ability to Execute Capital Projects Budget and Track Spending," January 2008, p. 5.
421. GAO Report 08-153, "Iraq Reconstruction: Budget, Security, and Other Factors Limit Iraq's Ability to Execute Capital Projects Budget and Track Spending," January 2008, p. 5.
422. White House, *Benchmark Assessment Report*, September 2007.
423. White House, *Benchmark Assessment Report*, September 2007; GAO Report 08-153, "Iraq Reconstruction: Budget, Security, and Other Factors Limit Iraq's Ability to Execute Capital Projects Budget and Track Spending," January 2008, p. 6. Both Treasury and DoS questioned how GAO determined the 4.4% figure. Treasury noted that the data used in the White House Benchmark was preliminary and indicated "potential accuracy issues with the data." Treasury also responded that more accurate figures would be unknown "for some time" because of "data limitations and changes in Iraqi financial procedures, [and] the pace of execution of capital projects for 2007...." DoS reiterated Treasury's point that the White House Benchmark Report was unofficial and covered only the period between January 2007 and July 15, 2007. DoS also stated that the discrepancy is largely the result of a time lag between the official and unofficial data that GAO assessed.
424. GAO Report 08-153, "Iraq Reconstruction: Budget, Security, and Other Factors Limit Iraq's Ability to Execute Capital Projects Budget and Track Spending," January 2008, p. 7; U.S. Treasury, response to SIGIR data call, January 4, 2008; White House, *Benchmark Assessment Report*, September 2007, pp. 26-27.
425. U.S. Treasury, response to SIGIR, January 4, 2008.
426. U.S. Treasury, response to SIGIR, January 4, 2008.
427. Ministry of Planning and Development Coordination website, www.mop-iraq.org, December 13, 2007.
428. Ministry of Planning and Development Coordination, "Program Overview Briefing," September 19, 2007.
429. Capital Budget Execution Roundtable, "Capital Budget Request and Tracking System," November 29, 2007.
430. ITAO, response to SIGIR data call, January 20, 2008.
431. DoD, *Measuring Security and Stability in Iraq*, March 2007, p. 23; DoD, *Measuring Security and Stability in Iraq*, December 2007, p. 27; MNF-I, response to SIGIR data call, January 16, 2008.
432. U.S. Embassy, response to SIGIR data call, January 4, 2008; MNF-I, response to SIGIR data call, January 10, 2008. MNF-I reported that "The JCSTR was chartered by the Iraqi Prime Minister in July 2005. The Committee established" the criteria used to determine a province's readiness for PIC. The JCSTR "is co-chaired by GOI National Security Council and the MNF-I DCS SPA. The committee comprises representatives from within the Iraqi Ministry of Defense, Ministry of Interior, and National Security Council, along with members from the U.S. Embassy, U.K. Embassy, and MNF-I... The process is collaborative at all levels and is transparent to both the Coalition and GOI. All levels provide input for the JCSTR to consider."
