
Measuring Stability and Security in Iraq

September 2007

Report to Congress

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Executive Summary

This report to Congress, Measuring Stability and Security in Iraq, is submitted pursuant to Section 9010 of the Department of Defense Appropriations Act 2007, Public Law 109-289. The report includes specific performance indicators and measures of progress toward political, economic, and security stability in Iraq, as directed in that legislation. This is the ninth in a series of reports on this subject. The most recent report was submitted in June 2007. The report complements other reports and information about Iraq provided to Congress and is not intended as a single source of all information about the combined efforts or the future strategy of the United States, its Coalition partners, or Iraq.

The strategic goal of the United States in Iraq remains a unified, democratic Iraq that can govern, defend and sustain itself and is an ally in the war on terror. This report measures progress towards, and setbacks from, achieving that goal during the reporting period (June through August 2007). This period saw full implementation of the *New Way Forward* during which all U.S. “surge” brigades and combat enablers became available to operate in Baghdad and surrounding areas. Despite the decision to temporarily increase force levels in Iraq to help the Iraqi government provide security to its population, it remains the policy of the United States and its Coalition partners to transition security responsibility to the Government of Iraq over time.

The final “surge” brigade deployed to Iraq in mid-June and quickly became part of the overall effort to provide increased population security in Baghdad and surrounding areas. Another 4,000 Marines also deployed to Anbar Province. With the full complement of forces available to commanders, offensive operations such as “Operation Phantom Thunder” seized the initiative to disrupt al Qaeda and militias operating in Baghdad and the surrounding “belts.” Additionally, with increased force levels, Iraqi and Coalition forces were able to clear and hold tough neighborhoods in Baghdad, with a main effort focused on the East Rashid district. Three additional Iraqi Army brigades have remained in Baghdad to conduct security operations, a marked

contrast from efforts in 2006 to improve Baghdad security when a number of Ministry of Defense units proved incapable of sustained deployment. The Iraqi military and police forces also showed their improved capabilities by successfully planning and executing security for the March of the 7th Imam pilgrimage to Baghdad in early August without incident.

As a result of these efforts, there are improvements in measures of security; for example, sectarian killings and civilian casualties have decreased. Other indicators, such as the ability to carry out functions of daily life (shopping in a market, taking children to school), also show some improvement. Since July, statistically significant trends in total attacks have emerged and have been sustained, which reflects a substantial improvement in overall security. Overall, there continues to be a downward trend in total attack incidents with eight of the past 11 weeks since June 15, 2007 showing decreases down to August 2006 levels. Sunni tribal resistance to al Qaeda in Iraq (AQI) in western Iraq continues to complement Coalition efforts to force AQI out of areas it previously dominated. As a result, violence in Anbar continued to decrease markedly during the reporting period, and Iraqi citizens are increasingly providing information about insurgent operations to the Iraqi forces. In addition, the anti-AQI tribal movement has begun to spread beyond Anbar into other provinces to include the outer belts of Baghdad, Baqubah

and Salah ad Din. This phenomenon has led to talks between Shi'a and Sunni tribal leaders, creating an opportunity for "bottom-up reconciliation." For this reporting period, attacks against mosques such as the Samarra Mosque bombing on June 13 and the Al-Khailani Mosque bombing in Rusafa on June 19 failed to provoke widespread ethno-sectarian violence. Such AQI operations are likely to continue.

Political progress is at a critical juncture. The consequences of the Iraqi government's previous indecisiveness and inaction include the loss of confidence by segments of the Iraqi public, and more importantly, the failure to invest in the emerging provincial reconciliation in Anbar and other areas by providing essential services that would secure the support of new groups as they enter the political process. The counterinsurgency operations associated with Operation Phantom Thunder have started to create the security conditions that will allow the Government of Iraq to implement reforms and pursue reconciliation initiatives. However, little political progress and reconciliation at the national level (as expressed in major legislative advances) occurred during this quarter. With the Iraqi parliament adjourning for August recess, followed closely by the Ramadan religious holiday period, key reconciliation legislation such as the Hydrocarbon Law, and progress on Article 140 (Kirkuk) will probably remain stalled in the near term. The recent Iraqi Leaders' Conference resulted in encouraging outcomes including a general agreement on a way forward on de-Ba'athification reform and Provincial Powers legislation, although work remains to be done on the details. Prospects for success in the near term hinge upon the return of key political blocs to the Maliki government. At the local and provincial levels, however, there are more indications

of progress as tribal cooperation with the Coalition and the government has allowed numerous governance and economic initiatives to move forward. Provincial Reconstruction Teams (PRTs), operating alongside their military counterparts, are helping to enhance local and provincial administrative capacity.

While security concerns remain the primary obstacle to economic growth, several positive developments have recently emerged during this period. In Sharm El-Sheikh, Egypt on May 3, more than 70 countries and international organizations endorsed the International Compact with Iraq (ICI), under which Iraq committed to comprehensive economic and governance reforms. On July 20, Iraq and the UN submitted their first ICI mid-year progress report, finding that Iraq is making progress on more than two-thirds of its ICI goals. On August 1, the International Monetary Fund (IMF) completed its fifth review of Iraq's performance under the Stand-By Arrangement (SBA), in which most of the Directors praised the GoI's compliance with the SBA under such trying conditions, while at the same time voicing concerns about the lack of data provided by the Kurdish region. Additionally, the Central Bank of Iraq's tight monetary policy continued to largely mitigate the acceleration of the rate of inflation, though IMF staff recognizes that monetary tightening plays only a limited role in affecting inflation outcomes. The Department of Defense continued to help the GoI revitalize certain state-owned enterprises to increase employment and make them more attractive for privatization. Oil production, the principal economic driver in Iraq, remained at about the same levels as the last quarter due to poor infrastructure and inadequate security, though Iraq is projected to exceed its targeted revenues for the year. Additional efforts will be needed

to build the capacity of Iraqi ministries and provinces to execute their capital investment budgets, particularly for the oil sector. There was some progress made in improving state-provided electricity, with Iraq's electricity plants reaching a record of 5,423 megawatts (MW) of peak power on August 21, in addition to 32 other days of power production over 5,000 MW since June 1.

As for the status of Iraqi security forces, this period saw further improvement in the maturation of the Army and, to a lesser degree, the police. The United States, its Coalition partners and the Iraqi government continued to expand the size and capability of the Iraqi forces to meet emerging requirements. As of September 3, 2007, approximately 359,600 Iraqi personnel had received U.S.-funded training and equipment against a current train-and-equip authorization of 390,000. Given the persistence of violence by insurgents, terrorists and militias, the Iraqi forces will require additional force structure, continued training, seasoning and equipment to be able to assume missions from Coalition forces. Several factors will continue to hinder the development of a unified, nonsectarian force capable of independently providing security for the nation. Some of the areas being addressed to increase Iraqi force capabilities include the creation of additional units under PM Maliki's expansion plan, reform of the Ministry of Interior (MoI) forces, development of Ministry of Defense (MoD)

and MoI logistics and administrative capabilities, development of combat enablers for the military forces, and development of junior leaders. However, Shi'a militia control over significant portions of southern Iraq and Baghdad competes with legitimate Iraqi forces for popular trust, and in some cases, causes increases in sectarian behavior by these security forces.

In summary, additional forces needed to implement the *New Way Forward* arrived in Iraq during this reporting period and the surge has, since mid-June, placed greater numbers of Coalition and Iraqi Security Forces that are focused on securing the population into areas of Iraq that had been without sufficient security force presence. Through synchronized operations, Coalition and Iraqi forces have established tactical and operational momentum, and are having a significant impact on the overall security situation. In cooperation with tribal leaders, progress is being made against AQI and Shi'a militias. New initiatives, such as enhanced PRTs embedded with Brigade Combat Teams, have begun to make progress at the local level, but challenges remain at the national level. The outcomes from securing the population and advancing the legislative agenda still depend, to a great degree, on the ability of the Iraqi government to promote an environment of reconciliation and trust.

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Section 1—Stability and Security

1.1 Political Stability

During this reporting period, Iraqi political leaders made little progress on critical issues such as revising the Iraqi constitution and on key legislation intended to promote national reconciliation. The *New Way Forward* that President Bush announced in January 2007 puts greater emphasis on the diplomatic, political, and economic steps to be pursued along with security operations to bring about stability and security in Iraq. The focus remains on intensified efforts to protect the population and secure turbulent areas to give Iraqis political space to implement reforms and pursue reconciliation. These efforts are not intended to substitute for increased Iraqi responsibility for managing its affairs, but to support its ability to do so. National polls show that most Iraqis continue to believe that Iraq should remain a unified state; only one third¹ of Iraqi people say that they would be better off if the country were divided into three or more regions that better reflected ethnic or sectarian populations, and those who most strongly oppose division are found in the regions of greatest sectarian mixing. Those areas with the strongest sectarian homogeneity (northern and southern Iraq) are most interested in division. Continued violence, however, reinforces sectarian tensions that undermine reconciliation. Moreover, Iraqi political leaders remain wedded to their constituencies and are increasingly uncertain about expending political capital on the necessary compromises to foster reconciliation. Iraqi political divisions were further complicated in July by the withdrawal of the Sunni Tawafuq bloc's ministers and parliamentarians from the Iraqi government. Locally generated accommodations and limited immunity are creating the most positive options for bridging sectarian lines, as national leaders are only now beginning to

realize the potential these offer towards political stability on a larger scale. However, in the short term, Iraqi political leaders will likely be less concerned about reconciliation than with consolidating power and posturing for a future power struggle.

National Reconciliation

National reconciliation is an essential element for long-term stability in a representative Iraq. Despite security improvements during this reporting period, political reconciliation has shown little progress. Major impediments include a developing political system and inherent distrust due to Saddam's rule; this is a continuing challenge to political leaders as they consider reconciliation options. To advance reconciliation, the U.S. Government is working with the Government of Iraq to promote both "top-down" as well as "bottom-up" efforts. "Top-down" efforts focus on passage of key legislation intended to foster reconciliation, and establishment of the Iraqi Follow-on Committee for National Reconciliation to focus on reconciliation policy, but little progress has occurred overall on top-down reconciliation this quarter. "Bottom-up" reconciliation efforts include the expanded Provincial Reconstruction Team efforts to promote local and provincial capacity development and near-term economic initiatives. A central focus is to transcend regional, sectarian, and tribal divisions by bringing reconcilable elements into a process of accommodation and by isolating irreconcilable groups. Iraq's major sectarian groups are making some effort to overcome divisions. For example, the response to the June 13, 2007 bombing of the al-Askari Mosque in Samarra included unified statements from various leaders condemning the act and calling for calm. Despite these

efforts for national reconciliation, non-Muslim minorities such as Christians and Yezidis are especially vulnerable in Iraq's current violent climate, causing some to flee to neighboring countries.

Political Commitments

The consensus nature of Iraqi politics, the checks and balances built into the system of Iraqi governance, and the zero-sum mentality of Iraqi political leaders has hindered, and at times prevented, progress on key legislation. The Council of Representatives (CoR) continues to miss Iraqi constitutional and legislative deadlines. As of this reporting period, the Presidency Council and the Prime Minister have not achieved consensus on key controversial issues, but negotiations continue. Iraq's Council of Representatives—which had previously planned a two-month recess—voted on July 8 to extend the term through July 31 and for working sessions to last six days a week from July 16 through July 31. The subsequent resignation of six Sunni ministers from the Tawafuq bloc and the Iraqi National list bloc has complicated efforts to reach consensus among Iraq's three major ethno-religious groups on key issues. The August 26, 2007 Leaders' Conference among the top Shi'a, Sunni and Kurdish leaders produced an encouraging outcome. The participants issued a communiqué that contained Prime Minister Maliki's agreement to consult more with Sunni and Kurdish leaders; a general agreement on a way forward on de-Ba'athification reform and Provincial Powers legislation; and acknowledgment of the importance of the presence of the Multinational Forces. The CoR will begin a new session in early September to attempt to work toward accommodation on important legislation, although little further progress is expected during the mid-September through

mid-October Ramadan season. Key legislation includes:

A Package of Hydrocarbon Laws. This package is intended to enable all Iraqis to benefit from the nation's petroleum resources and to attract investment to the oil sector. A basic framework law and three supporting implementing laws are required to manage revenues, to re-organize the Oil Ministry, and to establish an Iraq National Oil Company. In practice, the GoI is already providing much of the hydrocarbon revenue to the citizens of Iraq through ministry and provincial programs. While the distribution of the revenues has been uneven, it nonetheless demonstrates that, absent formal legislation, the positive effects sought in the national legislation are being achieved. The Council of Ministers (CoM) approved the Hydrocarbon Framework Law on July 2, 2007, and submitted it to the Council of Representatives, but without Tawafuq approval. The GoI and the Kurdistan Regional Government (KRG) have continued to debate the latest draft of the Framework Law; the Kurds maintain that the draft that emerged from the CoR in July has undergone substantive changes from the Shura Council document agreed to in February. The Chair of the CoR's Oil and Gas Committee said on July 8 that there would not be a first reading of the draft in the legislature until the Kurds and Shi'a agree on a draft. The Shi'a coalition in the parliament and the KRG have reached an agreement on the final text for the Revenue Management Law, which must now be approved by the CoM. The parties continue to negotiate. Meanwhile, on August 6, the KRG parliament unanimously approved an autonomous region's oil law, signaling that the Kurds are moving forward with their own petroleum policy as Iraq's federal oil plans lag.

A De-Ba'athification Law.

De-Ba'athification reform remains politically sensitive as it involves competing conceptions of justice, accountability, reconciliation, and economic compensation. Although Prime Minister Maliki and President Talabani signed a cover letter in March 2007 affirming political support for a draft de-Ba'athification law, reaching consensus and compromise is proving difficult. Shi'a parties believe, for example, that the current package contains inadequate compensation for Shi'a victims of Ba'athism. The Council of Ministers recently approved a draft law incorporating the ideas of both Vice Presidents and supported by the Prime Minister. That draft is currently in the State Council for review. Passage of the new draft could take time because compromise will still be necessary, and a law that is not broadly supported would adversely affect prospects for reconciliation. The recent Iraqi Leaders' Conference included a way forward on de-Ba'athification reform although work remains to be done on the details. It is too early to tell if this agreement will lead to the speedy enactment of this important law. Despite the delay in enactment of national de-Ba'athification legislation, there is still a significant amount of outreach to Sunnis, and this outreach had led to increased volunteerism on the part of the Sunni community to fight al Qaeda in Iraq (AQI), to serve under the democratically elected central government, and to provide former government officials pensions. While these efforts would have been better executed under formal de-Ba'athification legislation, these local efforts create a similar effect.

A Constitutional Review. Iraq's Constitutional Review Committee (CRC) began work on November 15, 2006 on recommendations for amendments to the Constitution. On May 23, 2007, the CRC

described the elements of a "semi-final" report to the CoR that spells out the nature of the committee's work and outstanding issues, and requested an extension for its final report, given that it missed its May 15 deadline. On June 23, 2007, the CoR voted to extend the deadline to the end of September. The outstanding issues reflect longstanding political disagreements among the CoR's political blocs on Presidential powers, the powers of the regions versus the central government, and the status of disputed territories including Kirkuk under Article 140 of the Constitution. Progress on Article 140 has not occurred as normalization—the compensation of Arabs willing to leave Kirkuk and the adjustment of provincial boundaries changed under the Saddam regime—is proceeding slowly, with the first group of Arab families resettled in June. There has been no progress on the constitutionally required census and referendum. The Kurds continue to push for reinvigoration of the stalled process but the Sunni Arabs and Turkomen continue to boycott the city council and object to unilateral Kurdish actions to control local governance and security.

Provincial Election and Powers Laws.

Drafting a law that sets the date for provincial and local elections has been delayed until the September 2007 legislative session. Although Prime Minister Maliki has stated that Provincial Iraqi elections will be held in 2007, it is now unlikely that they will occur until at least March 2008. As of this reporting period, candidate lists for Governorate Electoral Officer for nine of the eighteen Governorates had been submitted to the CoR and forwarded to the Independent High Electoral Commission (IHEC). Prime Minister Maliki's office continues to work on a Provincial Election Law but has yet to release a draft. The U.S. Embassy continued engagement efforts to advance

this issue. The IHEC, which was established on April 28, 2007, continues to focus on resolving logistical and security issues. The IHEC has agreed to purchase the Public Distribution System database from the Ministry of Trade used for nationwide food rationing and will convert these data to a voter registration database, a key prerequisite for provincial elections. In cooperation with the United Nations (UN), the U.S. Government is providing program support to the new IHEC in three areas: building staff capacity, particularly in public outreach and internal organization; building database capacity that will support new registration; and establishing provincial, district, and precinct-level election bodies. A Provincial Powers Law that defines the relationship between provincial governments and the central government has been read twice in the CoR. This law is not required for local or provincial elections, although the GoI reportedly intends to implement it before provincial elections are held. The recent Iraqi Leaders' Conference resulted in agreement on pressing ahead with Provincial Powers legislation but details have yet to be worked out. The lack of a budget for elections as well as the large number of internally displaced persons—about two million—complicates the holding of elections.

Government Reform

During this quarter, the U.S. Government continued to expand efforts to assist Iraqi governmental reform through development of ministerial capacity and through engagement by Provincial Reconstruction Teams (PRTs) with provincial and local governments to build capacity, energy infrastructure integrity, rule of law, and counter-corruption efforts. These efforts aim to help the GoI build strong democratic institutions that impartially serve all Iraqis, foster conditions for national reconciliation,

and transcend regional, sectarian and tribal divisions.

Ministerial Capacity Development

Iraqi ministries responsible for delivery of basic services require significant improvement in their ability to fund, manage and implement projects. This will require additional assistance to build ministerial capacity through efforts of advisors and trainers. These efforts are supported by the State Department's Iraq Transition Assistance Office (ITAO) and the U.S. Agency for International Development's (USAID's) National Capacity Development program, which trains Iraqi civil servants in modern management and places advisors in key ministries to provide technical assistance to improve day-to-day operations. USAID's three-year, US\$165 million program supports multiple training programs in project management, leadership skills, procurement, English, and budgeting and budget process management. US\$65 million has been obligated to date.

Provincial Reconstruction Teams (PRTs)

PRTs are a mainstay of decentralized U.S. efforts to build the capacity of Iraq's local, municipal, and provincial governments to deliver goods and services to the Iraqi people. The establishment of ten new Embedded PRTs (ePRTs), which represents the civilian side of the "surge," is a key component of the President's *New Way Forward*. The ePRTs are now partnered with Brigade and Regimental Combat Teams and are engaging local Iraqi leaders in government, business, and civil society. As the first ePRT personnel deployed less than five months ago, it is too soon to assess their overall impact.² Early reports are encouraging; PRTs played a significant and positive role in the reopening of a granary in Baqubah, increasing the local employment opportunities and the availability of food.

The Ninewa PRT helped establish the Mosul branch of the Central Criminal Court of Iraq (CCCI) to adjudicate terrorism cases. Since the Court opened, 173 cases have been tried, resulting in 96 convictions and 77 acquittals. The Baghdad PRT assisted the Provincial Reconstruction Development Committee to approve 68 infrastructure projects worth US\$110M. As of July 2007, 42 projects valued at US\$81M have been awarded for the construction. The Anbar PRT helped reconnect broken lines of communication between the central Iraqi government in Baghdad and the Anbar provincial government. The Governor is now able to directly advocate for the needs of his province with the Prime Minister, cabinet ministers, and executive branch leaders. Multi-National Corps-Iraq (MNC-I) has requested four new ePRTs for the Baghdad area and another one for Wasit Province, indicating the importance that military commanders place on having additional interagency support to complement security operations.