433. U.S. Embassy, response to SIGIR data call, January 4, 2008.
434. MNF-I, response to SIGIR data call, January 10, 2008.
435. MNF-I, response to SIGIR data call, January 10, 2008.
436. MNF-I, response to SIGIR data call, January 10, 2008.
437. U.S. Embassy, response to SIGIR data call, January 4, 2008.
438. DoD, *Measuring Security and Stability in Iraq*, June 2007, p. 29.
439. DoD, *Measuring Security and Stability in Iraq*, September 2007, p. 27.
440. MNF-I, response to SIGIR data call, January 16, 2008.
441. MNF-I, response to SIGIR data call, January 10, 2008.
442. U.S. Embassy, response to SIGIR data call, January 4, 2008.
443. MNF-I, response to SIGIR data call, January 10, 2008.
444. U.S. Embassy, response to SIGIR data call, January 4, 2008.
445. MNF-I, response to SIGIR data call, January 10, 2008.
446. SIGIR, *Quarterly Report to the United States Congress*, October 30, 2007, pp. 85-86.
447. DoD, *Measuring Security and Stability in Iraq*, December 2007, p. 28.
448. DoD, *Measuring Security and Stability in Iraq*, October 2006 and December 2007.
449. U.S. Embassy, response to SIGIR data call, January 4, 2008.
450. U.S. Embassy, response to SIGIR data call, January 4, 2008.
451. SIGIR, field visit to Thi-Qar, December 2007.
452. MNF-I, response to SIGIR data call, January 10, 2008.
453. White House, *Benchmark Assessment Report*, September 14, 2007, p. 14.
454. White House, *Benchmark Assessment Report*, September 14, 2007, p. 14.
455. White House, *Benchmark Assessment Report*, September 14, 2007, p. 14.
456. UNAMI, "Implementation of Article 140: Deadline of 31 December 2007," December 15, 2007.
457. Iraqi Transitional Government, "Law of Administration for the State of Iraq for the Transitional Period," March 8, 2004, www.cpa.org.
458. Iraqi Transitional Government, "Law of Administration for the State of Iraq for the Transitional Period," March 8, 2004, www.cpa.org.
459. DoS, *Iraq Weekly Status Report*, January 3, 2008, slide 5.
460. White House, *Benchmark Assessment Report*, September 14, 2007, p. 14.
461. U.S. Embassy, response to SIGIR data call, January 4, 2008.
462. U.S. Embassy, response to SIGIR data call, January 4, 2008.
463. USAID, response to SIGIR data call, January 4, 2008.
464. U.S. Embassy, response to SIGIR data call, January 15, 2008.

465. U.S. Embassy, "2008 Press Release," January 14, 2008.
466. U.S. Embassy, "2008 Press Release," January 14, 2008.
467. U.S. Embassy, response to SIGIR data call, December 17, 2007.
468. GOI, "Law of the Executive Procedures Regarding the Formation of Regions," December 2006.
469. Economist Intelligence Unit, *Country Report: Iraq*, December 2007, p. 11.
470. White House, "Fact Sheet: U.S.-Iraq Declaration of Principles for Friendship and Cooperation," November 26, 2007.
471. UN, "Security Council Renews Mandate of Multinational Force in Iraq for Another Year," December 18, 2007.
472. UN Security Council, "Mandate of Multi-National Force," December 18, 2007.
473. UN, "Security Council Renews Mandate of Multinational Force in Iraq for Another Year," December 18, 2007.
474. NEA-I, response to SIGIR data call, January 4, 2008.
475. GOI, Development Assistance Database, January 16, 2008.
476. CRS Report for Congress, "Iraq's Debt Relief: Procedure and Potential Implications for International Debt Relief," updated October 10, 2007, pp. 1-2.
477. The Paris Club, "Iraq Debt Treatment," November 21, 2004, www.clubdeparis.org.
478. CRS Report for Congress, "Iraq's Debt Relief: Procedure and Potential Implications for International Debt Relief," updated October 10, 2007, p. 8.
479. NEA-I, response to SIGIR data call, January 4, 2008. Note: Joint Update on International Compact with Iraq based on meeting between GOI and United Nations indicated the amount to be \$8 billion of expected debt relief. NEA-I's response to SIGIR data call indicated that Russia is owed about \$6 billion.
480. International Compact with Iraq, "High-Level Meeting on Iraq: Joint Update on the International Compact with Iraq, Government of Iraq and United Nations," September 22, 2007, p. 19.
481. NEA-I, response to SIGIR data call, January 4, 2008.
482. IMF, "IMF Executive Board Approves US\$744 Million Stand-By Arrangement for Iraq," December 20, 2007, www.imf.org.
483. CRS Report for Congress, "Iraq's Debt Relief: Procedure and Potential Implications for International Debt Relief," updated October 10, 2007, p. 9.
484. CRS Report for Congress, "Iraq's Debt Relief: Procedure and Potential Implications for International Debt Relief," updated October 10, 2007, p. 10.
485. U.S. Treasury, response to SIGIR data call, January 4, 2008.
486. NEA-I, response to SIGIR data call, January 4, 2008.
487. U.S. Treasury, response to SIGIR data call, January 4, 2008.
488. NEA-I, response to SIGIR data call, January 11, 2008.
489. NEA-I, responses to SIGIR data call, January 4, 2008, and January 11, 2008.
490. CRS Report for Congress, "Iraq's Debt Relief: Procedure and Potential Implications for International Debt Relief," updated October 10, 2007, p. 4. Note: 37% of total non-Paris Club debt owed is based on estimates of total principal debt owed and does not consider any interest owed.
491. CRS Report for Congress, "Iraq's Debt Relief: Procedure and Potential Implications for International Debt Relief," updated October 10, 2007, p. 10.
492. NEA-I, response to SIGIR data call, January 4, 2008.
493. NEA-I, response to SIGIR data call, January 11, 2008.
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497. U.S. Treasury, response to SIGIR data call, January 4, 2008.
498. International Compact with Iraq, "High Level Meeting on Iraq, Joint Update on the International Compact with Iraq, Government of Iraq and United Nations," September 22, 2007, p. 9.
499. CRS Report for Congress, "Iraq's Debt Relief: Procedure and Potential Implications for International Debt Relief," updated October 10, 2007, p. 10.
500. CRS Report for Congress, "Iraq's Debt Relief: Procedure and Potential Implications for International Debt Relief," updated October 10, 2007, p. 11.
501. NEA-I, response to SIGIR data call, January 4, 2008.
502. NEA-I, response to SIGIR data call, January 4, 2008.
503. NEA-I, response to SIGIR data call, January 4, 2008.
504. GAO Report 07-308SP, "Securing, Stabilizing, and Rebuilding Iraq: Key Issues for Congressional Oversight," January 2007, p. 60.
505. U.S. Treasury, response to SIGIR data call, January 4, 2008.
506. U.S. Treasury, response to SIGIR data call, January 4, 2008.
507. IMF, "Iraq Completes Early Repayment of Entire Outstanding Obligations to the IMF," December 14, 2007.
508. UN, "UN Press Release IK/552: United Nations, Iraq Jointly Announce Launch of Five-Year International Compact," July 27, 2006. The Compact was launched in concert with the United Nations on July 27, 2006. It has been the subject of continuing dialogue among member states and through regional and subregional organizations.
509. UN, "UN Press Release, Note No. 6078, Fact Sheet On The International Compact With Iraq," April 27, 2007.
510. International Compact with Iraq, "International Compact With Iraq," p. 3.
511. International Compact with Iraq, "International Compact With Iraq," pp. 3-4.
512. International Compact with Iraq, "High Level Meeting on Iraq, Joint Update on the International Compact with Iraq, Government of Iraq and United Nations," September 22, 2007.
513. UNAMI, "Fact Sheet: United Nations Assistance Mission for Iraq," August 10, 2007.
514. The 800 staff includes security.
515. UNAMI, response to SIGIR data call, December 22, 2007.
516. UNAMI, "Fact Sheet: United Nations Assistance Mission for Iraq," August 10, 2007.
517. IRFFI, *UNDG Iraq Trust Fund Newsletter*, November 2007.
518. IRFFI, *UNDG Iraq Trust Fund Newsletter*, November 2007.
519. IRFFI, *UNDG Iraq Trust Fund Newsletter*, November 2007.

520. UNAMI, “UNAMI Focus: Voice of the Mission, News Bulletin on UNAMI Activities,” December 2007.
521. IRFFI, *UNDG Iraq Trust Fund Newsletter*, November 2007.
522. UNHCR, “2008 Iraq Situation Supplementary Appeal,” January 8, 2008.
523. UN, “Arab League to launch massive campaign for Iraqi refugees with UN help,” January 10, 2008, www.un.org.
524. UNAMI, “UN and the Government of Iraq Launch Local Area Development Programme,” December 5, 2007, www.uniraq.org.
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526. IRFFI, *UNDG Iraq Trust Fund Newsletter*, November 2007.