Rule of Law

During this reporting period, Coalition and Iraqi efforts to build the judiciary showed considerable improvement. The Law and Order Task Force (LAOTF) established by Multi-National Force-Iraq (MNF-I), drawing on support from the Department of Justice (DoJ) and the Department of State (DoS), is assisting the efforts to develop Iraqi capacity for independent, evidence-based, and transparent investigation and trial of terrorism and other major crimes in the CCCI.³ The Rule of Law Complex (ROLC) that the GoI and MNF-I established in Baghdad earlier this year became fully operational during this reporting period and is now conducting trials. Iraqi judges have generally been professional, reliable, non-sectarian partners in the effort to return the rule of law to Iraq and are favorably viewed

by most Iraqis. However, 31 of Iraq's approximately 1,100 judges have been assassinated during the last three years, contributing to low rates of prosecution of terrorist-related cases. The United States continues to support efforts to work with the Higher Juridical Council (HJC) on programs to address the growing problems associated with local intimidation of the Iraqi judiciary. Since the last report, the HJC has begun directing Judicial Review Teams (JRTs) on its own initiative, frequently without Coalition logistic or security support, to overcrowded detention facilities in and around Baghdad. In addition, Coalition advisors are assisting in the establishment of Major Crimes Courts (MCC), modeled on the CCCI concept in several provinces such as in Hillah and Basrah, to assist in prosecution of local cases with permanently assigned judges who hear cases. Another MCC in Mosul is staffed by "circuit riders" from CCCI Baghdad who visit Mosul periodically to hear cases. Since its establishment in December 2006, four panels have tried approximately 200 cases resulting in almost 100 convictions including 20 death sentences and over 30 life sentences. In July 2007, the fifth panel of judges visited Mosul. In addition, MCCs in Tikrit, Kirkuk and Kirkush are being established and should begin hearing cases this year.

Recent improvements in the security situation in Anbar Province appear to be helping to reinvigorate its criminal justice system. Since the last report, Anbar Investigative Judges have resumed reviewing criminal cases. In addition, a JRT visited Fallujah in June to review cases and ordered 259 detainees to remain in detention pending additional investigation, referring another six cases to trial. Planning continues to identify an appropriate location for a newly authorized Anbar MCC to convene trials in August.

Infrastructure Integrity

The Energy Fusion Cell (EFC) is attempting to facilitate coordination among Iraqi ministries to improve the protection of Iraq's critical infrastructure, which is important to increasing the supply of essential services such as electricity. Participation by the key Iraqi ministries remains inconsistent.

Counter-Corruption Efforts

U.S. advisors continued to work with the World Bank and other international institutions to support Iraq's Commission on Public Integrity (CPI), Board of Supreme Audit (BSA), and the Inspectors General (IGs) within the government ministries. On May 16, 2007 Prime Minister Maliki, representatives of the Council of Ministers, the High Court, the BSA, the CPI, and the IGs signed a charter for a new GoI council to advise the Prime Minister on ways to promote the rule of law and fight corruption. The charter is a commitment by the GoI to increase intra-Iraqi government cooperation in fighting corruption. In addition, on July 19, the Council of Ministers ratified the 2004 UN Convention Against Corruption.

Transnational Issues

During this reporting period, the United States continued to encourage support for Iraq by its neighbors, the region, and the international community. The primary concern is ensuring the territorial integrity of Iraq and eliminating negative Iranian and Syrian activity in Iraq. Efforts to build on the success of the May 3-4, 2007 meetings that Egypt hosted for the International Compact with Iraq and the Iraq Neighbors Ministerial, such as working group meetings among countries in the region on energy and refugee issues, show some progress. Iran and Syria, however, continued to support lethal and unlawful activities in Iraq during this reporting period.

Neighbors Conference Follow-up

Building on the momentum established by the May Neighbors Conference, regional working groups formed at the conference have begun their activities. Turkey hosted the Energy Working Group June 28-29, 2007. Jordan hosted the Refugee Working Group on July 26, 2007 to expand assistance to the estimated two million Iraqi refugees in the region and announced that Iraqi refugee children would be admitted to Jordanian public schools regardless of the residency status of their parents. At a related conference on Iraqi Refugee Health held in Damascus July 29-30, Jordan and Syria reaffirmed their commitment to providing primary and emergency health care to Iraqi refugees in their countries. Syria hosted a Border Security Working Group in Damascus on August 8-9, 2007 and granted observer status to all P5 members (Five permanent members of the UN Security Council). Saudi Arabia's recent announcement that it will assess whether to reopen its Embassy in Baghdad could complement progress in Neighbors Conference follow-up activity.

International Compact with Iraq

Since the International Compact with Iraq (ICI) was launched on May 3, 2007, a Secretariat for monitoring progress on some 400 follow-up actions under the ICI has been established. The director of the ICI Secretariat has created a database to track the status of these actions.⁴ The World Bank is providing technical assistance to set up the database, and donor nations have been instructed to provide inputs about how their programs support the ICI action items. On July 20, the first progress report was presented at the UN, finding that Iraq is making progress with more than two-thirds of its ICI goals. Representatives of more than 70 countries participated in the review

session; many reconfirmed their assistance or debt relief commitments.

Iranian Influence

There has been no decrease in Iranian training and funding of illegal Shi'a militias in Iraq that attack Iraqi and Coalition forces and civilians. Of particular concern are the assassinations of the Governors of Qadisiyah and Muthanna Provinces during August 2007 in improvised explosive device attacks believed to have been conducted by Iranian-influenced extremist groups. Tehran's support for these groups is one of the greatest impediments to progress on reconciliation. In meetings hosted by Prime Minister Maliki, the United States and Iran have held three rounds of talks on Iraq security since May 2007. On July 24, Ambassador Crocker met with his Iranian counterpart for trilateral security talks to discuss how the United States and Iran can help Iraq to improve conditions in the country, particularly security conditions. The U.S. delegation emphasized a number of specific concerns about Iranian behavior in Iraq, including its provision of weapons, funding, training, and guidance to militias that are fighting both the Iraqi and Coalition forces and killing innocent Iraqi civilians. Most of the explosives and ammunition used by these groups are provided by the Iranian Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF). The recent National Intelligence Estimate on Iraq notes that Iran has been "intensifying aspects of its lethal support for select Shi'a militants" since at least the beginning of 2006 and notes that explosively formed penetrator (EFP) attacks have risen dramatically. For the period of June through the end of August, EFP events are projected to rise by 39% over the period of March through May. Ambassador Crocker made clear that IRGC-QF's lethal activities need to cease,

and that Iraq and the Coalition would be looking for results. A security sub-committee subsequently met on August 6, 2007 in Baghdad as part of an ongoing effort to change Iranian behavior. To improve diplomatic relations between Iran and Iraq, Prime Minister Maliki made his second official visit to Iran in August to meet with Iranian leadership.

Syrian Influence

Terrorists and foreign fighters continue to find sanctuary, border transit opportunities, and logistical support in Syria. Syria has not made sufficient efforts to combat cross-border terrorist movements; it focuses on arresting only Iraq-bound terrorists who pose a threat to Syrian interests. Approximately 90% of suicide bombers in Iraq are foreign fighters, and most continue to use Syria as their main transit route to Iraq. This network funnels about 50 to 80 suicide bombers per month into Iraq to conduct operations. Since January, there have been nearly 280 suicide attacks, accounting for nearly 5,500 deaths, mostly of innocent Iraqi civilians. Additionally, Syria continues to serve as an organizational and coordination hub for elements of the former Iraqi regime.

Tensions on the Border with Turkey

Turkey's primary concerns regarding Iraq continue to be terrorism conducted by the Kurdistan Peoples Congress (KKG, formerly Kurdistan Worker's Party (PKK)) from camps in northern Iraq, increased Kurdish autonomy from the Iraqi central government, and the final status of the oil-rich city of Kirkuk. While tension rose prior to Turkey's July 22 parliamentary election, the Iraqi-Turkish relationship is marked by continued, albeit sporadic, diplomatic efforts. In August, Prime Minister Maliki accepted an invitation from Turkish Prime Minister Erdogan to visit Turkey. During the visit, Maliki and Erdogan signed a

Memorandum of Understanding (MOU) to end the presence of the KGK in Iraq and Maliki declared the KGK a terrorist organization for the first time. Turkey has also hosted the Neighbors Conference working group on energy, and participates in the border security and refugee working groups.

Conclusion

Improved security and stability is not enough to win the counterinsurgency. Political progress must also be achieved to reinforce and complement progress in securing the Iraqi population. There has

been little national-level political progress in passing key legislation and implementing government reform. Efforts within Iraq's political process to seek consensus remain complicated by continued sectarian divisions and violence that exacerbates those divisions. The most promising developments are occurring at the local level through "bottom-up" reconciliation involving the development of local leaders and local governance capacity. Efforts to build regional and international support for the re-integration of Iraq into the region and world economy will require continued focus.

1.2 Economic Activity

Some positive economic developments continued during this reporting period, most notably improvements in budget execution by the central government, some provinces, and the successful review by the International Monetary Fund (IMF) of Iraq's Stand-By Arrangement (SBA). These improvements are not yet translating into broadly measurable improved living conditions. Oil production, which generates almost all of the government's budgetary revenues, remained constant at about two million barrels per day. The budget execution rates for Iraq's US\$10 billion 2007 budget, mainly for capital investments in infrastructure to improve essential services, have sharply improved over 2006 and are expected to significantly surpass 2006 results by the year's end. Even if the full amount is obligated, spending units will not likely execute all of these funds by the end of 2007. Lack of oil investment and security remain the primary obstacles to economic growth. Fundamental structural problems remain to be rectified to enable sustained progress, and the GoI will have to maintain and accelerate its economic reform program, build a strong private sector, and attract greater foreign investment to achieve long-term economic stability.

Budget Execution

To support economic growth and improve delivery of essential services, the GoI will need to make significant investments in the oil sector, public works, and agriculture. The government ministries' ability to spend their investment budgets is a key determinant of whether all Iraqis receive essential services. The GoI's ability to execute its capital investment budgets remains hindered by lack of capacity in contracting, timely release of funding, and convoluted guidance in execution instructions, but the overall trend continues to be positive. Recently

available data indicate that, by the inclusion of Iraqi-funded U.S. Foreign Military Sales (FMS) cases and the Accelerated Reconstruction and Development Fund, the Iraqi government executed 78% of its total budget in 2006. In 2006, although it effectively paid salaries, wages and pensions, the government executed only 22% of its non-provincial capital investment budget and only 3% of its oil sector investment budget. Most provinces are making significant progress in committing capital spending, with an average commitment rate of 47% through August, but those with security challenges still lag.

Full implementation of the Iraqi Financial Management Information System (FMIS), which is designed to provide real-time data and improve the GoI's budgetary management and transparency, had been previously projected for the end of 2008. Suspension of U.S. support for FMIS in reaction to the GoI's passive rejection of the program will delay implementation, and the GoI will return to manual bookkeeping.

In the previous quarter, the U.S. Government discussed with the GoI using Section 607 of the Foreign Assistance Act of 1961, as amended, to furnish commodities and services (such as infrastructure construction for the ministries or fuels for importation into Iraq) using GoI funds. The GoI does not, however, intend to enter into a Section 607 agreement at this time, citing the need to develop GoI capability to execute these functions without relying on USG contracting assistance.

IMF Stand-By Arrangement and Debt Relief

The IMF extended Iraq's Stand-By Arrangement (SBA) to December 2007 during a review concluded by the IMF Executive Board on August 1, 2007. The GoI continued to reform subsidies in line

with its commitments under the SBA, and most of the Directors praised the GoI's compliance with the SBA under such trying conditions, while voicing concerns about the lack of data provision from the Kurdish region. On July 1, 2007, the Ministry of Oil implemented fuel price increases for regular gasoline, blended gasoline, and diesel. The regulated price of regular gasoline in Iraq increased from about 300 dinars (~US\$0.23) to 400 dinars per liter, while premium gasoline increased from 400 dinars to about 450 dinars (~US\$0.35) per liter. Iraq must maintain continuous coverage and satisfactory performance under this and successor SBAs with the IMF to qualify for relief from the final 20% tranche of debt relief at the end of 2008. Iraq has already earned two 30% tranches of debt relief under its agreement with the Paris Club for a total of 80% in debt reduction. Iraq's debt reduction agreements with non-Paris Club members are patterned on Paris Club terms. The previous regime incurred an estimated US\$115 billion in foreign official liabilities, of which about US\$43 billion and US\$72 billion were owed to Paris Club and non-Paris Club countries, respectively. The only Paris Club member that has not reached a bilateral debt deal with Iraq is Russia, which holds about US\$6 billion in Iraqi debt. Nine non-Paris Club members have agreed to reduce Iraq's liabilities totaling about US\$4 billion. The bulk of the remaining debt is owed to Iraq's Arabian Gulf neighbors.

Indicators of Economic Activity

Economic Growth

For 2007, the IMF projects that the overall economy will grow by 6.3% and that the non-oil sectors will grow by approximately 5%. If low oil production or export prices prevent Iraq from meeting its growth and revenue targets, the government will have less ability to implement its planned investment program for essential services.

Inflation

Year-to-date inflation as of June 2007 is 8.5%, compared to year-to-date inflation through June 2006 of 22.5% and 5.7% in 2005. Year-to-date core inflation is 4.6%, and excluding fuel and transportation, Iraqi prices declined in June. But overall inflation increased if fuel and transport prices are included. Official fuel prices rose by 22.1% in June as part of the government's policy to reduce subsidies in compliance with the SBA. The Central Bank of Iraq remains committed to containing inflation in 2007.

Unemployment

Updated unemployment and underemployment rates were not available during this reporting period. The Iraqi government's Central Organization for Statistics and Information Technology (COSIT) official estimates of unemployment and underemployment remain at 17.6% and 38.1%, respectively. The USG continues to assist the Maliki government in creating permanent, sustainable jobs. In order to help reduce poverty, promote small business development, address high rates of unemployment, and stabilize Baghdad neighborhoods, the Prime Minister approved a US\$30 million Rafidain Bank loan to the Ministry of Labor and Social Affairs (MOLSA) for a pilot micro-credit program providing businesses loans up to US\$8,000. Eligible recipients are college graduates, returnee families, the disabled and war-damaged business owners. The program has approved US\$965,000 for 185 applications, but funds have not yet been disbursed.

The DoD Task Force to Improve Business and Stability Operations (TF-BSO) continues its work with the Government of Iraq (GoI) and U.S. Government agencies to increase re-employment of Iraqis. The TF-BSO estimates that during the last quarter, at least six factories were restarted or

significantly aided due to TF-BSO efforts. Additional contracting actions with Iraqi factories are in process. During this reporting period, the TF-BSO has been heavily focused on executing its US\$50 million program to restart factories in close coordination with U.S. military commanders in Iraq and the GoI. Outcomes during this reporting period ranged from contracts inside Iraq for items as diverse as Iraqi-made sheep dip tanks and armored buses, to orders for export from Iraq for items ranging from handmade carpets to clothing made for, and competitive in, the international marketplace. TF-BSO's collaboration with the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) to promote an "Iraqi First" approach to contracting continues to bear fruit and also contributed to increased employment of Iraqis. During the first three quarters of FY07, DoD contracts awarded to Iraqi firms increased from US\$99.2 million as of October 2006 to US\$191.3 million by the end of June 2007.

Integration into the Global Economy

Integration into the global economy is important to the long-term success of Iraq and for developing a more diversified economic base. Finalizing implementation regulations for the Foreign Investment Law passed in 2006 could improve the prospects for attracting investment and reducing unemployment. The National Investment Commission, which began to form in February 2007, will focus on fully implementing the Foreign Direct Investment legislation and has responsibility for designing implementing regulations. A Chair of the National Investment Commission has been nominated, which is a positive step toward implementing the recently passed National Investment Law. The Iraqi delegation to the WTO Working Party meeting in Geneva held productive bilateral meetings on May 25, 2007, with U.S., Arab, and European delegations. Iraq's Trade

Minister participated in the sessions that were considered a successful start to the WTO accession process. The next Working Party meeting could take place in early 2008.

Oil Infrastructure Integrity

Aging infrastructure, attacks on pipelines in central and northern Iraq, and poor maintenance continue to impede near-term increases in oil production and exports. Crude oil production for the May - July 2007 quarter averaged 2.06 million barrels per day (mmbbl/d) compared with 2.22 mmbbl/d in the same period in 2006. Crude oil exports increased to 1.58 mmbbl/d, short of the GoI's goal of 1.7 mmbbl/d, though higher oil prices are projected to overcome this shortfall to meet planned government budget revenue targets. Revenues will, however, be hindered by the shutdown of crude exports through Turkey for most of this year to date due to numerous interdictions.

Iraq continues to experience critically low levels of refined product because of scarce refining capacity, inadequate security for crude pipelines and for trucks that deliver refined fuels, and under-funding of imports. Refineries suffer from antiquated equipment, limited maintenance, lack of manpower, spare parts shortages, irregular electricity supplies, inadequate storage, poor distribution practices, absence of an efficient private-sector mechanism to supply imported refined fuels, and criminal infiltration and theft. Six companies have been licensed by the Ministry of Oil (MoO) under the Fuel Import Liberalization Law (FILL) to import fuel products into the Kurdistan region. This is an initial step toward the implementation of the law, which was passed in October 2006. Gray- and black-market trade in fuels continues to deny the GoI a significant portion of revenue and contributes to the shortfalls in fuel allocations that ministries rely upon to operate vehicles,

generators, and other equipment. USG-funded hardening projects intended to secure both the Bayji Oil Refinery and the supporting infrastructure have begun. Iraqi and Coalition forces, through Operation Honest Hands, have recently implemented new security and loading measures at the refinery to reduce theft and corruption.

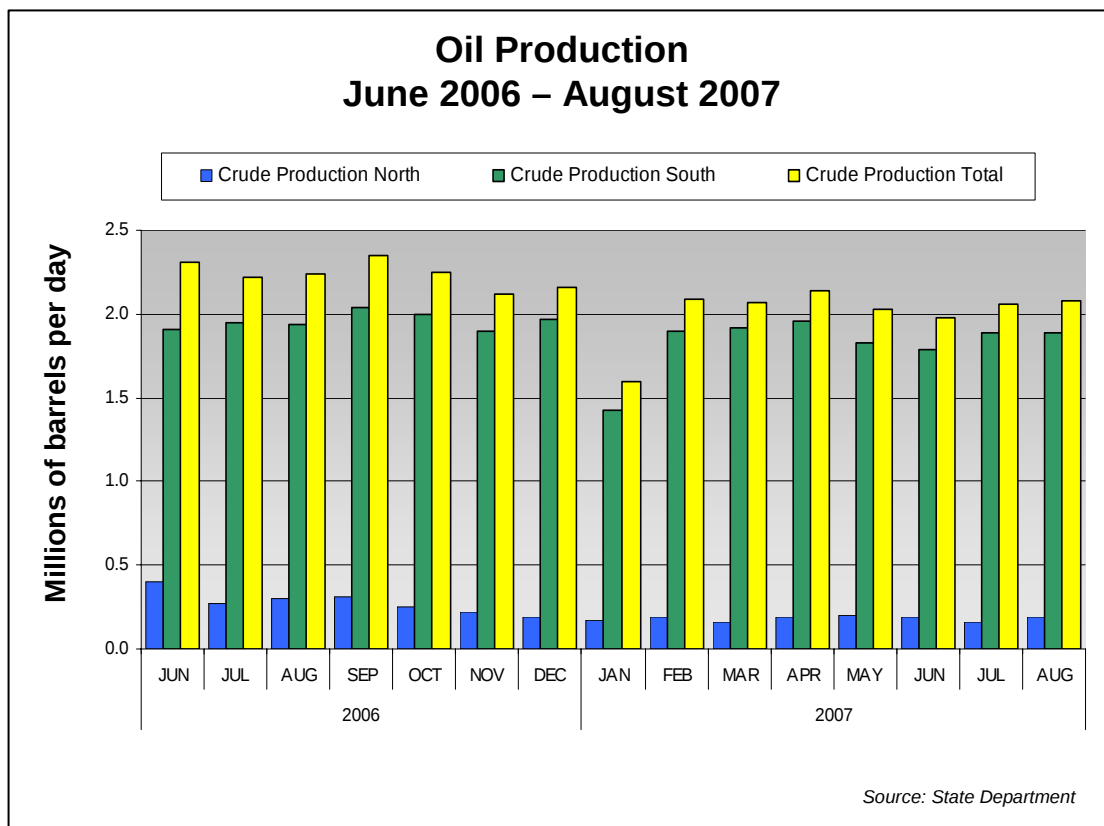
The Iraqi government intends to triple oil production by 2015, and indications that the legislature is making progress, although slowly, on the hydrocarbon legislation have prompted increased interest by foreign oil companies in Iraq's oil reserves. Russia and China have expressed interest in reviving their previous Saddam-era oil contracts, and the Czech Republic has recently signed a contract with the MoO to supply equipment for the country's oil refineries. This equipment, if delivered, would assist in the production of an additional 70,000 barrels of refined fuels daily.⁵

Essential Services

The Iraqi government's improvements in budget execution have not yet translated into improved delivery of essential services such as electricity, water, and healthcare. With the USG's Iraq Relief and Reconstruction Fund (IRRF) now 96% obligated, Iraq must fund most reconstruction requirements.

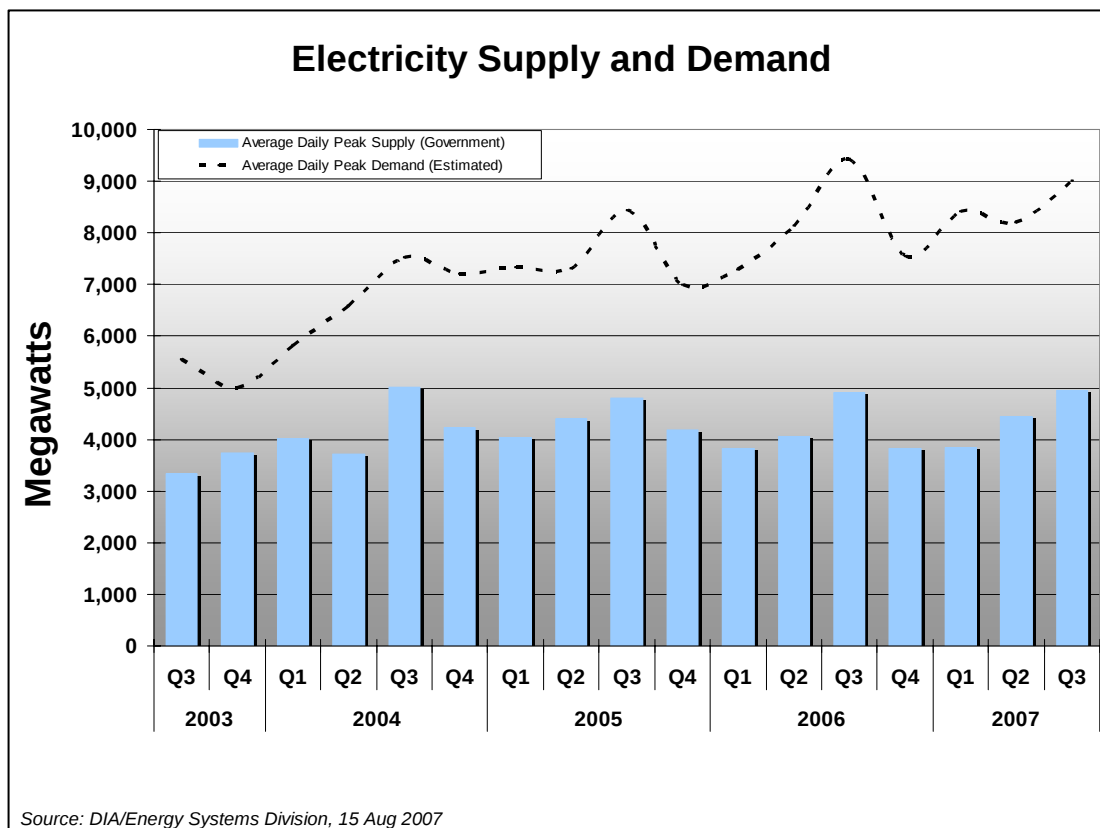
Electricity Infrastructure Integrity

Peak state-provided electricity output has not increased since the last reporting period. Production for June through August 2007 averaged 4,928 megawatts (MW), almost equal to production rates for the same period in 2006 and 55% of the estimated average peak demand of 8,881 MW. Power production continues to be hampered by the inability of the Ministry of Electricity's repair teams to repair the frequently attacked 400 kV transmission grid, continued degradation of legacy power generation stations, severe shortage of proper fuels for



power generation units, inadequate security, and ineffective operations and maintenance practices across the generation and transmission infrastructure. Although the Ministry of Electricity (MoE) has produced over 5,000 MW of daily peak power for a third of the days during the past three months, overall state production of MW hours for this reporting period has remained similar to last year. During this same period, Iraqi consumers have continued to demand more electricity by purchasing increasing numbers of air conditioners, refrigerators, satellite TV's and other electrical appliances and equipment. Because state-provided electricity is not subject to market pricing, consumers have little incentive to economize use of appliances. To meet ever-increasing demand, at least 2,000 MW are provided off-grid by private owners of small generators.

The shortfall between state-produced electricity supply and consumer demand is aggravated by the use of suboptimal fuels, which keeps approximately 1,000 MW off the grid. As a result, government-produced electricity averaged 12.8 hours per day over the reporting period (April through June 2007) and 12.4 hours per day for the month of August, the last full month for which data is available. The quarterly average exceeded the target goal of 12 hours per day nationwide. Baghdad, however, averaged only 7.9 hours of power per day this quarter and 9.2 hours during August, with most households receiving substantially less than average amounts of power. This fell short of the goal of 12 hours, due largely to interdiction of high-voltage transmission lines, lack of rapid repair capability, and limited state-owned electrical generation capacity in the Baghdad area. In addition, the central government's failure to enforce the MoE's electricity distribution allocations

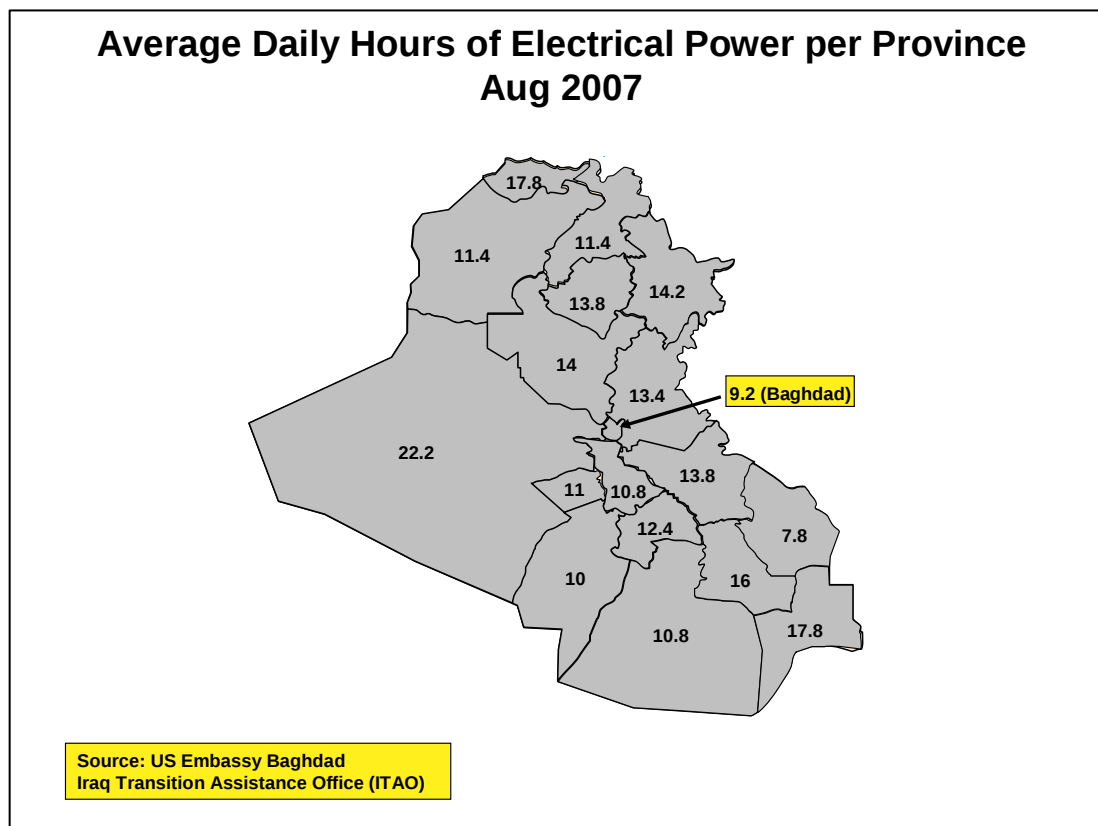


on provincial authorities has resulted in multiple network black-outs, significant system degradations, and a shortchanging of power to Baghdad.

Water and Sewer

As of July 1, 2007, IRRF-funded projects have added or restored 1.7 million cubic meters per day of potable water treatment capacity, which is sufficient to serve about 5.9 million Iraqis. The end-state goal for U.S.-funded projects is to add or restore 2.37 million cubic meters per day of treatment capacity to produce potable water, which is sufficient to serve 8.4 million Iraqis. As of July 1, 2007, IRRF-funded projects have added or restored 1.2 million cubic meters per day of sewage treatment capacity, which is sufficient to serve around 5.2 million Iraqis. During this quarter, Baghdad experienced one of the worst water shortages in years because of insufficient power to pumping stations and water treatment plants

and attacks on infrastructure. While Shi'a areas are often affected by water shortages, the problems this year are also cutting supplies to some Sunni neighborhoods that are normally not affected. Only one sewage project remains to be finished, the Fallujah sewer project, which will serve an additional 200,000 Iraqis. Poor security conditions have caused delays in completion of the Sadr City R3 water treatment plant, Sinjar water supply project, and Balad Ruz water supply project. The poor security environment and lack of payment by the Iraqi Government of legacy Development Fund for Iraq (DFI)-funded contracts initiated in 2003 and 2004 continue to hinder completion of the Fallujah sewage project. Poor contractor performance and cost increases of equipment for the Mosul Dam enhanced grouting program have contributed to a one-year delay in its completion. The US\$270 million Nassariyah water supply project, which is substantially complete and ready



for turnover to the Ministry of Municipal and Public Works (MMPW), currently lacks sufficient qualified staff to operate and maintain the treatment plant. It will likely operate on only one shift per day until the remaining 60 of 120 needed employees can be hired and trained. The USG is providing Operations and Maintenance (O&M) support for IRRF-funded essential service projects while GoI officials receive training to ensure project sustainability.

Healthcare

The United States has completed construction of 69 of 142 planned Primary Healthcare Centers (PHCs), and 51 have been turned over to the Ministry of Health (MoH) with 21 currently open to the public. The PHC program is expected to be completed by January 2008 and remaining IRRF-funded hospital rehabilitation projects are scheduled for completion by February 2008. Almost all of the US\$816 million in IRRF available for projects in the healthcare sector has been obligated.

Food and Agriculture

On June 24, 2007, USAID officially kicked off the Iraqi National Markets and Agribusiness (INMA) program in Baghdad. INMA (meaning “growth” in Arabic) is a comprehensive three-year program (with two option years) to promote economic diversification and job creation with an emphasis on the growth of the agriculture and agri-business sectors in the provincial and sub-provincial economies. Projects will

include production activities focused on technical assistance to farmers and expanding private processing in Anbar, Diyala, and Mosul. One project that had a significant impact on the Iraqi agricultural community over the past two years was the MNC-I/MNF-I-supervised ground and aerial agriculture spraying operation. This year was the first time, since the fall of Saddam, that the Iraqis were able to organize and complete this program themselves; the focus of this operation was on Iraqi date palm crop spraying in the central provinces, Baghdad and Diyala. The World Food Program continues to provide assistance through an emergency operation targeting the most vulnerable groups in Iraq. These programs serve as an alternative to the Public Distribution System (PDS) and assist an estimated 3.7 million Iraqis through provision of meals to the poorest families. Officials administering the PDS report that materials on hand are sufficient to meet current needs.

Conclusion

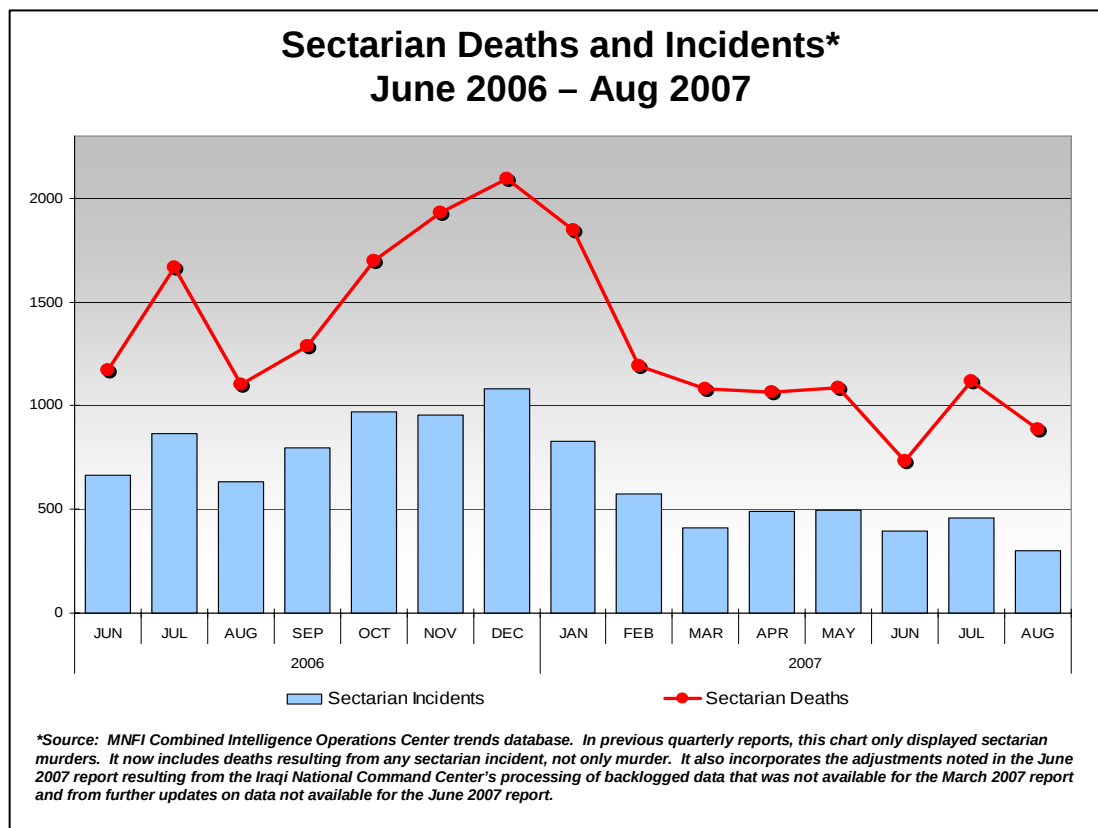
The Iraqi economy continues to slowly progress despite various challenges. Budget execution is improving and oil prices are increasing; however, oil production remains constant. In addition, Iraq has made efforts to re-integrate into the global economy, which is important to attracting investment. The GoI will need to continue to make further progress with economic reforms and budget execution to sustain its economic growth and diversify the economy.

1.3 Security Environment

Although some significant improvements occurred in the security environment during this quarter, multiple conflicts among communal groups for the division of power and resources continued across Iraq that challenge establishing stability and security. These conflicts involve ethno-sectarian violence, the efforts by al Qaeda in Iraq (AQI) to exacerbate these tensions with high-profile attacks, the Sunni insurgency, Shi'a militants, and the influence of foreign state actors. While AQI may not account for most of the violence in Iraq, it is responsible for the mass-casualty attacks that serve as a primary accelerant to the underlying sectarian conflict. Coalition adversaries have common objectives: build and enhance their control over the populace; drive out Coalition forces; and undermine Iraqi government institutions. Their tactics include complex ambushes on Coalition convoys, aircraft, river patrols, and fixed

facilities. AQI in particular conducts calculated bombings, murders, executions, and indirect fire—targeting primarily Iraqi civilians—to intimidate them and to provoke sectarian conflict. Fragmentation within these groups resulting from disagreements over ideology and strategy is perpetuating infighting among them and weakening alliances.

The security situation in recent years has resulted in the internal displacement of nearly two million people, according to the UN High Commission on Refugees. By the end of May 2007, the number of displaced people was increasing at an average of 80,000-100,000 per month. If the GoI's February 2007 security plan for returning Internally Displaced Persons (IDPs) succeeds, the UN High Commissioner for Refugees expects this rate of displacement to decrease to 40,000-50,000 per month. The U.S., its Coalition partners, and the UN



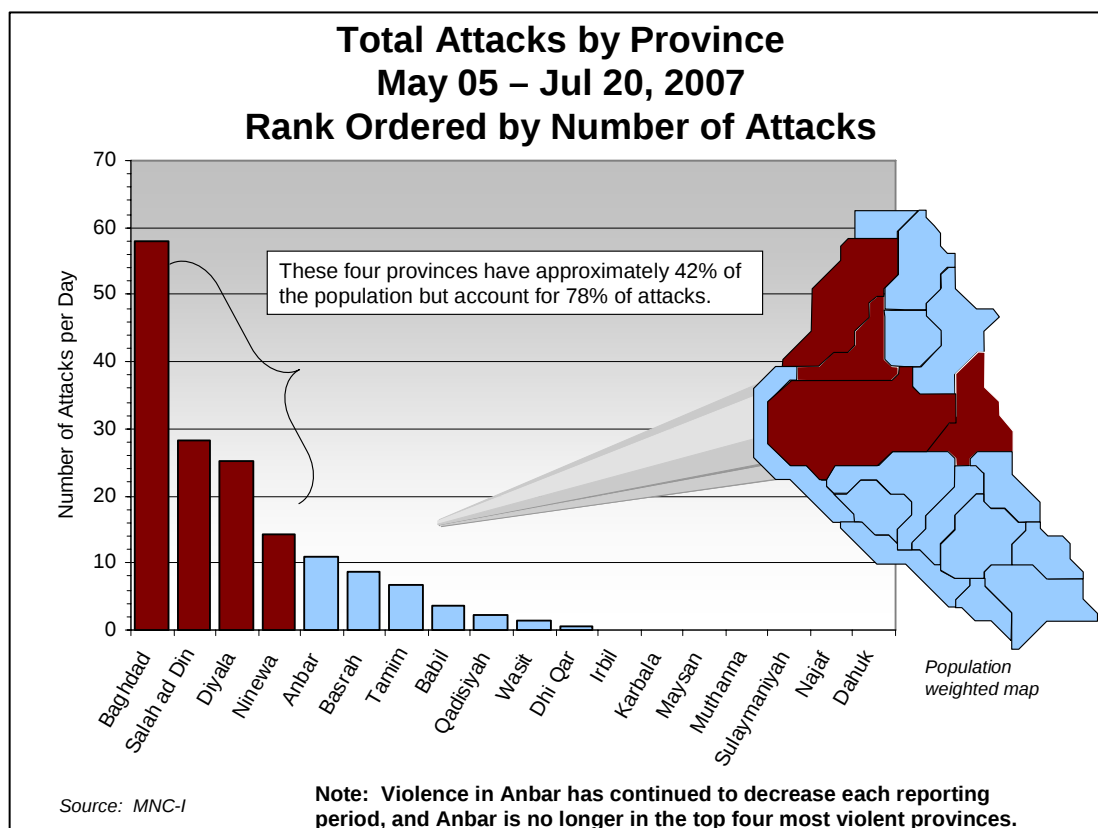
are conducting IDP working groups to assist the Iraqi Ministry of Displacement and Migration (MoDM) with IDP coordination between local government departments. A process for tracking the number of returnees is not firmly in place, with most data provided by NGOs. Return to Baghdad is hindered by continued violence, occupancy of property by squatters and destruction of houses. The security situation has also caused approximately 2.2 million Iraqis to leave the country and move to Jordan and Syria. However, in some areas of Anbar where security has improved as tribes have worked with Coalition forces to clear out AQI, some residents are beginning to return to their homes.

Iraqi and Coalition forces are conducting operations to secure the population in Baghdad and its environs to prevent and contain sectarian violence. The final complement of the increase of five U.S.

Brigade Combat Teams, two Marine Infantry Battalions and a Marine Expeditionary Unit arrived during this reporting period. This enabled the launch of Operation Phantom Thunder on June 15 to target primarily AQI havens in Baghdad, Babil, Diyala and Anbar Provinces. These ongoing operations are being actively assisted by local Sunnis who have grown increasingly intolerant of AQI's intimidation and brutality, particularly its mass-casualty attacks on civilians, targeting of senior sheiks, and forcing of ordinary Iraqis to collaborate or face potential execution. Continuation of this trend of Sunni resistance to AQI is encouraging because the Sunni populace in these areas had previously assisted or tolerated AQI.