527. UNAMI, “UN and the Government of Iraq Launch Local Area Development Programme,” December 5, 2007, www.uniraq.org.
528. IRFFI, *UNDG Iraq Trust Fund Newsletter*, November 2007.
529. U.S. Embassy, response to SIGIR data call, January 15, 2008.
530. U.S. Embassy, response to SIGIR data call, January 15, 2008.
531. UNAMI, response to SIGIR data call, December 23, 2007.
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533. UNAMI, response to SIGIR data call, December 23, 2007.
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535. IRFFI, *World Bank Operations in Iraq Data Sheet*, November 30, 2007.
536. IRFFI, *World Bank Operations in Iraq Data Sheet*, November 30, 2007.
537. IRFFI, *World Bank Operations in Iraq Data Sheet*, December 31, 2007.
538. IRFFI, *World Bank Operations in Iraq Data Sheet*, November 30, 2007.
539. IMF, “IMF Fact Sheet: The IMF at a Glance,” October 2007.
540. IMF, “IMF Executive Board Approves US\$744 Million Stand-By Arrangement for Iraq,” December 20, 2007.
541. IMF, “IMF, Iraq, Request for Stand-By Arrangement and Cancellation of Current Arrangement,” December 5, 2007, p. 5.
542. IMF, “IMF, Iraq, Request for Stand-By Arrangement and Cancellation of Current Arrangement,” December 5, 2007, p. 5.
543. IMF, “IMF, Iraq, Request for Stand-By Arrangement and Cancellation of Current Arrangement,” December 5, 2007, p. 5.
544. IMF, “IMF, Iraq, Request for Stand-By Arrangement and Cancellation of Current Arrangement,” December 5, 2007, p. 14.
545. U.S. Treasury, response to SIGIR data call, January 4, 2008.
546. IMF, “IMF Executive Board Approves US\$744 Million Stand-By Arrangement for Iraq,” December 20, 2007.
547. U.S. Treasury, response to SIGIR data call, January 4, 2008.
548. U.S. Treasury, response to SIGIR data call, January 4, 2008.
549. GOI, “The International Compact with Iraq 2007 Mid-Year Progress Report,” July 20, 2007, p. 28.
550. Treasury Attache’s Office, response to SIGIR data call, January 4, 2008.
551. U.S. Treasury, response to SIGIR data call, January 4, 2008.
552. U.S. Treasury, response to SIGIR data call, January 4, 2008.
553. EC, response to SIGIR data call, January 17, 2008.
554. European Union, “News Release No. 126/07: European Union Provides 50 Million Euros to Help Iraqi Refugees in Syria and Jordan,” December 12, 2007. Funding is €50 million. To determine the USD amount, SIGIR used IMF exchange rate on December 12, 2007, of 1.4675.
555. EC, response to SIGIR data call, January 17, 2008.
556. EC, response to SIGIR data call, January 17, 2008. Funding is total of €89.68 million and is broken down by operation in euro funding; SIGIR used exchange rate from IMF on December 31, 2007, of 1.4721 to determine USD amount.
557. IRFFI, *World Bank Operations in Iraq Data Sheet*, November 30, 2007; IRFFI, *UNDG Iraq Trust Fund Newsletter*, November 2007.
558. IRFFI, IRFFI Latest News, December 13, 2007, www.irffi.org. Funding is €20 million; exchange rate from IMF on December 13, 2007 of 1.4683 used to determine USD amount.
559. European Union, “Iraq: Third Round of Negotiations for a Trade and Cooperation Agreement,” November, 27, 2007, www.europa.eu.
560. European Union, “Iraq: Third Round of Negotiations for a Trade and Cooperation Agreement,” November, 27, 2007, www.europa.eu.