Overall Assessment of the Security Environment

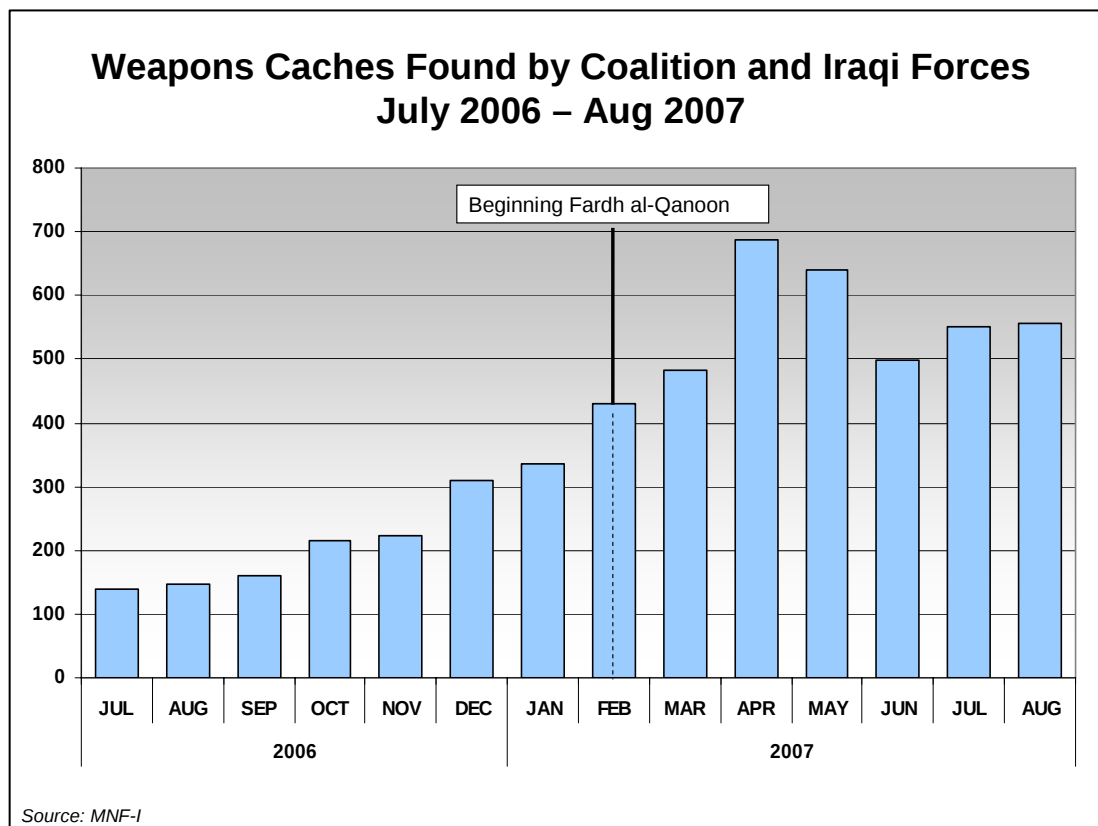
During this reporting period, there has been an overall decrease in sectarian violence, high-profile attacks, murders and



executions. July was the exception when ethno-sectarian attacks⁶ increased slightly over June levels. Iraqi and Coalition operations and policies have limited insurgents' ability to relocate their infrastructure from one location to another, constraining their ability to operate. Combined operations in Iraq's major cities have slowly eroded insurgents' capacity to operate as freely as they did prior to FAQ, but have not degraded armed groups' capabilities or motivations to conduct attacks against Coalition and Iraqi forces, the GoI, or Baghdad residents. Iran continues to train and equip militias, including Muqtada al-Sadr's JAM. These militias continue to attack Coalition soldiers and civilians.

The level of security in Iraq varies from province to province. Decreases in violence in Baghdad, Diyala and Babil are initial signs of progress in those provinces. Similar

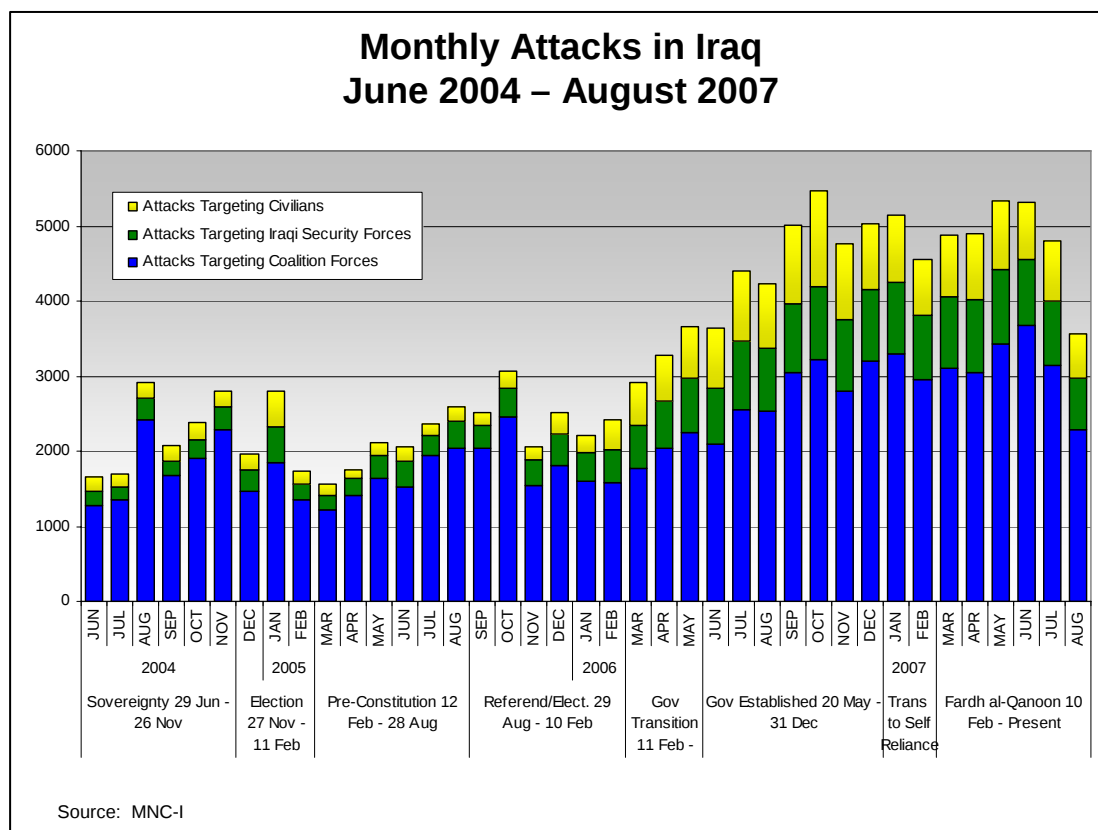
progress in Anbar, Tamim, Irbil, Muthanna and Dhi Qar indicate the potential for improved conditions in these areas. An increase in Coalition engagement with local tribes who are renouncing the insurgency and resisting AQI, is intended to capitalize on their increasing unwillingness to tolerate such violence and their willingness to take steps to help improve security. Although some GoI statements indicate government officials are skeptical of empowering Sunni tribes, Prime Minister Maliki insists that he supports these efforts. His main concern is that the tribes do not create new militias and that the efforts are undertaken with GoI supervision and control. AQI operations are likely to continue including attacks against mosques such as the Samarra Mosque bombing on June 13 and the Al-Khailani Mosque bombing in Rusafa on June 19. Significantly, these attacks failed to provoke widespread ethno-sectarian violence in part due to the change in tribal attitudes toward AQI.



The mid-August assassinations of the Badr Organization-affiliated governors of Qadisiyah and Muthanna provinces were likely a JAM response to increased efforts by those provincial officials to marginalize JAM. In addition, the August 28, 2007 outbreak of fighting between JAM and the Badr Organization in Karbala highlighted growing tensions between Shia groups in southern Iraq. It is noteworthy that the central government took decisive action in restoring security to the region after the assassinations and the incident in Karbala. The Karbala incident likely sparked Sadr's August 29, 2007 announcement to restrain JAM activity, which Sadr probably intends to use to reorganize the Sadrist movement, and improve his command and control over the organization while improving its public image. This “restraint” will likely only apply to mainstream JAM elements, while specialized JAM units will probably continue violence aimed at Coalition forces and JAM rivals.

Overall Trends and Violence

As a result of the high FAQ-related operational tempo of Iraqi and Coalition forces, the total number of enemy-initiated incidents in May and June were the highest and second-highest, respectively, for any month since 2003.⁷ Attacks against Coalition forces reached record levels in June, and the proportion of total attacks against Coalition forces increased to their highest levels since December 2005, accounting for 73% of all attacks. Attacks against Iraqi forces declined slightly in June, but the total is comparable to levels of the past six months. The increased operational tempo and success of Iraqi and Coalition forces have helped to slightly reduce total casualties across Iraq during this reporting period although they increased in July compared with June. Car bomb attacks in Tamim Province in July and against the two Yezidi villages in Ninewa Province in August elevate the civilian casualty numbers significantly for those two months. Since

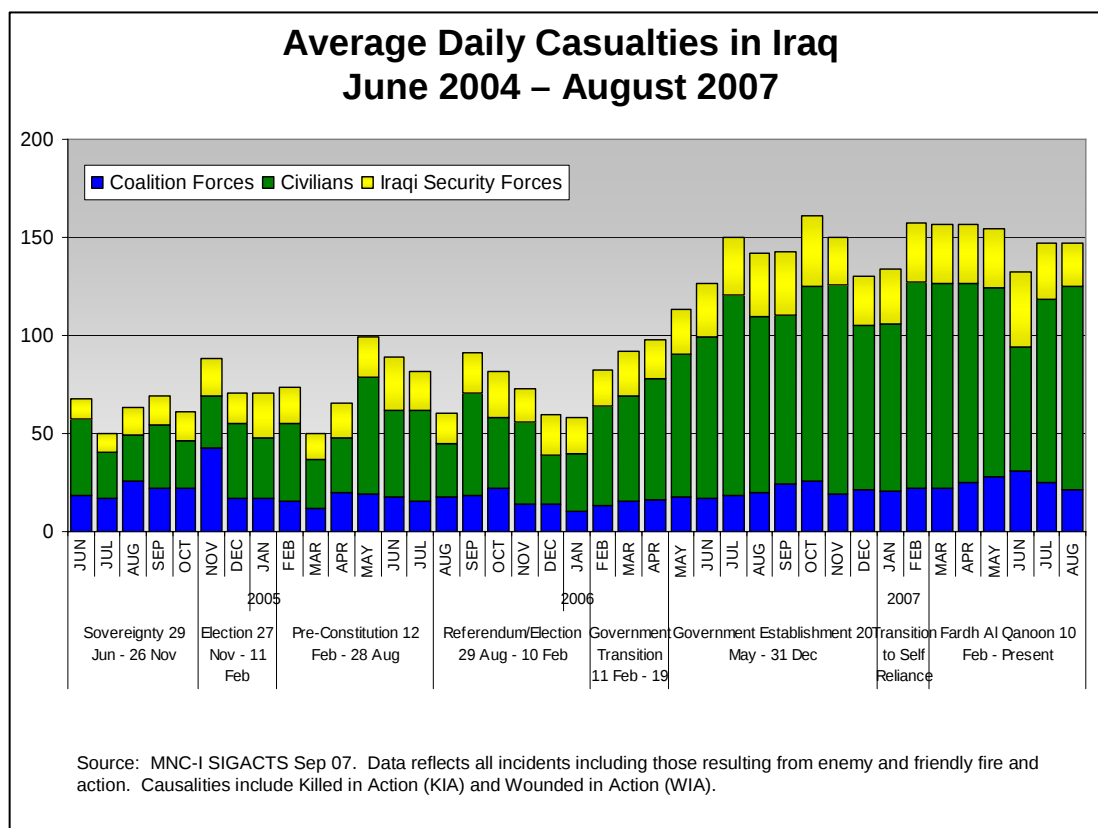


July, statistically significant downward trends in total attacks have emerged. Attacks remained concentrated in Baghdad, Salah ad Din, and Diyala. In addition, Baghdad experienced an average of 43 attacks per day from mid-June to mid-July. The other 15 provinces experienced comparatively low levels of attacks.⁸

By the end of August, Coalition and Iraqi forces will have already found 50% more caches than in all of 2006. Although the number of weapons caches found and cleared has decreased during this reporting period, caches continue to be discovered at a steady rate of about 110 per week and remain above pre-FAQ levels. The decrease does not necessarily reflect depletion in total caches; however, the continued high operational tempo and focused searches of Coalition and Iraqi forces are impacting the availability of safe havens, which may be reducing the

ability and opportunity for insurgents and criminals to emplace caches.

Coalition forces continued to attract the majority of attacks, while the Iraqi security forces and civilians continued to suffer the majority of casualties. The GoI has reported that the number of civilians killed in Iraq, mainly due to catastrophic attacks by insurgents and terrorists, fell sharply from about 1,900 in May to 1,227 in June—the lowest level in five months—but rose again in July to 1,653. Militia activity initially decreased but rose in mid-May before falling again in June to the lowest level in a year. July's level of IED events was the lowest since November 2006, returning to pre-FAQ levels—a result of Iraqi and Coalition security operations combined with Sunni tribal engagement. It is too early to determine the sustainability of these trends.



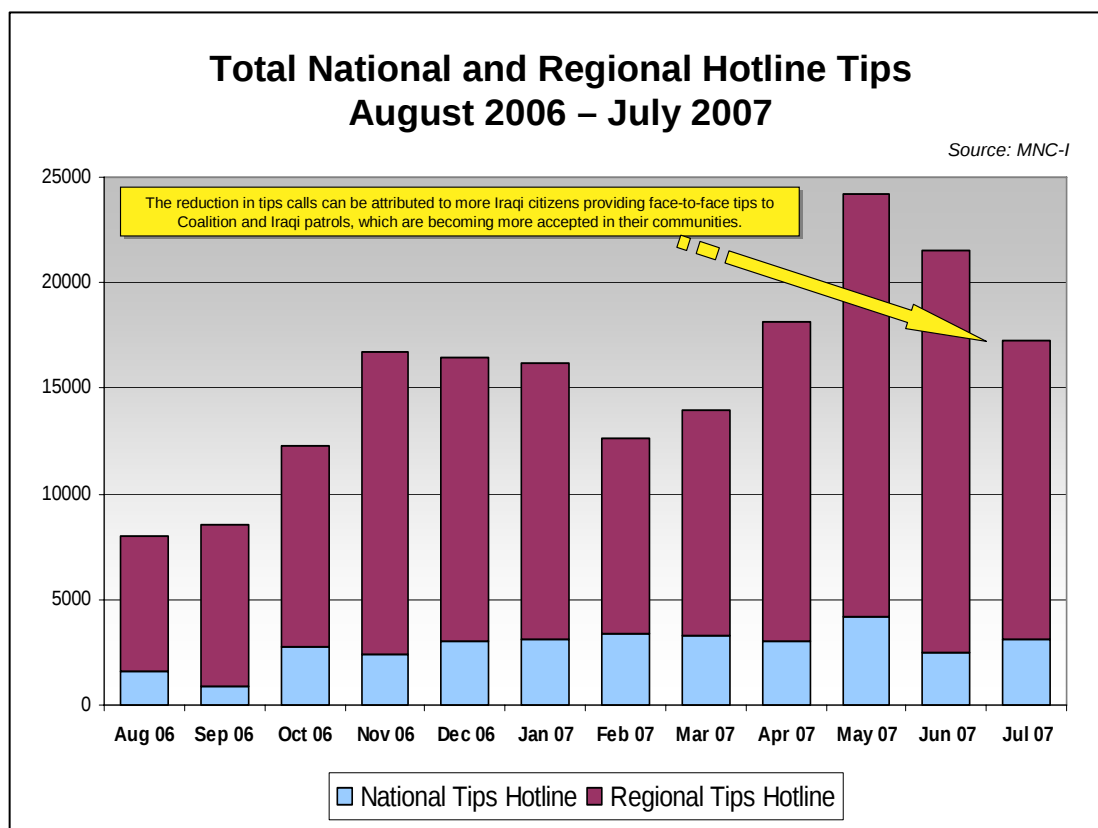
Assessment of the Security Environment—Baghdad

In this reporting period, Baghdad remained the most violent area in Iraq, but levels of violence have dropped significantly since the commencement of FAQ as a result of combined Iraqi and Coalition operations. Marketplaces and high-profile places of worship are now more secure due to the implementation of physical protection measures and increased patrols by Iraqi forces. Additionally, no significant security incidents occurred on August 9 during the Commemoration of the Death of the 7th Imam, for which the Iraqi police and military planned and provided security for hundreds of thousands of Shi'a pilgrims to the Kadhamiyah Shrine in northern Baghdad. However, Coalition forces still encounter fighting in mixed sectarian areas where AQI elements continue to harass and target the local populace. Fighting between Sunni groups and Jaysh al-Mahdi (JAM) has

been mostly isolated to the western districts of Baghdad, particularly West Rashid and Al Mansour. Of all the districts in Baghdad, the predominantly Shi'a Sadr City remains the most stable in terms of ethno-sectarian attacks. However, this area continues to provide support for JAM operatives who use the area for planning, logistics, and other support activities and as a base from which to launch attacks on the International Zone and neighboring areas.

Assessment of the Security Environment—Western Iraq

The encouraging signs of Sunni tribal resistance to AQI reported in the previous quarter have led to considerable progress in Anbar's security. Once an AQI stronghold, Anbar is no longer among the most violent provinces. Average daily attacks in the province during this period were only one-third their daily average during the November 2006-February 2007 reporting

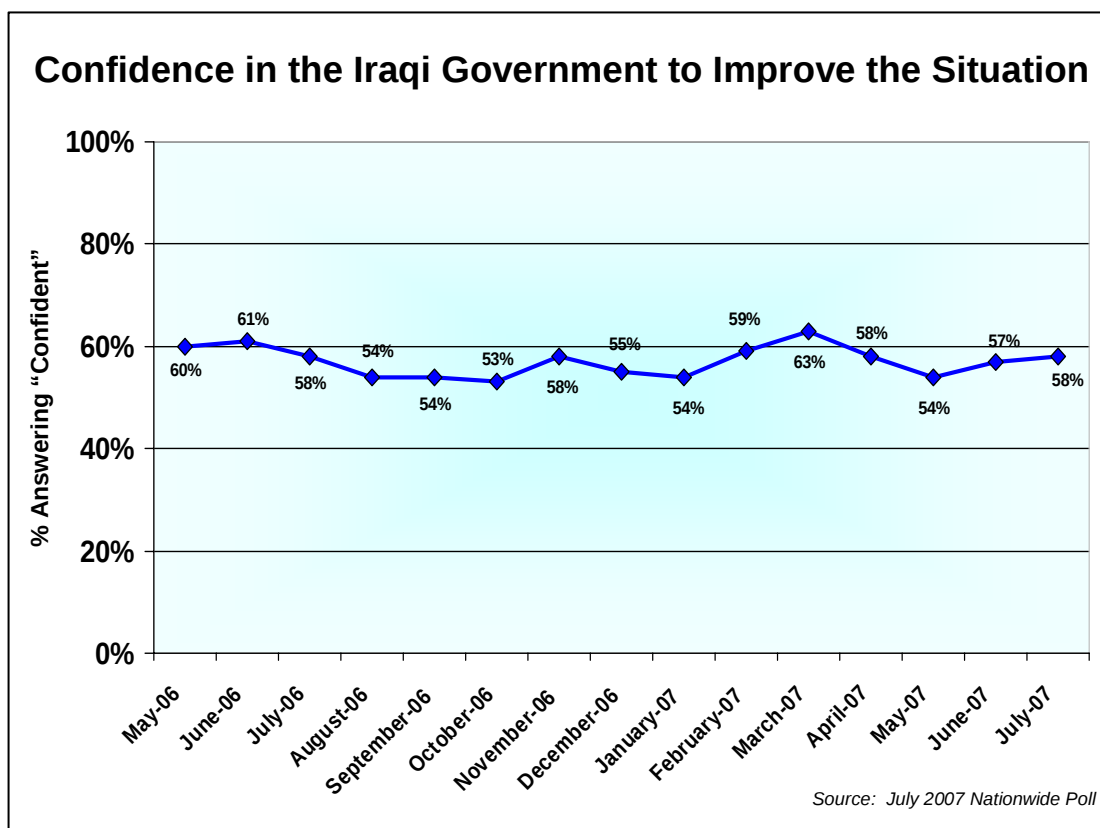


period, when Anbar had the second highest number of attacks of any province. Since January, attacks and murders against civilians and against Iraqi and Coalition security forces in Ramadi have decreased significantly, from a high of 108 in the week ending February 23 to fewer than eight per week in July. Coalition forces have worked closely with a variety of tribes and Sunni resistance groups in Anbar to expel AQI from operating in the area. In addition, cooperation from local sheikhs and tribal leaders has dramatically increased the number of new recruits for the Iraqi Army and Police in Anbar. Since December 2006, a total of 7,100 Anbar residents have received police training. The operational capabilities of the locally recruited police and Iraqi Army units are gradually increasing, and the GoI is supporting efforts to increase the number of recruits. The Minister of Interior, Anbar provincial government representatives, and

Coalition forces officially opened the Anbar Iraqi Police Training Center in Habbaniyah on June 4 and can train 750 recruits in a 10-week training cycle. Iraqi citizens are increasingly providing information concerning insurgent operations to the Iraqi forces. In some parts of western Iraq, however, foreign fighters still enjoy freedom of passage from Syria.