561. EC, response to SIGIR data call, January 17, 2008.
562. For this Report and in the future, SIGIR will report international pledges based on data from an official U.S. government source, NEA-I. As of December 31, 2007, NEA-I reports a total of nearly \$15.826 billion in international pledge funding for Iraq reconstruction (excluding the United States). This large change from the figure reported in SIGIR’s October 2007 Quarterly Report (approximately \$18 billion) is attributable to this new reporting methodology and not driven by any specific change in total pledge figures.
563. GOI, Development Assistance Database, January 16, 2008.
564. Japan Ministry of Foreign Affairs, “Japan’s Assistance to Iraq Fact Sheet,” August 2007.
565. The Ministry of Foreign Affairs of Japan, “Emergency Grant Aid to Internally Displaced Persons in Iraq and Iraqi refugees in Neighboring Countries, Syria and Jordan, for Humanitarian Assistance,” November 6, 2007.
566. Japan Ministry of Foreign Affairs, “Japan’s Assistance to Iraq Fact Sheet,” August 2007.
567. Japan Embassy to Iraq, “Japanese ODA Loan Progress Chart,” November 2007.
568. United Kingdom, “Department for International Development Country Profiles: Iraq,” January 2, 2008.
569. IRFFI, “Statement of IRFFI Donor Committee Meeting,” October 29, 2007.
570. DoS, *Iraq Weekly Status Report*, October 31, 2007, p. 19.
571. IRFFI, “Review of the Terms of Reference for the International Reconstruction Fund Facility for Iraq – IRFFI: Final Report,” September 2007, p. 6.
572. IRFFI, “Review of the Terms of Reference for the International Reconstruction Fund Facility for Iraq – IRFFI: Final Report,” September 2007, p. 2.
573. IRFFI, “Review of the Terms of Reference for the International Reconstruction Fund Facility for Iraq – IRFFI: Final Report,” September 2007, p. 13.
574. IRFFI, “Statement of IRFFI Donor Committee Meeting,” October 29, 2007.
575. IRFFI, “Review of the Terms of Reference for the International Reconstruction Fund Facility for Iraq – IRFFI: Final Report,” September 2007, p. 2.

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576. IRFFI, "Statement of IRFFI Donor Committee Meeting," October 29, 2007.
577. UNAMI, "Compact Priority Sectors for IRFFI Projects in 2008—Working Document," Received December 18, 2007.
578. IRFFI, *World Bank Operations in Iraq Data Sheet*, November 30, 2007.
579. IRFFI, *Donor Commitments to the World Bank Iraq Trust Fund and United Nations Development Group Iraq Trust Fund*, November 30, 2007.
580. IRFFI, *Donor Commitments to the World Bank Iraq Trust Fund and United Nations Development Group Iraq Trust Fund*, November 30, 2007.
581. IRFFI, *World Bank Operations in Iraq Data Sheet*, November 30, 2007.
582. In the October 2007 Quarterly Report, SIGIR reported World Bank ITF contracted amount at \$319 million. This figure represented the total grants that had been tendered or contracted. This quarter, SIGIR reports World Bank ITF contracted amount at \$237 million—this represents the total contracted and does not include the amount tendered.
583. IRFFI, IRFFI Latest News, December 13, 2007, www.irffi.org. Note: Funding is EURO \$20 million; exchange rate from IMF on December 13, 2007 of 1.4683 used to determine USD amount.
584. IRFFI, *World Bank Operations in Iraq Data Sheet*, November 30, 2007.
585. IRFFI, *World Bank Operations in Iraq Data Sheet*, November 30, 2007.
586. IRFFI, "World Bank Operations in Iraq Trust Fund: Latest News," December 12, 2007.
587. IRFFI, "Officials and citizens celebrate opening of two new schools in Anbar," December 2007, www.irffi.org.
588. World Bank, "Iraq Country Portfolio Performance Review (CPPR)," October 23, 2007.
589. World Bank, "Iraq Country Portfolio Performance Review (CPPR)," October 23, 2007.
590. IRFFI, *Donor Commitments to the World Bank Iraq Trust Fund and United Nations Development Group Iraq Trust Fund*, November 30, 2007.