Assessment of the Security Environment—Central/Northern Iraq

The security situation in Diyala, Salah ad Din and Ninewa remains fragile. Recent successes when combined Iraqi and Coalition operations targeted AQI, coupled with increasing initiatives by tribal sheiks to disavow support to terrorists, show some progress in stabilizing this difficult region. Local dissatisfaction with, and lack of confidence in, the GoI is particularly strong here, which exacerbates violence and political instability. On June 5, 2007, the

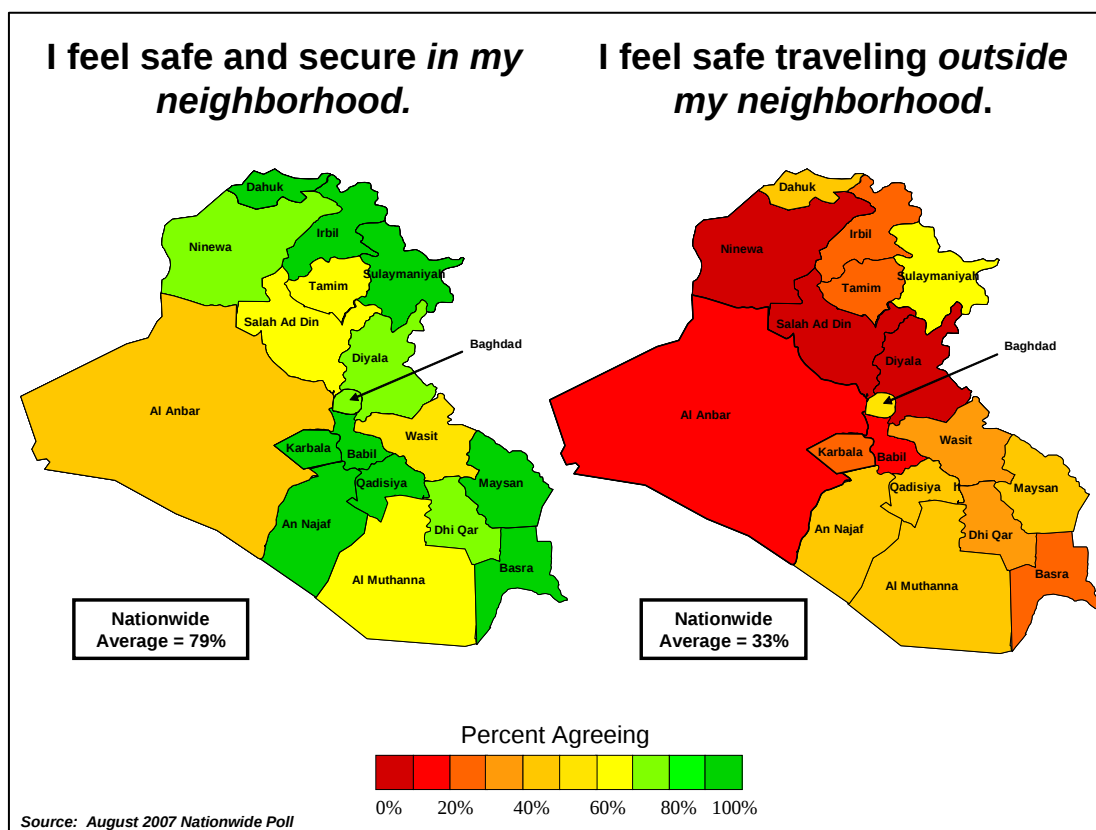


GoI officially opened the Diyala Operations Command (DOC), one of several new Iraqi operations centers representing a new GoI approach to combating terrorist organizations and militia groups. The operations centers integrate command of the Iraqi Army and National Police under a single Operations Commander and expand on the role of the Provincial Joint Coordination Centers. Operation Arrowhead Ripper, which was conducted from June 19 through August 22, cleared Baqubah of AQI and re-installed Iraqi security outposts and police stations in the city. Initial reports of an increased public sense of security, coupled with aggressive Government of Iraq support to Phase IV reconstruction and services, are consolidating the gains of this operation. In just the past few weeks, these efforts resulted in over 2,000 new jobs in agriculture and food processing, the opening of banks across Baqubah, and the delivery of the first government wheat ration. The

recent VBIED attacks in Ninewa Province demonstrate the risk of increased violence as extremists attempt to provoke greater ethno-sectarian violence.

Assessment of the Security Environment—Kurdish Region

Although Irbil, Dahuk and Sulaymaniyah are generally stable, AQI maintains a presence in those areas and there is some evidence that AQI is increasingly targeting the region. Attacks on infrastructure, such as roads and bridges, have increased during the reporting period, likely in an effort to hinder Iraqi and Coalition forces' mobility and undermine local confidence in the government's and Coalition forces' ability to protect them. For example, the Sarahah Highway Bridge (south of Kirkuk), which was destroyed on June 2, was a key conduit for transportation between the southern and northern provinces. Kurdish unity, to some extent, is preventing insurgent groups from

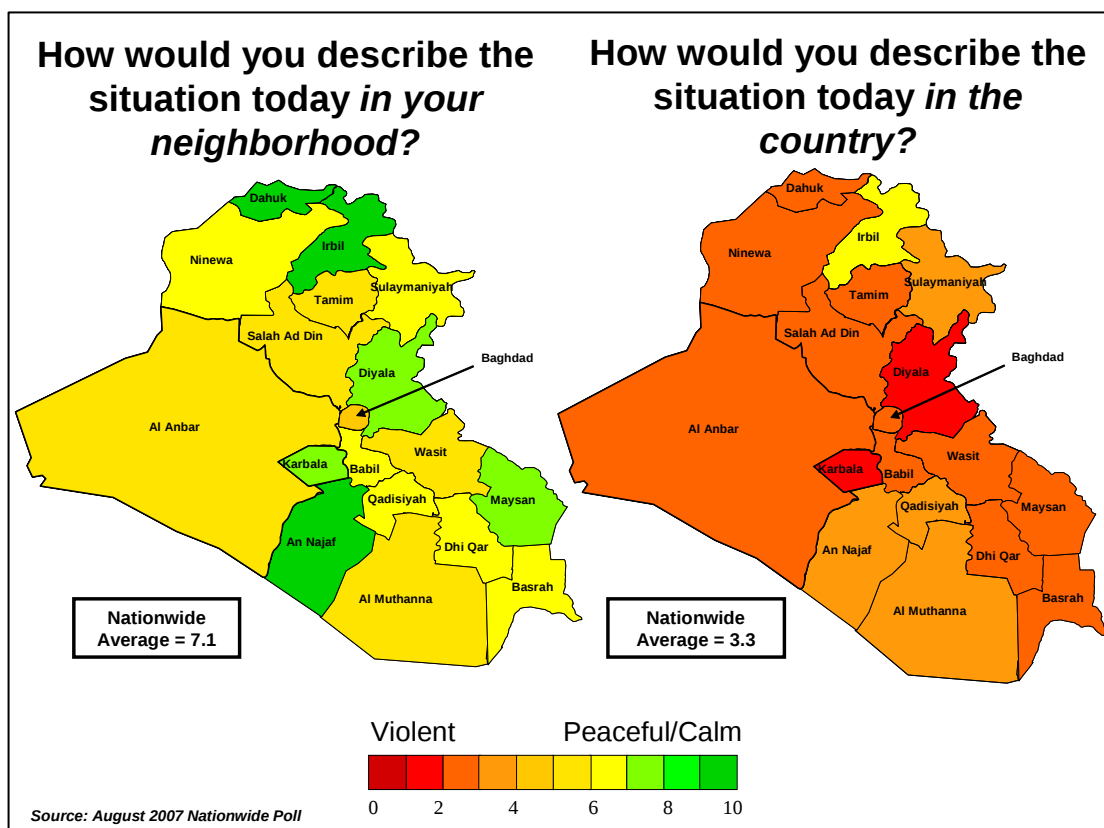


establishing a presence across the provinces. The Kurdistan Regional Government (KRG) is attempting to demonstrate that security in the area will not compromise prospective investment in the region, particularly in the oil sector. Instability elsewhere in Iraq, however, always has the potential to increasingly spill over into the relatively calm Kurdish area. One destabilizing factor may be that the majority of the country's Internally Displaced Persons (IDPs) have relocated to northern provinces. The KRG and Ninewa and Tamim Provinces also could experience increased violence as various ethno-sectarian groups vie to control disputed territory prior to an Article 140 referendum on the status of Kirkuk.

Assessment of the Security Environment—Southern Iraq

The security environment in southern Iraq took a notable turn for the worse in August with the assassinations of the governors of

Qadisiyah and Muthanna Provinces by Iranian-backed extremists. Both governors had been pushing back on Jaysh al-Mahdi (JAM) expansion and control. There may be retaliation and an increase in intra-Shi'a violence throughout the South, whereas before, this violence was mostly limited to Basrah. Violence in Qadisiyah, Dhi Qar and Muthanna in recent months has highlighted JAM's ability to attack Iraqi forces and cause instability in the South. After Coalition and Iraqi security operations blunted Sadrist growth in Qadisiyah, the withdrawal of these forces allowed JAM to reassert itself. An increase in its militia members has emboldened JAM to increase the frequency and intensity of attacks on Coalition and Iraqi forces. This influx has occurred as militant elements moved out of Baghdad to avoid FAQ-related operations. Local Iraqi government security operations conducted against JAM are intended more to contain its political influence than to enforce the law.



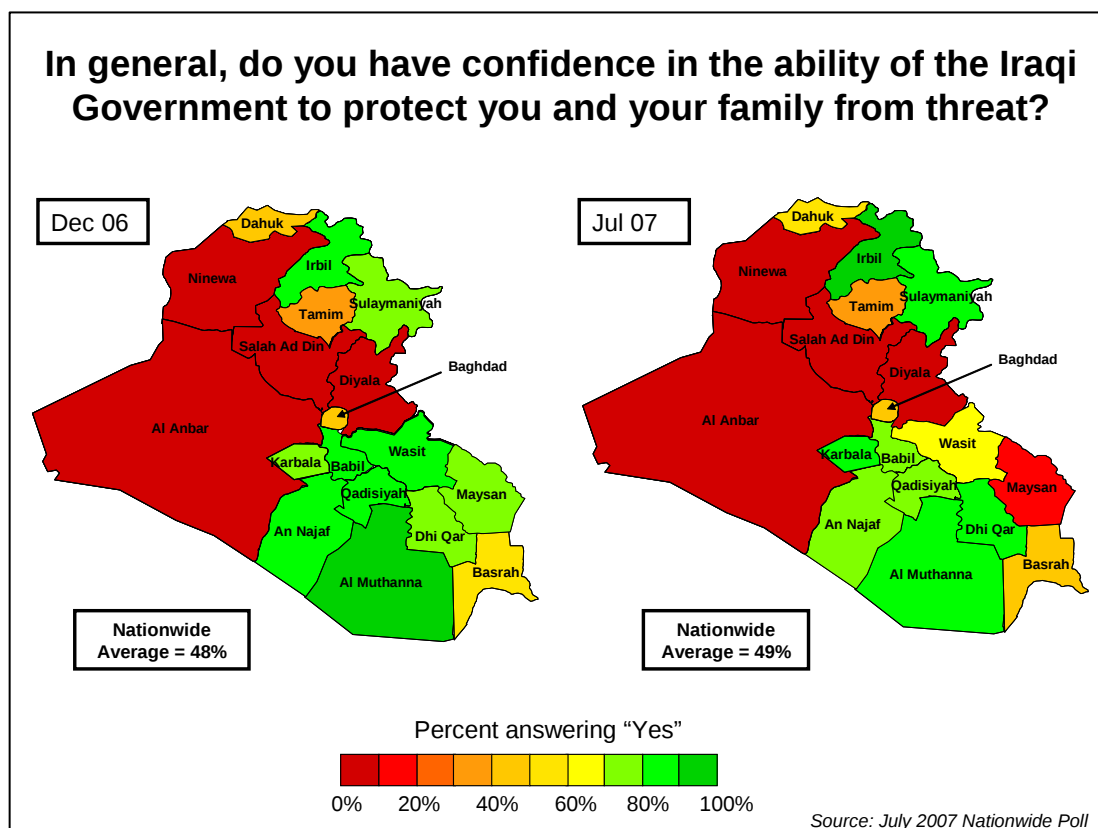
These operations have been able to contain much of JAM's violence but have yet to defeat JAM. High unemployment throughout Basrah and an estimated 5,000 displaced families are a potentially large recruiting pool for insurgent and militia groups.

In Basrah, various rival Shi'a militias, factions, tribes, and criminal organizations aligned with political parties are positioning themselves for greater influence over local authorities and resources. With the expected continued reduction of British forces, insurgent groups are increasingly focusing on Basrah and are posturing themselves to control the city, where violence has increased due to the presence of multiple Shi'a militias—most notably JAM and its splinter groups, the Badr Organization and the Fadilah Organization—and criminal groups. These groups all seek to exert their influence over local government and social institutions. Thus far, Basrah's oil infrastructure has not

suffered serious interdiction attempts. Over 90% of Iraq's oil is exported through Basrah's oil terminals, and most Iraqi imports and exports go through Basrah's Umm Qasr port. Although various Shi'a parties and militias are locked in fierce competition over access to oil and other sources of patronage, they appear to have a common interest in ensuring the continuous flow of oil.

Public Perceptions of Security

For this reporting period, attacks against mosques incited considerable resentment among the Iraqi populace but resulted in minimal retaliatory attacks due to the GoI's rapid political and security response and widespread calls for restraint by key political and religious leaders. The Samarra Mosque bombing on June 13 and the Al-Khailani Mosque bombing in Rusafa on June 19 were attempts by AQI to undermine public confidence in the ability of the government and Coalition forces to protect



them. Public perception of the Iraqi Army and police forces improved during this period due to their increased interaction with the local populace through initiatives such as the Joint Security Stations (JSSs) and Combat Outposts (COPs). An August 2007 national poll indicated that 79% of Iraqis feel safe in their own neighborhoods but only 33% feel safe traveling outside of their neighborhoods.⁹ In the July poll, 71% of Iraqis surveyed were satisfied with the ability of the Iraqi Army to provide local security.¹⁰ In addition, more than half of those surveyed had confidence in the GoI's ability to improve the situation.¹¹ Polling data also shows a national average of 3.5 on a scale of 0 to 10 with 0 representing violent and 10 representing peaceful/calm.¹²

Conclusion

The increase in force levels and the growing rejection of AQI by Sunni Iraqis has changed the dynamic in Iraq's security environment. During this reporting period, there has been an overall decrease in sectarian violence, high-profile attacks, murders and executions. Most notably, violence levels continued to drop in Anbar, formerly AQI's stronghold in Iraq. Baghdad remained the most violent area in Iraq, but levels have dropped significantly since the commencement of FAQ. The level of confidence in the GoI to improve the situation has remained relatively stable since May 2006. Many of the GoI and U.S. initiatives to support the increase in security operations appear to be beginning to take hold. Whether FAQ produces sustainable, permanent improvements in the security environment will depend on the degree to which diplomatic, political and economic achievements can be realized.

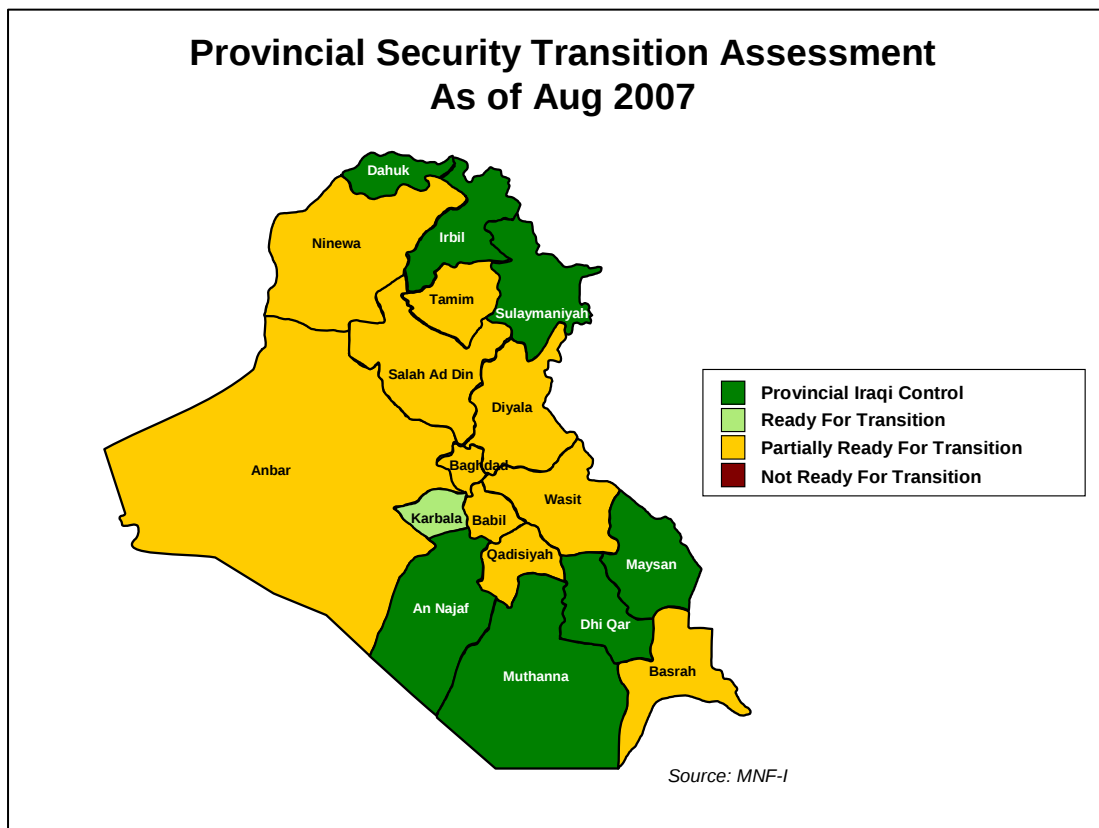
1.4 Transferring Security Responsibility

A strategic objective for the USG is to transition security responsibility to the Iraqi government. A few provinces are likely to take longer than previously expected to assume responsibility for security, given the increase in violence in some parts of Iraq. So far this year, the Coalition transferred security responsibility in Maysan, Dahuk, Irbil, and Sulaymaniyah Provinces, making Iraqis responsible for security in a total of seven of 18 provinces.

Status of Provincial Iraqi Control

On May 30, 2007, the Kurdish Regional Government (KRG) assumed security responsibility for the three provinces that make up the Kurdish region of Iraq: Dahuk, Irbil and Sulaymaniyah. Transfer to Iraqi control is a conditions-based process; any date-based projection is subject to change as conditions evolve. Karbala is the next province projected to assume Provincial

Iraqi Control (PIC) in September 2007. The current projection is all provinces could transition to PIC as early as July 2008. If, for example, violence worsened significantly in any of the provinces yet to transition to PIC, the likely dates for transition of those provinces would be re-evaluated by the Iraqi government and MNF-I. The principal impediment causing the delay in transitioning security to Iraqi control is a lack of capability in the Iraqi Police Service (IPS), which prevents them from being able to manage the provincial security situation. In addition, MNF-I and the GoI recognize that security must be addressed comprehensively before transition to provincial control can occur; this may cause some delays as political and economic environments are evaluated for their ability to support the security situation. As FAQ has resulted in an influx of terrorists, insurgents, and members of illegal militia into some provinces, the civil security forces



have been unable to handle these threats alone. To assist in dealing with these threats, the GoI has created and manned joint operations commands in several provinces (Baghdad, Basrah, Karbala, Diyala, and Salah ad Din). In order to enhance the capability of the IPS, it will be necessary to increase MoI manning and equipping levels and to reduce the influence of corruption and militia over the local police forces.

Transition to PIC is a necessary but not sufficient condition for withdrawal of Coalition forces from a given province. Once a province has transitioned to PIC, the posture of MNF-I forces changes to security overwatch. The force disposition will depend on the extent of the continued security challenges in that province. In some cases, Iraqi forces are able to deal with security incidents without Coalition assistance, and procedures are in place for the

Iraqi forces to call on assistance if required. MNF-I is working with the GoI to develop ways of improving situational awareness and of assessing indications and warnings of problems that may develop in provinces that have transitioned to PIC to help prepare provincial leaders to manage security problems.

Forward Operating Base Turnover Status

The turnover of Forward Operating Bases (FOBs) to the GoI has slowed due to increased force levels as part of FAQ. As the security situation permits, MNF-I will continue to reduce its presence in major cities while maintaining the ability to support PRT and Transition Team expansion. MNF-I has transitioned to the Iraqi government or closed 61 FOBs out of a total of 125; since the previous report, an additional three FOBs were established to support the increase in force levels.

Section 2—Iraqi Security Forces Training and Performance

2.1 Assessed Capabilities of the Iraqi Security Forces

Approximately 359,600 Iraqis have been trained and equipped through the primarily U.S.-funded programs for the Objective Counterinsurgency Force and the Objective Civil Security Force against a 2007 year-end objective of approximately 389,400. This includes approximately 22,100 of a planned 32,000 expansion of personnel who have received basic training as part of the 20% manning increase for the Iraqi Army requested by Prime Minister Maliki. An additional 7,200 of a planned 24,000 military personnel increase and 5,900 of a planned 6,500 police personnel increase have been trained as part of Prime Minister Maliki's replenishment initiative.

Given the persistent violence caused by insurgents, terrorists, and illegal militias, the Ministries of Defense (MoD) and Interior (MoI) and their forces require continued advisory support, training, development, and equipping to be able to progressively assume missions from Coalition forces. The efforts of embedded advisors are focused on addressing continued shortcomings in logistics, leadership, and budget execution that hamper improvement, and in certain cases, cause regression in the readiness and capability of the Ministries and their military and police units. MoD logistics from tactical to strategic levels, and MoI logistics at the strategic level, are fragile and not capable of independent execution. The provision of tactical leadership and true institutional capacity for informed decision making continue to be a focus for the Multi-National Security Transition Command-Iraq (MNSTC-I). Tactical leadership within Iraqi units is improving, but numbers of proficient leaders, especially in the field and NCO grades, are not, as the growth in the Iraqi

Total Number of Trained Iraqi Security Forces*

Component	# Trained
Ministry of Interior Forces	
Police	~135,000
National Police	~26,300
Border Enforcement	~28,400
Dignitary Protection	~500
MoI Forensics Unit	~4,000
Total MoI	~194,200
Ministry of Defense Forces	
Army	~147,800
Support Forces	~14,000
Special Operations	~1,500
Air Force	~1,000
Navy	~1,100
Total MoD	~165,400
Total Trained ISF	~359,600

* These numbers are not the same as those present for duty. Includes all personnel trained as part of Objective COIN Force, Objective Civil Security Force, and replacement and expansion initiatives. Does not include 18,000 replenishments. No data available on how many of these personnel are still in the forces.

Data as of September 3, 2007

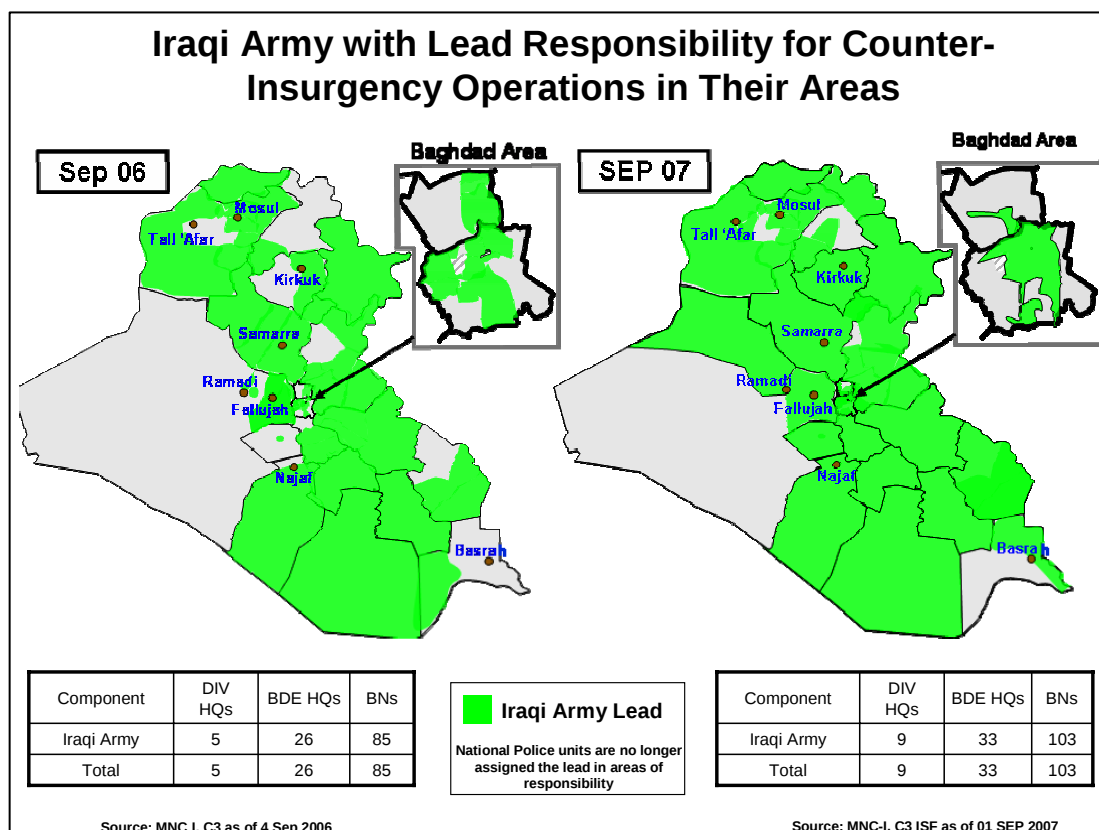
military and police force structure outpaces efforts to identify, recruit and develop leaders. The MoD's and MoI's underspending of their budgets is a manifestation of a developing decision-making processes. As previously reported, the GoI is making a substantial effort to address procurement and contracting problems within the MoD and MoI by very aggressively committing procurement funds to equipping and sustaining Iraqi forces through the use of U.S. Foreign Military Sales (FMS). Prime Minister Maliki is extending the US\$1.72 billion in 2006 funds committed for FMS with an additional US\$1.6 billion in 2007 funds, of which US\$1.1 billion is for MoD and US\$500 million is for MoI.

Coalition efforts to build the capacity of the Iraqi MoD and MoI and their respective forces continue to focus on four major areas: (1) developing ministerial capacity; (2) improving

the proficiency of military and police forces through the assistance of embedded advisors and partnership unit relationships; (3) building the logistic, sustainment and training capacity of the MoD and MoI; and (4) supporting expansion of the Iraqi Army and the creation of a National Police (NP) Samarra (Al Askari) brigade through the Prime Minister's Initiative. The existing Iraqi-run training centers continue to operate at full capacity to achieve these replenishment goals. Military Transition Teams (MiTTs) and National Police Transition Teams (NPTTs) consisting of over 6,000 advisors organized into more than 500 teams are embedded from division to battalion levels of Iraqi military and NP units as well as in many police stations and border enforcement units. During this reporting period, MNSTC-I's Intelligence Transition Team (I-TT) was established to assist the Government of Iraq (GoI) in developing national intelligence capabilities. The team functions in a cross-ministerial

capacity advising intelligence elements in both the MoD and MoI. The team is led by an SES-level DoD civilian intelligence professional and will soon grow to 81 embedded intelligence and law enforcement advisors.

As of August 9, 2007, 105 Army battalions have been generated and are conducting operations at varying levels of capability; three of these are Special Operations Battalions. Another 25 infantry battalions are currently in the process of generation. Of the 17 planned Iraqi Army Infrastructure Battalions (IAIBs; formerly called Strategic Infrastructure Battalions (SIBs)), 12 are assessed as able to conduct operations side by side with Coalition forces or are in the lead. Of the Iraqi Army units conducting operations, 9 divisions, 33 brigades, and 103 battalions have the lead in counterinsurgency operations in their areas of responsibility (AOR) as of this reporting period.



Seventy-five percent of all Iraqi Army units are rated as being able to conduct independent operations or to lead operations with Coalition assistance.¹³

The Iraqi Army is capable of conducting counterinsurgency operations in both rural and urban environments but currently lacks the ability to conduct numerous tasks without access to Coalition enablers. The lack of those enablers also severely restricts the Iraqis' ability to defend against external threats. Although performance of Iraqi forces is adequate in limited combined operations with Coalition forces, their ability to manage the security environment independently in any part of the cities remains uncertain because of these shortcomings. In addition, the development of a unified, nonsectarian force that will be capable of securing the country in the event of a withdrawal of Coalition forces is hampered by the loyalty of soldiers within many military units to their tribal and ethno-sectarian or political affiliations and associated militias. These affiliations are often the basis for relationships between key officers and higher-level authorities who are not always in the direct chain of command. Iraqi forces continue to experience shortfalls in self-sustaining logistics and generating officer and noncommissioned officer (NCO) personnel to meet the requirements of an expanding army and high attrition rates.

The 27 authorized NP battalions are operational, with seven capable of leading operations with Coalition support, but none is assigned the lead of a specific area of responsibility. Some NP units lack personnel, individual soldier equipment, and reliable vehicles to conduct operations without Coalition support. Seven brigades are conducting security operations in Baghdad, and one brigade was moved to Samarra in order to provide security

throughout the city. Another brigade is conducting retraining at the Numaniyah Training Facility as part of the National Police improvement training plan. As of August 1, 2007, seven of nine NP brigades have completed cohort training. This does not include Prime Minister Maliki's initiatives, such as the Al Askariyah NP Brigade to guard the reconstruction of Samarra's Golden Mosque. A brigade-sized operational reserve consisting of a mechanized battalion from the Army, an NP battalion, and a Special Forces company was established.

Challenge to Iraqi Army and Iraqi Police Expansion—Officer Corps Limits

Further large expansions of MoD and MoI authorized end-strength—currently at 488,000 personnel with 445,500 on the payroll—will require addressing an already existing leadership shortage within the officer and noncommissioned officer (NCO) ranks.¹⁴

Ministry of Defense. The Iraqi Army (IA) is short of leadership in the mid-range NCO ranks as well as the mid-range officer ranks. The IA is taking several steps to mitigate the leader shortage, such as actively recruiting prior service officers and NCOs using mobile recruiting teams and exploring accelerated promotions of personnel currently in the Army. It is unclear if sufficient candidates can be recruited to offset increased requirements. The MoD is also considering other ways of generating officer candidates from within the current force.

Ministry of Interior. Because the training effort of the past four years has focused on generating policemen, and because of the time it takes to grow professional junior officers, there have been inadequate numbers of officer-rank police entering at

junior levels. The resulting low officer manning has affected command and control, planning functions, street-level supervision, morale, retention, and ethical conduct. The Iraqi Police Service (IPS) and the NP use various paths to acquire officers. Both of the police services are actively seeking to increase officers through four methods: a three-year officer course; a nine-month officer course; a six-month police commissioner's course; and a three-week officer transition program (for previously trained police officers). The police services have difficulty attracting officer candidates because they compete with the Iraqi Army for the same pool. The MoI is also considering various incentive programs to attract new recruits.

2.2 Ministry of Interior

The MoI forces consist of the IPS, the NP, the Directorate of Border Enforcement (DBE), and other, smaller forces. Recently the MoI assumed responsibility for the Facilities Protection Service (FPS). This transition will take place in phases and will run into 2008. The MoI has hired a significant number of police beyond those trained by MNSTC-I, mainly as a result of pressure from provincial and local governments that want additional police in their jurisdictions. MoI data indicate that there are about 298,100 police, National Police, Border Enforcement, and Forensics personnel on the payroll and a total of 297,000 authorized positions. Approximately 36,000 ministry staff employees are also on the payroll. Previous attrition rates for MoI forces were estimated at 20%, but closer analysis indicates that current attrition is closer to 17% for the IPS, 15% for the NP, and 6% for Border Enforcement forces.

Ministry Transition Issues

Ministerial Capacity Development

Coalition advisors continue to report marginal improvement in the MoI's ability to perform key ministry functions such as developing and implementing plans and policies, intelligence, personnel management, logistics, and communications. The MoI continues to have particular difficulty in budget programming and execution, processing and commitment of funds, and executing direct contracts in general. The MoI does not yet have accurate personnel accountability and reporting procedures. MNSTC-I continues to assist the MoI in developing the capability to account for how many of the more than 330,000 employees on the Ministry's payroll are present for duty on a given day. For example the MoI has trained on and is adding data to E-Ministry, an MoI-funded web-based database system that will significantly enhance quick access to accurate human resources, financial, payroll, and logistic information. The heightened sensitivity of personal information in the environment of severe intimidation and threats to which MoI employees are subject will, however, likely hamper implementation of the system. Corruption, illegal activity, and sectarian and militia influence continue to constrain progress in developing MoI forces and gaining more popular support.

The MoI continues to struggle with internal corruption, but the Ministry has made continued efforts this quarter to confront this problem. Key to these efforts is effective investigations when allegations appear to have some credibility. For example, from April 1, 2007, through June 30, 2007, MoI Internal Affairs opened 1,482 new

misconduct and corruption-related investigations resulting in dismissal of 110 employees and referral of 20 to the Commission on Public Integrity for further investigation. Eighty-four are pending trial, and internal disciplinary action is pending against 90. Almost 1,500 cases are open and currently under investigation. As of June 30, 2007, 1,026 employees were dismissed since the beginning of the year due to Internal Affairs Directorate efforts. In addition, the Automated Fingerprint Identification System (AFIS) project identified 535 false applications for the reporting period of April 1, 2007 through June 30, 2007. Of these 535 cases, the most serious convictions identified by individual fingerprint comparisons to criminal court records included 48 murderers, 94 burglars, and two rapists. The MoI Inspector General initiated a program to inspect and assess the conditions of short-term detention facilities using checklists based on international standards. Along with support from Multi-National Forces-Iraq's Task Force-134, 1st Division NPTT and the Coalition Police Assistance Training Team's (CPATT) MoI Transition Team (MoI-TT), MoI inspectors assigned to the Human Rights Directorate conducted five facility inspections. The results of these inspections were formalized and forwarded to the MoI for appropriate action. Deficient areas identified during the visits include overcrowding, lack of adequate medical care, and a lack of legal due process.

Embedded Advisory Support

In order to achieve its goals within the MoI, MNSTC-I has embedded the MoI-TT with deputy ministers and their subordinates throughout the Ministry to assist in building capacity. The MoI-TT is comprised of approximately 50 military and civilian contractor advisors divided into six teams, each assigned to a directorate in the MoI. These advisors work with their Iraqi partners

on a daily basis, enabling them to provide monthly assessments of each directorate's progress and a formal quarterly readiness assessment. The MoI-TT, in conjunction with other Coalition partners, has conducted training both in Iraq and in other countries across a number of areas. MoI procurement staff received training in Jordan to improve procurement practices. The High Institute (based at the Baghdad Police College) has produced a detailed plan to improve facilities, teaching standards, and programs and will likely receive substantial funding in 2008. In addition, foundations have been laid for future legal education programs designed by MoI lawyers, and work is being done to prepare for the enactment of the MoI's internal disciplinary system by yearend.

Multi-National Corps-Iraq (MNC-I) also fields 238 Police Transition Teams (PTTs) that assist in the development of the IPS at the field level. Ten of these teams advise at the provincial police headquarters level, 63 at the district level, and 165 at the police station level. Each team has approximately 12 to 15 members, two to four of whom are civilian International Police Advisors (IPA) hired as contractors by the Department of State and funded by the Department of Defense's Iraq Security Forces Fund.¹⁵ The remaining personnel are from the military, many of whom are Military Police. IPAs provide civilian law enforcement expertise in technical aspects of criminal investigation and police station management. PTTs travel to stations to mentor the Iraqi police and conduct joint patrols to promote community policing activities. On a nationwide basis, PTTs are assigned between 1 to 10 stations each and can conduct between one to four visits or patrols at stations daily. Current funding levels for the IPA program and availability of military assets do not allow for full coverage of the more than 1,100

provincial and local police headquarters and stations in Iraq. Security concerns at over half of these sites prevent safe transit and visits.

Based on feedback from the PTTs, in December 2006 the MoI-TT coached the MoI to initiate an MoI-led Iraqi Police Reform Program called “Quicklook” to review all aspects of performance and effectiveness of Baghdad police stations. The MoI successfully inspected all but three of the 47 police stations within Baghdad. Building on this program, the MoI initiated its own series of inspections. As a result of the April 2007 Provincial Directors of Police conference, the Minister of Interior directed that senior officers from the Police Affairs Agency conduct inspections throughout all of the Iraqi provinces. The Minister specified that the focus of the provincial inspections would be on personnel and equipment issues.

In the MoI-TT Operations Directorate, the Command and Control focus was further refined. Additional internal procedural documents for the Provincial Joint Coordination Centers have been completed and are being reviewed by senior MoI officials, and exercises are being planned to develop linkages to the Iraqi National Command Center (NCC). Construction of the tips call center adjacent to the NCC is proceeding on schedule.

Logistics and Sustainment

MNSTC-I is focused on assisting the MoI to improve key logistic shortfalls, particularly in equipment maintenance. For example, the MoI is developing policies, plans, and processes for acquisition, distribution, and maintenance of vehicles. The MoI has begun to centrally purchase vehicles and repair parts using self-generated and FMS contracts. Shortfalls of adequate fuel

continue to hinder mission performance. All life-support contracts were transferred to the MoI, except for those used by the Baghdad Police College, training centers in Numaniyah, Habbaniyah, and Camp Dublin in Baghdad, which are expected to transition to the MoI by November 1, 2007. Small-scale life-support contracts have been reestablished at the Basrah, Al Kut, and Sulaymaniyah Joint Training Centers to support the NP Replenishment Plan. Efforts to improve equipment accountability at the MoI are continuing. Transition teams in the field receive equipment from Coalition-contracted warehouses and issue the equipment directly to the IPS, at which point it becomes Government of Iraq property. This transfer is tracked using forms containing signatures and thumbprints. To obtain equipment, subordinate elements submit a standard memorandum requesting the items. Transfers are documented and tracked. After the equipment is issued to the field, MoI-TT mentors the MoI forces in conducting weekly and monthly inventories and the submission of status reports. MoI-TT continues to work with MNC-I to improve reporting procedures and mechanisms.

Force Generation

The MoI and CPATT are working to replenish all NP units with personnel and key equipment items in support of FAQ. MNSTC-I is supporting the Prime Minister’s initiative to build a multi-component (Iraqi Army and National Police) division-sized force to protect the Samarra Shrine reconstruction project. Generation of additional NP by the end of 2007 is required to replace combat losses and to support the Prime Minister’s Initiative. The NP replenishment goal for 2007 is approximately 14,000. MoI-TT is also assisting the MoI with consolidating the Facilities Protection Services (FPS). Phase

III operations of FAQ will require an estimated 12,000 new Iraqi Police Services personnel for Baghdad over the next six months. This initiative is part of the Baghdad Security Plan and is estimated to produce a police officer to civilian ratio of 1:133. This plan brings the ratio of Iraqi police to civilians in Baghdad to that of New York, Los Angeles, and Chicago.

Iraqi Police Service

The IPS constitutes the majority of MoI forces assigned throughout Iraq's 18 provinces and is comprised of patrol, station, traffic, and forensic specialists. The IPS's mission is to enforce the law, safeguard the public, and provide local security. There are 229,300 authorized IPS positions in the MoI. Due to local hiring initiatives, police ranks have swelled in those areas where the population has turned against extremists. This has contributed to previous overhiring at the provincial level, which has resulted in a total police force of 232,000 based on payroll data. There are no reliable data on how many of these are the approximately 135,000 police who have received basic recruit and transition reintegration training from the Coalition. Estimates of the percentage of total trained by the Coalition that are still on the force range from 40% to 70%. Estimated attrition is 17% annually. For Baghdad and the nine key cities, 100% of U.S.-funded authorized vehicles and weapons have been delivered to the police.¹⁶ Overall, the IPS has been issued approximately 93% of authorized U.S.-funded critical equipment and is expected to receive 100% by yearend. The MoI has been procuring equipment on its own for the police who have been hired in excess of the agreed Objective Civil Security Force levels.