591. IRFFI, *UNDG Iraq Trust Fund Newsletter*, November 2007.
592. IRFFI, *UNDG Iraq Trust Fund Newsletter*, November 2007.
593. IRFFI, *UNDG Iraq Trust Fund Newsletter*, October 2007.
594. IRFFI, *UNDG Iraq Trust Fund Newsletter*, November 2007.
595. IRFFI, *UNDG Iraq Trust Fund Newsletter*, November 2007. Note: 2007 funding is through November 30, 2007.
596. UNDP, "Sixth Six-month Progress Report on Activities Implemented under the United Nations Development Group Iraq Trust Fund (UNDG ITF) of the International Reconstruction Fund Facility for Iraq (IRFFI), Report of the Administrative Agent of the UNDG ITF for the Period 1 January to 30 June 2007, Part One," October 19, 2007, p. iii and p.5.
597. UNDP, "Sixth Six-month Progress Report on Activities Implemented under the United Nations Development Group Iraq Trust Fund (UNDG ITF) of the International Reconstruction Fund Facility for Iraq (IRFFI), Report of the Administrative Agent of the UNDG ITF for the Period 1 January to 30 June 2007, Part One," October 19, 2007, p. iii.
598. In June 2004, MNSTC-I assumed responsibility for building the capability of Iraqi Security Forces and institutions.
599. An approach that makes one contractor responsible for both the design and construction of a project, although the selected contractor may use others to complete the work.
600. SIGIR Audit 04-004, "Task Orders Awarded by the Air Force Center for Environmental Excellence in Support of the Coalition Provisional Authority," July 28, 2004.
601. The Development Fund for Iraq (DFI) was established in May 2003 by UNSC Resolution 1483 as a means to channel revenue from Iraqi oil sales, unencumbered Oil-for-Food deposits, and repatriated Iraqi assets to the relief and reconstruction efforts for Iraq.
602. SIGIR uses funding obligations in this report to provide the basis for depicting trends in project and program costs involving both ongoing and completed projects. SIGIR refers to these obligated amounts as estimated project costs.
603. SIGIR Audit 08-001, "Interim Report on Efforts and Further Actions Needed To Implement a Financial Management Information System in Iraq," October 24, 2007.
604. Recent plans do not include actions to hire an Iraqi national for the program. For a listing of SIGIR audits and the number of recommendations per audit, see Appendix J.
605. SIGIR Audit report 08-003, "Review of the Use of Contractors in Managing Iraq Relief and Reconstruction Projects," October 29, 2007.
606. The contract had a \$500 million ceiling—\$425 million for construction, a base fee of \$15 million, and a maximum award fee of \$60 million.
607. SIGIR Audit 06-011, "Management of the Primary Healthcare Centers Construction Project," April 29, 2006.
608. Formerly referred to as focused financial audits.
609. IIGC members: SIGIR (Chair), DoS OIG (Co-Vice Chair), DoD OIG (Co-Vice Chair), Army OIG, USAID IG, Treasury OIG, Department of Commerce OIG, DCAA, USAAA, GAO (observer member), and U.S. Army Corps of Engineers Chief Audit Executive (observer member).

ACRONYMS AND DEFINITIONS

This section contains all of the abbreviations and acronyms found in the SIGIR Quarterly and Semiannual Report to the Congress.