Due to combat loss, theft, attrition, poor maintenance, and heavy use of equipment that in many cases was issued three or four

years ago, a significant portion of the equipment may no longer be serviceable or in MoI inventories. These demands, as well as growth of police authorization levels, will require continual equipment support for personal protection and other equipment items. Militia infiltration of local police remains a significant problem in select areas. Because IPS members tend to be based in their home areas, the extent of militia intimidation among the police in a particular area is often a function of general militia influence in that area. Some security forces also remain prone to intimidation by, or collusion with, criminal gangs.

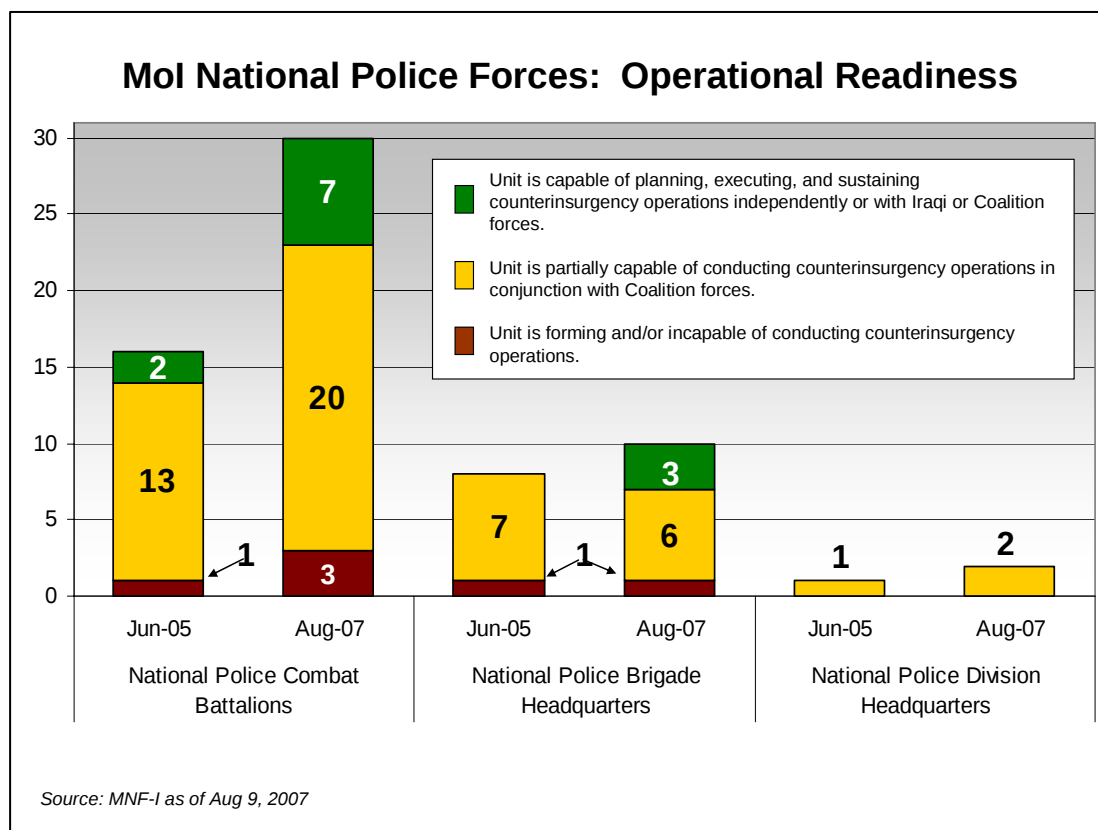
National Police

The National Police (NP) is a bridging force between the local police and the Iraqi Army and, unlike the local police, is under the direct command and control of the MoI. This enables projection of national-level police capabilities across the provinces. The MoI has 24,400 NP on the payroll and 25,700 authorized positions. It is unknown how many of the 26,300 NP and Police Commandos (the NP's predecessor organization that was founded in 2004) who have received initial training and equipping from MNSTC-I are still in the force. Current attrition is estimated at 15% annually. As of July 2007, the 27 National Police Battalions have an average present-for-duty strength of 60%. The NP continue to make only minor gains in capability because their high operations tempo diverts them from training on a wide range of skills or from conducting company-level or higher training events, staff development, collective training, or unit regeneration. Moreover, the NP faces budget, logistics, maintenance, and medical care shortfalls that exacerbate officer shortages, militia influence, and disciplinary issues that hinder the overall mission.

Forty National Police Transitional Teams are embedded at the division, brigade, and battalion levels. Until October 2006, the NP were trained and served primarily in a paramilitary role and had received little traditional police training. Sunnis view the mostly Shi'a NP with distrust because of its involvement in extrajudicial abuses. Iraqi and Coalition leaders continue to work with the NP to address these problems and to improve its capabilities and public image. Since October 2006, the National Police Commander has relieved commanders of both divisions, all nine brigades and 17 of 27 battalions, comprising the majority of the NP leadership at these levels. Still, sectarianism remains a significant problem within the NP.

An adequate National Police “life cycle” rotation would significantly contribute to developing a trusted and professional organization. MNSTC-I, in coordination

with the MoI, is developing such a program. National Police Cohort Training at Numaniyah NP Academy, commonly known as “re-blueing,” is a four-phased NP transformation program and an opportunity for NP units to conduct limited retraining and regeneration. Phase I is complete while Phase II is ongoing; over a four-week period, policing skills training, tactical training, human rights training and limited collective training is conducted. As of mid-August 2007, seven of nine NP brigades have completed Phase II of “re-blueing” at Numaniyah. Some operational commanders indicate that re-vetted and re-trained brigades are performing better than they had previously performed. The UN-funded, NATO-approved Italian *Carabinieri* Mobile Training Team is part of Phase III of the program and is preparing to begin training the NP in October 2007. Eight NP battalions per brigade will attend courses focused on criminal investigation, crowd



control, weapons handling, dignitary protection, intelligence operations and physical fitness. Phase IV, which has not yet begun, involves deployed training on contingencies such as security for pilgrimages, natural disasters and national emergencies.

National Information and Investigation Agency

The National Information and Investigation Agency (NIIA) is the lead intelligence apparatus of the MoI. NIIA intelligence officers assist NP and regular police in performing their criminal investigative duties. NIIA capabilities are currently assessed as minimal in most areas such as investigations, analysis, and surveillance but continue to make modest albeit slow improvement. Since the last report, weapons and body armor issuance has remained at 95% of authorized levels while vehicle issuance has increased to 75% of authorized levels. The current security environment and the infiltration of Shi'a militia groups within the MoI continue to be the main impediment to effective, nonsectarian operations. Furthermore, lack of trust among agencies impedes the exchange of criminal intelligence and collaborative intelligence products.

Directorate of Border Enforcement and Directorate of Ports of Entry

The Directorate of Border Enforcement (DBE) and the Directorate of Ports of Entry (PoE) collectively are responsible for controlling and protecting Iraq's borders. The DBE is organized into five regions, with 12 brigades totaling 44 battalions; MNSTC-I equips 38 of the battalions. 37,700 border enforcement personnel are currently on the payroll and 38,000 positions are authorized by the MoI. The Coalition has trained and equipped about 28,000 border enforcement personnel; it is unknown how many of these

are currently on the payroll. These forces staff 420 border and annex forts, of which the U.S. Government has built and equipped 258. The PoE Directorate operates 13 of 17 land PoEs into Iraq. Four land PoEs were closed as part of the increased security measures implemented in February 2007. Currently, 29 Coalition Border Transition Teams (BTTs) support border and port operations. A new State Department contract provides 64 Border Support Advisors (BSAs) as subject matter experts on port and border operations and customs and immigration procedures to coach, mentor and train senior MoI border enforcement and PoE personnel. Each border police headquarters, from the national level to brigade level, will have a minimum of two BSAs assigned. Two BSAs will be assigned to each training academy and two to three at each PoE. These civilian contractors will enhance the operations provided by the BTTs and Department of Homeland Security Border Support Teams, intensifying current efforts to accelerate the DBE's ability to assume full operational sustainment and stability of Iraq borders and PoEs. To improve capability and establish better border control, the DBE is planning to increase the end strength of border forces.

Facilities Protection Service

The Facilities Protection Service (FPS) was originally established in 2003 by CPA Order 27 to protect infrastructure and facilities controlled by the various government ministries and independent directorates. To assert MoI authority over the FPS, the Iraqi government decided in 2006 that the FPS will be consolidated under the MoI, except for the protective forces within the Ministry of Oil, Ministry of Energy, and Supreme Judicial Council. This effort includes standardization of pay, equipment, training, and logistics of approximately 120,000 FPS

personnel. Although the MoI began to take over training and vetting of FPS personnel, the Ministry of Finance has not yet centralized funding with the MoI, and the budgets for non-MoI FPS, including salaries, were not transferred to the MoI. The FPS is not part of the Coalition's programmed train-and-equip requirements. Metrics such as numbers of personnel or equipping status are not included in the overall data. Currently, the MoI FPS is developing Tables of Organization and Equipment to include the non-MoI FPS forces. The MoI FPS has begun to consolidate some of the other FPS units while awaiting the passage of the new FPS Law. The first consolidation was the Ministry of Health (MoH) FPS located in the Medical City Complex (MCC) on July 7, 2007, when responsibility for security at the MCC was transferred to the MoI FPS. The MCC was initially secured by the Iraqi Army and cleared of MoH FPS personnel suspected of insurgent and militia affiliation. With the approval of the Prime Minister and leadership of the *Fardh al-Qanoon* (FAQ) Baghdad Command, the MoI FPS then deployed a 400- person force as a part of Operation Black Crescent to begin protecting the MCC. The first 920 of 1,200 Ministry of Health FPS personnel to be retrained have graduated from the MoI's Baghdad Police College FPS training facility and have been posted at various hospitals around Baghdad. A second operation in early August 2007 successfully replaced the FPS at the Ministry of Culture with newly raised and trained FPS personnel.

2.3 Ministry of Defense

The Iraqi MoD military forces consist of the Joint Headquarters (JHQ); the Iraqi Ground Forces Command (IGFC), which commands the Army and the Iraqi Special Operations Forces (ISOF); the Air Force; and the Navy

(including Marines). MoD forces currently have an authorized strength of approximately 195,200 personnel centered on an Army with 10 infantry divisions, one mechanized infantry division, one additional infantry division (being established as part of Prime Minister Maliki's Expansion Initiative), one Special Operations Brigade, and associated combat support units and infrastructure protection battalions; an Air Force consisting of six squadrons; and a Navy with two squadrons and one Marine battalion. There are approximately 151,400 military personnel on the MoD payroll. In July 2007, the Prime Minister directed the establishment of an additional division headquarters and light infantry division which, upon completion, will bring the total force structure to 13 divisions. The 12th Division Headquarters, consisting of the headquarters and Military Police and Signal Companies, was designated for generation as part of the Prime Minister's Initiatives in 2006. This divisional headquarters was to assume a portion of the 4th Division's area of operation and assume command and control of several 4th Division brigades. In July 2007, based on operational considerations, the Prime Minister directed that the 14th Division Headquarters be generated in lieu of the 12th Division Headquarters. This unit, consisting of the headquarters and Military Police and Signal Companies, would assume a portion of the 10th Division's area of operation in the southern portion of Iraq. The 14th Division (Light Infantry) would be formed by cross-leveling several 10th Division brigades. The remainder of the divisional soldiers for the 14th Division will most likely be generated during late 2007 with their training and equipping expected to be completed in 2008. The 14th Division represents the 13th division overall for the Iraqi Army; however, there will not be a 13th Division due to the cultural sensitivities regarding the

number 13. Generation of the 12th Division will now be delayed to 2008 due to the increased priority of generating the 14th Division. It is unknown how many of the 165,400 Iraqi military personnel who have been trained and equipped by the Coalition are still on the payroll, or how many on the payroll have been through Coalition training.

Ministry Transition Issues

As of September 1, 2007, nine Division Headquarters, 33 Brigade Headquarters, and 103 Iraqi Army battalions had assumed the lead for counterinsurgency operations (COIN) within their assigned areas of operations. The Iraqi Ground Forces Command (IGFC) has assumed command and control of eight of the 10 fully operational Iraqi Army divisions (the 5th and 7th Divisions remain under the operational control of MNC-I). The MoD, through the JHQ, has assumed responsibility for support and sustainment planning for these divisions as well as for forces transferring to JHQ command and control in the future. The 6th and 9th Divisions have subsequently been subordinated to the MoD's Baghdad Operations Command as part of *Fardh al-Qanoon* (FAQ). By November 2007, the IGFC is expected to gain operational control of all ten Army divisions of the Objective Counterinsurgency Force.

Ministerial Capacity Development

Overall, the MoD is assessed as partially effective at managing ministry functions such as personnel management, budgeting, acquisitions and contracting, and plans and policies. Coalition assistance is required to provide fielded forces with required support. The MoD is, however, showing incremental progress in some areas such as life support contracting. Where it has already assumed the majority of responsibility, the quality and capacity of the new life support

contractors servicing MoD have greatly improved this year. Moreover, the MoD's ability to perform requirements-based budgeting has also improved significantly this year, and it has produced a 2007 Capabilities Requirements Plan in support of agreed Iraqi Defense policy objectives. The plan also includes an acquisition procurement strategy for either direct Ministry purchases or use of U.S. FMS cases.

The Ministry still suffers from deficiencies, particularly in the processes for obtaining approval for commitment of funds and contracting in general. The Ministry of Planning has published a new Iraqi Procurement Law effective May 2007. The Ministry is updating its Contracts Policy and Procedures Manual including the business process flow charts and delegated approval financial thresholds. As these processes mature, the MoD will continue to pursue a substantial portion of its acquisition and sustainment requirements through U.S. FMS cases, particularly for new units being generated. The MoD remains on track to develop and deliver the 2008 Capabilities Requirements Plan to the Directorate of Programs and Budgets for preparation of the 2008 Budget in the coming months. Efforts to build MoD capacity further will be enhanced by its new Civil Service Staff Development Center, which officially opened in July 2007.

Embedded Advisory Support

Transition Teams (TTs) are embedded in the MoD, the Joint Headquarters and with most battalions and brigade and division headquarters. Most of the teams at the unit level are comprised of about 10 personnel. At the national level, there are two teams that have about 50 personnel each, one for the civilian leadership of the Ministry and one for the Joint Headquarters (JHQ). The

MoD-TT advises the civilian Iraqi MoD leadership and staff. The team currently consists of civilian advisors from the United States, the United Kingdom, and Australia. Since 2004, the MoD-TT has been led by an SES-level UK MoD civil servant. The MoD-TT consists of approximately 50 advisors including some 35 contractors, seven U.S. military personnel, and six UK and two Australian civil servants. An Australian general officer leads the TT that advises the JHQ. At the JHQ-TT, U.S. military personnel comprise about half of the advisors and the rest are split roughly between U.S. civilian contractors and military personnel from other Coalition countries. Both TTs report to MNSTC-I and provide mentoring support to senior officials in developing the Iraqi capacity to manage key ministerial functions. To enhance the Iraqi Army's operational unit logistic capabilities, the 316th Sustainment Command (Expeditionary) is working with Iraqi logistics units and MNSTC-I's Coalition Military Assistance Training Team (CMATT), and has teams embedded at the Taji National Depot to develop the national supply chain. Altogether, MNSTC-I has oversight of approximately 60 transition teams assigned to assist in logistics and sustainment.

Logistics and Sustainment

MoD's growing but still too limited logistic and sustainment capacity remains a key hindrance to Iraqi forces' ability to permanently assume missions from the Coalition. The MoD requires significant Coalition assistance, especially in warehouse, depot, transportation, and distribution operations. Plans are underway to transition responsibility for ammunition depots and national level maintenance from contractors in JHQ logistics units. Furthermore, progress has been made in filling motor transport units, regional

support units, and garrison support units—all of which continue to build the Iraqi logistics, maintenance, and support capability. Development and implementation of the MoD strategic logistics policy concept is also maturing via the combined Coalition-JHQ Logistics Concept Implementation Committee (LCIC). Chairmanship of the LCIC has shifted to the JHQ with the Coalition providing the co-chair deputy. The ability of the MoD forces to maintain accountability for U.S.-provided equipment remains a challenge. According to the latest Iraqi Army reports on the 1st through 10th Divisions, these units have an average of 75% of authorized equipment. Even though these units have previously been issued 100% of authorized equipment, battlefield attrition, normal wear and tear from a high operational tempo, theft and pilfering, and maintenance shortfalls have all resulted in equipment attrition. Without fully capable Iraqi Army, Joint Headquarters, and MoD logistics systems, accounting for this attrition is difficult. The IGFC has initiated an effort to reconcile the differences between what was issued and what is on-hand by ordering units to conduct 100% equipment inventories, and the IGFC is in the process of requiring all divisions to provide a monthly equipment report for equipment accountability purposes. The MoD, MNSTC-I and MNC-I are also focused on improving HMMWV maintenance levels. MiTT teams indicate that these Iraqi initiatives are helping to improve equipment accountability at the unit level.

MNSTC-I and the MoD continue to issue mission-critical items to the Iraqi Armed Forces, such as up-armored HMMWVs, wheeled Armored Personnel Carriers, heavy machine guns, and fuel trucks to the agreed Modified Table of Organizational Equipment (MTOE) levels. MNC-I also

conducts a monthly equipment status report which tracks the issued, on-hand, and fully mission capable status of the key pacing items by the Iraqi Army divisions and Motorized Transportation Regiments. The Iraqi Army has established a Combined Logistics Operations Center (CLOC) and has been working closely with MNSTC-I on a daily basis. In coordination with the Iraqis, MNSTC-I has drafted an internal Ministry Transfer Policy that will provide accountability procedures for property transferred between different Ministries and among elements within the same Ministry. The MoD continues to receive delivery of, and train units on, U.S.-standard equipment—such as M4s, M16s, M203s, and supporting ammunition and repair parts—through FMS cases using MoD funds.

Throughout this period, DoD continued to focus on developing the MoD's logistics support capabilities in the areas of fuel supply, maintenance, budget, material management, self-sustainment, ammunition, medical equipment, supply accountability, and national warehouse operations. The FY2007 Supplemental appropriation and FY2008 funding request included additional funding for the Iraq Security Forces Fund to support this effort. A major element of the initiative is the implementation of a Logistics Management Information Technology (IT) Solution to manage more than 11,000 line items of inventory stored at more than 11 storage sites including the Taji National Depot, five Regional Support Units (RSUs), selected Garrison Support Units (GSUs), and selected Air Force and Navy support sites. A key hindrance to Iraqi self-reliance in supplying fuel to its forces is that the MoD still receives fuel allocations from the Ministry of Oil (MoO) below required levels. Although the MoO is increasing its allocation to the MoD, shortfalls still occur

as the Iraqi Army fields new vehicles and as the force structure continues to grow, requiring continued provision of fuel by Coalition forces. The MoD is initiating FMS procurements to acquire military line haul fuel tanker capabilities rather than rely on commercial transportation. The MoD is assuming greater responsibility for contracting for transportation of supplies, soldiers, and equipment via a contract for line transportation. By the end of September 2007, the MoD is scheduled to provide all life support to its fighting force through contracts; the MoD's disbursements to its life support contractors have generally been on time throughout 2007—important success in MoD budget execution.

MNSTC-I is currently working with the MoD to transfer maintenance capabilities to the Iraqi Army. The MoD did not assume responsibility for the National Maintenance Contract at the end of June 2007 as planned. MNSTC-I is now supporting the Iraqi Army Maintenance Program (IAMP) through the end of November 2007. The JHQ M4 staff has agreed to a transition plan, and the Iraqi Army will assume responsibility for maintenance at 10 sites throughout Iraq as the USG transitions out of the IAMP contract. A joint Transition Advisory Council has been established to track the transition of the maintenance capability and to make decisions on the timetable. The MoD also has two FMS contracts in place worth US\$80 million for the procurement of spare parts. The total cost of maintenance support contracts to be assumed by the MoD is estimated to be US\$160 million. The MoD has a number of additional FMS contracts in place and is procuring equipment to support the expansion of the Iraqi Army.