| ACRONYM | DEFINITION |
|----------|--|
| ABOT | Al Basrah Oil Terminal |
| ACA | Army Contracting Agency |
| AFCEE | Air Force Center for Engineering and the Environment |
| ARDI | Agriculture Reconstruction and Development for Iraq |
| Army | U.S. Department of the Army |
| Army IG | Army Inspector General |
| BCT | Brigade Combat Team |
| BIA | Basrah International Airport |
| BSA | Board of Supreme Audit |
| CALL | Center for Army Lessons Learned |
| CAP | Community Action Program |
| CBI | Central Bank of Iraq |
| CBRT | Capital Budget Request and Tracking |
| CBTC | Communications-based Train Control System |
| CERP | Commander's Emergency Response Program |
| CID | U.S. Army Criminal Investigation Command |
| CID-MPFU | U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit |
| CIS | Critical Infrastructure Security |
| CLC | Concerned Local Citizen |
| CMATT | Coalition Military Assistance Training Team |
| COM | Chief of Mission |
| Compact | International Compact with Iraq |
| CoR | Council of Representatives |
| CPA | Coalition Provisional Authority |
| CPA-IG | Coalition Provisional Authority Inspector General |
| CPATT | Civilian Police Assistance Training Team |
| CPPR | Country Portfolio Performance Review (World Bank) |
| CSP | Community Stabilization Program |
| DAD | Development Assistance Database |
| DBE | Department of Border Enforcement |
| DCAA | Defense Contract Audit Agency |
| DCIS | Defense Criminal Investigative Service |
| DCMA | Defense Contract Management Agency |
| DFI | Development Fund for Iraq |
| DFID | Department for International Development (United Kingdom) |
| DMRCN | Digital Microwave Radio Communication Network |

ACRONYMS & DEFINITIONS

| ACRONYM | DEFINITION |
|---------|---|
| DoD | Department of Defense |
| DoD OIG | Department of Defense Office of Inspector General |
| DoJ | Department of Justice |
| DoL | Department of Labor |
| DoS | Department of State |
| DoS OIG | Department of State Office of Inspector General |
| DynCorp | DynCorp International LLC |
| EC | European Commission |
| EFT | Electronic Funds Transfer |
| EG | Economic Governance (USAID) |
| ePRT | Embedded Provincial Reconstruction Team |
| ESF | Economic Support Fund |
| FBI | Federal Bureau of Investigation |
| FMIS | Financial Management Information System |
| FOB | Forward Operating Base |
| FY | Fiscal Year |
| GAO | Government Accountability Office |
| GDP | Gross Domestic Product |
| GOI | Government of Iraq |
| GRC | Gulf Region Central |
| GRD | Gulf Region Division |
| GRN | Gulf Region North |
| GWOT | Global War on Terror |
| HJC | Higher Judicial Council |
| ICCTF | International Contract Corruption Task Force |
| ICE | Immigration and Customs Enforcement |
| IDA | International Development Association (World Bank) |
| IDP | Internally Displaced Person |
| IED | Improvised Explosive Device |
| IFF | Iraq Freedom Fund |
| IFMIS | Iraq Financial Management Information System |
| IG | Inspector General |
| IIGC | Iraq Inspectors General Council |
| IMF | International Monetary Fund |
| INCLE | International Narcotics Control and Law Enforcement Fund (INL) |
| INL | Bureau of International Narcotics and Law Enforcement Affairs (DoS) |
| IOM | International Organization for Migration |
| IPA | International Police Advisor |
| IPS | Iraqi Police Service |
| IRAP | Iraq Rapid Assistance Program |
| IRFFI | International Reconstruction Fund Facility for Iraq |
| IRMS | Iraq Reconstruction Management System |
| IRR | Iraq Republic Railway |
| IRRF | Iraq Relief and Reconstruction Fund |

| ACRONYM | DEFINITION |
|---------|--|
| IRRF 1 | Iraq Relief and Reconstruction Fund |
| IRRF 2 | Iraq Relief and Reconstruction Fund |
| IRS-CID | Internal Revenue Service, Criminal Investigation Division |
| ISF | Iraqi Security Forces |