The MoD Office of the Surgeon General (OSG) fully committed the 2007 budget of

US\$32 million to provide much needed medical supplies and care. This did not fully fund all the MoD OSG requirements. A separate FMS case for a level III field hospital is being executed. MNSTC-I provided initial funding and one-year sustainment of medical supplies. Although the MoD's medical logistic capabilities are improving, they require continued Coalition assistance. The first of six planned mortuary facilities has been constructed and opened. Also, a medical follow-up unit has been established for administrative support to coordinate medical treatment for seriously wounded Iraqi military personnel and to coordinate death benefits for military fatalities and their survivors.

Discussions continued between the DoD and the MoD on the development of an Acquisition and Cross Servicing Agreement (ACSA) for the reciprocal provision of logistic support, supplies and services on a reimbursable basis. A draft agreement has been produced, but as of this reporting period, the Iraqi government had not determined what level of the GoI would be authorized to approve such an agreement.

Force Generation

The MoD's institutional training base accounts for basic and military occupational specialty training for soldiers, noncommissioned officers, initial-entry cadets, new lieutenants, and staff officers. Embedded transition teams and partner units subordinate to MNC-I oversee and mentor operational training in counterinsurgency-oriented mission-essential tasks. The Iraqi government is funding US\$950 million of the cost of increasing the Army's structure from 10 to 13 divisions. This expansion is intended to increase the MoD's ability to overmatch enemy forces, enhance its operational and tactical flexibility, and allow units to retrain and refit. MoD is procuring

much of the equipment for these new units through DoD FMS cases. Iraqi staff officers in the JHQ assumed responsibility from MNSTC-I in May 2007 for force generation of Iraqi Army units and are now leading the planning for recruiting, training, manning, equipping, basing and forming of new Army units. MNSTC-I continues to mentor, partner with, and train JHQ force generation personnel.

Force Expansion

MNSTC-I funded equipment for 18,000 new soldiers who were trained as replacements for losses from the last four years. Continued replenishment of battle losses and other attrition will be required. To improve present-for-duty strength, MNSTC-I also funded a 21,100 soldier increase in the manning of combat units to increase the number of personnel assigned to units to 120% of current authorizations. All of these soldiers have completed their training, and as of mid-July 2007, Iraqi Army divisions reached approximately 103% of authorized strength. This strength level is deceptively high in that the majority of the Army personnel strength is in the lowest enlisted ranks. The mid-range enlisted and officer ranks are extremely low at 38% and 69%, respectively. This shortage is a focal point of both the Coalition and Iraqi teams. There are many initiatives being explored and implemented. Currently the main focus is on mobile recruiting teams that are attempting to recruit former NCOs and officers from the old army to fill critical voids in the Army as well as the other services. With the infusion of more than 9,000 soldiers by September, the divisions will have an estimated aggregate number of assigned personnel of approximately 110% of authorized levels. This initiative will continue until the number of personnel assigned to all combat battalions is at least 120% of authorizations.

A major reason for this manning increase is that only about 65% of authorized personnel are present for duty in fielded units at any time, and this percentage varied widely among units. (For ISOF, Air Force and Navy, only 61%, 39%, and 40% of authorized personnel, respectively, were present for duty at any time.) With increased manning of divisional units, the Army's present-for-duty averages have increased to approximately 70% on any given day. Increasing assigned personnel strength to 120% of authorizations is expected to ensure a further improvement in present-for-duty averages to at least 75% of a battalion's authorized strength. The greatest contributor to the difference between authorized strength and present-for-duty strength is a policy that places about one-quarter of all soldiers on leave at any time to take pay home to their families. In addition, the Army has suffered up to 25% annual attrition due to casualties and other factors such as soldiers going absent without leave (AWOL). Iraqi Army divisions that face sustained combat operations report AWOL rates of between 5% and 8%.

The new Iraqi military justice system is being implemented by the Iraqis with the ongoing appointment, training, and posting of military judges, legal advisors, and disciplinary officers. The Iraqi Military Penal Law was enacted and became effective in July 2007, and the Military Procedures Law, establishing the military courts-martial and disciplinary system, is pending final approval by the Iraq Presidency Council and forwarding to the Ministry of Justice for publishing in the Official Gazette. Implementation of these laws, expected in September, will enable Iraqi commanders to deal fairly and effectively with absenteeism and desertion.

Army

The Army (ground forces) component currently consists of approximately 131,600 soldiers, according to MoD payroll data, organized into 12 divisions; total personnel authorized for ground forces are 171,300. Supporting elements consisting of Training and Doctrine Command, five RSUs, and 28 GSUs are currently assigned approximately 14,500 support personnel; total authorizations are 16,700. Previously, 80 GSUs were planned, but many of them have been consolidated into larger units to ensure that each possessed organic base defense capabilities. All of the RSUs and 15 of the 28 GSUs have embedded MNSTC-I transition teams.

The Prime Minister has directed that the 17 Iraqi Army Infrastructure Battalions (IAIBs) go through a two-phased re-training and re-equipping process to transform them into regular Iraqi Army Battalions. These battalions will have special skills directed towards infrastructure protection and consequence management. MNSTC-I is working closely with the Iraqi Joint Headquarters to complete the planning of this phased concept to transform IAIBs into Light Infantry Battalions that are fully integrated into the regular Iraqi Army. One IAIB has already moved to a Regional Training Center and will begin training in the near future. In May 2007, all Iraqi Army divisions were assigned responsibility for infrastructure protection in their areas of responsibility with operational control of Infrastructure Battalions. Full integration is projected to occur after they are trained to the same standards as regular Army soldiers, possibly by early 2009. Efforts to improve the capability of these units are led by partnered IA units and MiTTs.

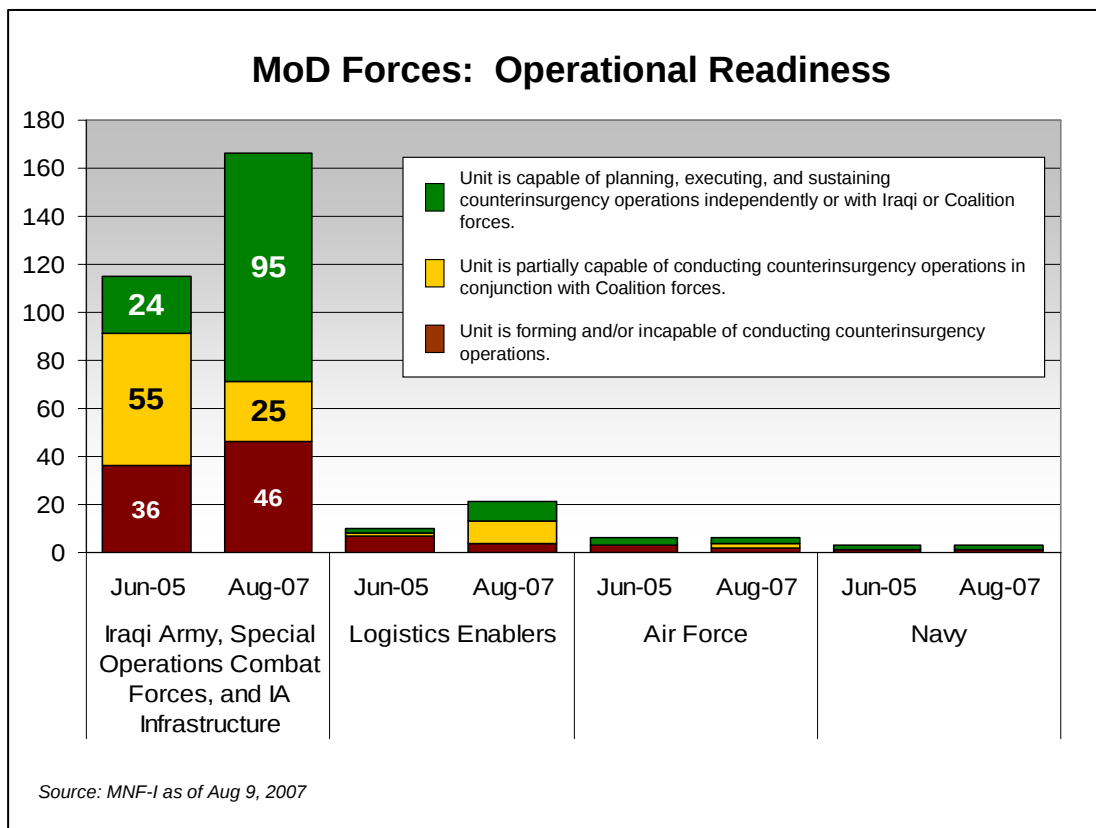
National Counter-Terror Capability

Implementation of the National Counter-Terrorism (CT) capability remains on track to achieve full operational capability by December 2007, and the CT Bureau is operating. Communications between the newly established CT Bureau (CTB) and CT Command with the Iraq Special Operations Force (ISOF) Brigade headquarters, the Ministry of Defense, and the Joint Headquarters are functioning and maintained through daily video teleconferences and across the U.S.-funded Iraqi Defense Network. The CTB completed its 2008 budget planning and is drafting a National CT Strategy. Individual and collective training is also progressing with the MiTTs working with their Iraqi counterparts. A new CT law has been drafted and is progressing through the legislature. U.S. Special Operations Forces (USSOF) and Coalition partners working as the Special Operations Iraq Transition Teams (SOITT)

train the ISOF Brigade headquarters command and staff personnel. The ISOF Brigade is the operational component of the Iraqi Counter-Terrorism Command. It has grown to an assigned strength of approximately 3,300 soldiers, which comprise the bulk of Iraq's CT strike capability, with total authorizations of about 4,500. An ISOF expansion program has begun. Currently, one commando battalion is being established with regionally based companies planned in Basrah, Mosul, Al Asad, and Diyala. Over time, these may grow to battalion strength. The Basrah Company is currently conducting operations and the Mosul Company attained initial operational capability.

Navy

The Iraqi Navy has approximately 1,100 assigned sailors and Marines organized into an operational headquarters, two afloat squadrons, and four Marine companies that



are stationed for point defense of the offshore oil platforms. The Navy will grow to 2,900 personnel as acquisition of two offshore support vessels, four patrol ships, 15 patrol boats and a number of smaller vessels progresses. Contracts for the purchase of many of these ships have been definitized, but execution has been delayed due to negotiations with vendors over exchange rates and taxation. The Iraqi Navy faces significant challenges in meeting training needs for its ambitious acquisition program, including development of leadership and technical skills. The MNSTC-I Naval Transition Team and Coalition Navy, Marine, and Coast Guard Forces continue to advise the Iraqi Navy. Naval infrastructure development, funded by MNSTC-I and the MoD, remains a primary effort in preparation for the delivery of their new ships slated to arrive beginning in the fourth quarter of CY08.

Air Force

There are approximately 900 personnel assigned to the Iraqi Air Force (IqAF). A concentrated recruitment and accession effort is underway to field 1,500 airmen by the end of 2007; the MoD has authorized a total of 2,900 IqAF personnel. To develop the IqAF officer corps, the Air Force has interfaced with the Iraqi Military Academy system and recently graduated the first 19 second lieutenants. The IqAF has also implemented an officer training program at the Air Force Training School. The first graduation from this course will be in October 2007. The IqAF will also open a flight training school in October 2007 to develop professional aviators. Currently, the IqAF has 91 mission-qualified pilots for 51 on-hand aircraft and is flying missions with both its C-130 and Cessna Caravan aircraft.

The Air Force is organized and equipped for counterinsurgency operations and is advised by eight embedded teams from the Coalition Air Force Transition Team. Intelligence, Surveillance, and Reconnaissance (ISR) aircraft are currently located at Kirkuk Air Base (3 Squadron with three Cessna 208B Caravans and 4 SAMA CH-2000s) and Basrah Air Base (70 Squadron with four SAMA CH-2000s and two Sea Bird Seeker SB7L-360s). Each unit performs daily operational missions over Baghdad and key national infrastructure locations supplying actionable intelligence to both Iraqi and Coalition ground forces. The intelligence gathered during these flights has provided timely evidence of Baghdad perimeter security breaches and detection of oil piracy. As described in previous reports, Iraq's capabilities to conduct airborne ISR are being further enhanced with additional procurements of interim and advanced platforms. The last of three Cessna Caravan interim ISR aircraft arrived in June 2007, giving the IqAF an enhanced day and night capability once initial and mission qualification training is completed.

There are currently 35 helicopters assigned to the IqAF, split among the Bell UH-1H Huey IIs, Bell 206B Jet Rangers, and Mi-17 Hips. The fielding of rotary-wing aircraft continued with the delivery of six modified UH II (Iroquois) helicopters, bringing the total delivered to 16. Aircrews are currently conducting initial qualification and tactics training. The Iroquois fleet has achieved initial operating capability and is currently conducting battlefield mobility and VIP transport missions. The first 10 MoD-procured Mi-17 helicopters are still not operationally employed due to shortfalls in defensive systems and internal/external communications. The IqAF addressed this

need with a US\$6 million defensive system contract with a scheduled delivery of the first system suites 90 days after payment, but this date is slipping because of problems in the acquisition and contracting process. An additional four Mi-17s arrived in May with full defensive suites installed but with significant communication problems. The initial operational capability of the Mi-17 will occur in the third quarter of 2007 after night and tactics training is complete. The MoD has ordered a total of 28 Mi-17s, with final delivery scheduled for December 2007. The Iraqi Air Force 12 Squadron continues to conduct flight training with five Bell Jet Ranger aircraft.

The 23 Squadron at New Al Muthanna Air Base has three 1960s vintage C-130E aircraft. IqAF technicians perform all routine maintenance and all-Iraqi flight crews are generally the norm. The maturity of the 23 Squadron has enabled a reduction in the number of U.S. Air Force MiTT personnel assigned to the unit. The MoD has requested an additional three Excess

Defense Article C-130s from the USG to bring the squadron size to six aircraft. All IqAF aircraft are currently being integrated to assist with other ISF units in order to win the COIN fight. The ISR and helicopter assets will enhance the capabilities of the ISOF if they are able to recruit enough pilots to fly them. Advisors to both the IqAF and the MoD's CT Bureau are currently working closely to develop this capability.

Conclusion

Capable police and military forces will enable the Iraqi government to battle terrorism, neutralize the insurgency, and provide stability in Iraq. Efforts are ongoing to build the capacity of the forces and the ministries to sustain themselves without Coalition support, and to operate independently without the full range of Coalition combat enablers. This includes developing a robust FMS program assisting with GoI force expansion initiatives, continuing support for GoI efforts to procure U.S. standard equipment, and supporting efforts to improve equipment accountability.

Annex A

List of Acronyms and Abbreviations

AQI	al Qaeda in Iraq
BCT	Brigade Combat Team
BTT	Border Transition Team
CCCI	Central Criminal Court of Iraq
CoM	Council of Ministers
CoR	Council of Representatives
CPATT	Civilian Police Assistance Transition Team
CT	Counter Terrorism
DBE	Directorate of Border Enforcement
DoD	U.S. Department of Defense
EFP	Explosively Formed Projectiles
FMS	Foreign Military Sales
FAQ	Operation Fardh al-Qanoon
FPS	Facilities Protection Service
GDP	Gross Domestic Product
GoI	Government of Iraq
IED	Improvised Explosive Devices
IG	Inspector General
IGFC	Iraqi Ground Forces Command
IHEC	Independent High Electoral Commission
IMF	International Monetary Fund
IPLO	International Police Liaison Officer
IPS	Iraqi Police Forces
IqAF	Iraqi Air Force
IRRF	Iraqi Relief and Reconstruction Fund
ISF	Iraqi Security Forces
ISR	Intelligence, Surveillance, and Reconnaissance
ISOF	Iraqi Special Operations Forces
JAM	Jaysh al-Mahdi
JHQ	Joint Headquarters
KRG	Kurdistan Regional Government
mbbl/d	Million Barrels Per Day
MiTT	Military Transition Teams
MNC-I	Multi-National Corps-Iraq
MNF-I	Multi-National Force-Iraq
MNSTC-I	Multi-National Security Transition Command-Iraq
MoD	Ministry of Defense
MoE	Ministry of Electricity
MoF	Ministry of Finance
MoI	Ministry of Interior
MoO	Ministry of Oil
MW	Megawatt
NP	National Police
NPTT	National Police Transition Team

PDS	Public Distribution System
PHC	Public Healthcare Centers
PIC	Provincial Iraqi Control
POE	Directorate of Ports of Entry
PKK	Kurdistan Worker's Party
PTT	Police Transition Team
QF	Qods Force
SBA	Stand-By Arrangement
SIB	Strategic Infrastructure Battalion
TT	Transition Team
UN	United Nations
USAID	United States Agency for International Development

¹ Nationwide poll, August 2007: "The Iraqi people would be better off if the country were divided into 3 or more separate regions that better reflected ethnic or sectarian populations." Nationwide, 33% of Iraqis agree to this statement. Sample Size: ~12000. Margin of Error (MoE): ~1%

² The ePRTs differ from PRTs in that they are more closely paired with a U.S. military unit in an advisory role than existing PRTs, whose primary relationship is with a provincial government. An ePRT operates at the grass roots level in its partnered military unit's area of responsibility. The ePRTs, like the ten original PRTs, are intended to promote reconciliation, build governance capacity, support U.S. counterinsurgency strategy, encourage moderate elements, and foster local economic development.

³ The Central Criminal Court of Iraq (CCCI) was established in 2003 pursuant to Coalition Provisional Order 13 (as revised and amended) to try terrorism, government corruption, organized crime, and other specified categories of cases.

⁴ The International Compact with Iraq (ICI) provides a five-year framework for Iraq to achieve financial sustainability through economic reform commitments between Iraq and the international community. This GoI initiative, co-chaired with the United Nations (UN), commits Iraq to reforming its economy, establishing new investment laws and regulations, building the institutions needed to combat corruption, ensuring good governance, and protecting human rights. In return, members of the international community commit to supporting these efforts through financial, technical, and administrative assistance, as well as through forgiveness of Iraq's external debt. Background material can be found at www.iraqcompact.org.

⁵ This quarterly report shows monthly data over a 15-month period and breaks out North and South production, whereas the last report shows weekly data for a 3-month period.

⁶ "Sectarian incident" is defined as an attack by a person or a group of people of a particular ethnic/religious group directed at a different ethnic/religious person or group of people where the primary purpose/motivation is based on ethnic or religious reasons.

⁷ Incidents reported in the Multi-National Corps-Iraq (MNC-I) Significant Activities Database include known attacks on Coalition and Iraqi forces, the civilian population, and infrastructure. These incidents typically involve improvised explosive devices, small arms including sniper fire, and indirect fire weapons.

⁸ Beginning with this report, data on attack incidents by month will be shown in response to a Government Accountability Office (GAO) recommendation. Previously, attack incident trends were reported using weekly averages during periods of varying length. This report will also begin to report casualties by month to be consistent with incident reporting.

⁹ Nationwide poll, August 2007: "Do you agree with the following statements? I feel safe and secure in my neighborhood and I feel safe traveling outside my neighborhood." Nationwide, 79% of respondents agree that they feel safe inside their neighborhoods and 33% feel safe traveling outside their neighborhoods. Sample size: ~12000. Margin of error: ~1%

¹⁰ Nationwide poll, July 2007: “How satisfied are you with the following? The ability of the Iraqi Army to provide security in my area.” Nationwide, 71% of Iraqis are either somewhat or very satisfied. Sample size: ~8000. Margin of error: ~ 1%

¹¹ Nationwide poll, July 2007: “In general, do you have confidence in the ability of the Iraqi government to improve the situation?” Nationwide, 57% of Iraqis answered “yes.” Sample size: ~8000. Margin of error: ~ 1%

¹² Nationwide poll, August 2007: “How would you describe the situation today in the country.” Nationwide, 7.3. Sample size: ~12000. Margin of error: ~1%

¹³ An “independent” unit is capable of planning, executing, and sustaining counterinsurgency operations. A unit “in the lead” is capable of planning, executing and sustaining counterinsurgency operations with Coalition support. A unit fighting “side-by-side” is partially capable of conducting counterinsurgency operations in conjunction with Coalition units. A unit “forming” is at the institutional training base or is not yet capable of conducting counterinsurgency operations.

¹⁴ Payroll numbers do not reflect present-for-duty totals. No data available on how many of those on the payroll have received initial training and equipping by the Coalition or the ministries.

¹⁵ International Police Liaison Officers (IPLOs) and International Police Trainers (IPTs) were redesignated as International Police Advisors (IPAs) on July 5, 2007.

¹⁶ The nine key cities are: Baqubah, Basrah, Fallujah, Kirkuk, Mosul, Najaf, N.Babil, Ramadi, and Samarra.