| ISFF | Iraq Security Forces Fund |
| ISP | Infrastructure Security Protection |
| ITAO | Iraq Transition Assistance Office |
| ITF | Iraq Trust Fund |
| IWC | International Working Committee |
| JCC-I/A | Joint Contracting Command-Iraq/Afghanistan |
| JCTSR | Joint Committee to Transfer Security Responsibility |
| JOC | Joint Operations Center |
| JPS | Judicial Protection Service |
| KBR | Kellogg Brown and Root Services, Inc. |
| km | Kilometer |
| KRG | Kurdistan Regional Government |
| kV | Kilovolt |
| LADP | Local Area Development Programme |
| LGP | Local Governance Program |
| LOGCAP | Logistics Civil Augmentation Program |
| LPG | Liquefied Petroleum Gas |
| MAAWS | Money as a Weapon System |
| MBPD | Million Barrels Per Day |
| MMPW | Ministry of Municipalities and Public Works |
| MNC-I | Multi-National Corps-Iraq |
| MND | Multi-National Division |
| MNF-I | Multi-National Force-Iraq |
| MNSTC-I | Multi-National Security Transition Command-Iraq |
| MOD | Ministry of Defense |
| MoDM | Ministry of Displacement and Migration |
| MOE | Ministry of Electricity |
| MOF | Ministry of Finance |
| MOI | Ministry of Interior |
| MOO | Ministry of Oil |
| MoPDC | Ministry of Planning and Development Cooperation |
| MOSQ | Military Occupational Specialty Qualification |
| MOU | Memorandum of Understanding |
| MW | Megawatt |
| MWh | Megawatt-hour |
| NCCMD | National Center for Consultancy and Management Development |
| NCD | National Capacity Development Program |
| NDAA | National Defense Authorization Act |
| NDS | National Development Strategy |

ACRONYMS & DEFINITIONS

| ACRONYM | DEFINITION |
|----------|--|
| NEA-I | Bureau of Near Eastern Affairs-Iraq (DoS) |
| NET | National Embassy Team |
| NGO | Nongovernmental Organization |
| NP | National Police |
| NPFTF | National Procurement Fraud Task Force |
| O&M | Operations and Maintenance |
| ODA | Official Development Assistance (Japan) |
| OMB | Office of Management and Budget |
| P.L. | Public Law |
| PAC | Procurement Assistance Center (Iraqi) |
| PCO | Project and Contracting Office |
| PDS | Public Distribution System |
| PEG | Provincial Economic Growth |
| PEZ | Pipeline Exclusion Zone |
| PHC | Primary Healthcare Center |
| PIC | Provincial Iraqi Control |
| PMO | Program Management Office |
| POE | Directorate of Ports of Entry |
| PRDC | Provincial Reconstruction Development Council |
| PRT | Provincial Reconstruction Team |
| PTT | Police Transition Team |
| QA | Quality Assurance |
| QC | Quality Control |
| QM | Quality Management |
| QRF | Quick Response Fund |
| REA | Request for Equitable Adjustment |
| SBA | Stand-By Arrangement (IMF) |
| SIB | Strategic Infrastructure Battalion |
| SIGAR | Special Inspector General for Afghanistan Reconstruction |
| SIGIR | Special Inspector General for Iraq Reconstruction |
| SOE | State-owned Enterprise |
| TCA | Trade and Cooperation Agreement |
| TF-BSO | Task Force to Improve Business and Stability Operations |
| Treasury | U.S. Department of Treasury |
| UK | United Kingdom |
| UN | United Nations |
| UNAMI | UN Assistance Mission for Iraq |
| UNDG | United Nations Development Group |
| UNDG ITF | United Nations Development Group Iraq Trust Fund |
| UNDP | United Nations Development Programme |
| UNHCR | United Nations High Commissioner for Refugees |
| UNOPS | United Nations Office of Project Services |
| USAAA | U.S. Army Audit Agency |
| USACE | U.S. Army Corps of Engineers |

| ACRONYM | DEFINITION |
|----------------|---|
| USAID | U.S. Agency for International Development |
| USAID OIG | U.S. Agency for International Development Office of Inspector General |
| USDA | U.S. Department of Agriculture |
| USIP | U.S. Institute of Peace |
| WFP | World Food Programme |
| World Bank ITF | World Bank Iraq Trust Fund |