Order Code RL31833

CRS Report for Congress

Iraq: Reconstruction Assistance

Updated March 24, 2008

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Prepared for Members and Committees of Congress

Congressional Research Service

Report Documentation Page

Form Approved
OMB No. 0704-0188

1. REPORT DATE **24 MAR 2008**	2. REPORT TYPE	3. DATES COVERED **00-00-2008 to 00-00-2008**

4. TITLE AND SUBTITLE **Iraq: Reconstruction Assistance**	5a. CONTRACT NUMBER
	5b. GRANT NUMBER
	5c. PROGRAM ELEMENT NUMBER
6. AUTHOR(S)	5d. PROJECT NUMBER
	5e. TASK NUMBER
	5f. WORK UNIT NUMBER
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) **Congressional Research Service,The Library of Congress,101 Independence Ave SE,Washington,DC,20540-7500**	8. PERFORMING ORGANIZATION REPORT NUMBER
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)	10. SPONSOR/MONITOR’S ACRONYM(S)
	11. SPONSOR/MONITOR’S REPORT NUMBER(S)

12. DISTRIBUTION/AVAILABILITY STATEMENT
Approved for public release; distribution unlimited

13. SUPPLEMENTARY NOTES

14. ABSTRACT

15. SUBJECT TERMS

16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT **unclassified**	b. ABSTRACT **unclassified**	c. THIS PAGE **unclassified**	**Same as Report (SAR)**	**41**	

Iraq: Reconstruction Assistance

Summary

A large-scale assistance program has been undertaken by the United States in Iraq since mid-2003. To date, nearly $45 billion has been appropriated for Iraq reconstruction. On December 26, 2007, H.R. 2764, the FY2008 Consolidated Appropriations Act, was signed into law (P.L. 110-161). Although it specifically rejects most regular or supplemental economic assistance to Iraq under the State/Foreign Operations appropriations, it provides about $2.1 billion in reconstruction assistance, mostly for the training of Iraqi security forces.

Contributions pledged by other donors at the October 2003 Madrid donor conference and in subsequent meetings have amounted to roughly $17 billion in grants and loans, of which at least $7 billion has been provided.

On June 28, 2004, the entity implementing assistance programs, the Coalition Provisional Authority (CPA), dissolved, and sovereignty was returned to Iraq. U.N. Security Council Resolution 1546 of June 8, 2004, returned control of assets held in the Development Fund for Iraq to the government of Iraq. U.S. economic assistance is now provided through the U.S. embassy, while security aid is chiefly managed by the Pentagon.

A significant number of reconstruction activities on the ground are completed or ongoing, but security concerns have slowed progress and added considerable expense to these efforts. Reconstruction programs have included the training and equipping of Iraqi security forces; construction of road, sanitation, electric power, oil production, and other infrastructure; and a range of programs to offer expert advice to the Iraqi government, establish business centers, provide school books and vaccinations, finance village development projects, and promote civil society, etc.

Reconstruction priorities have changed over time. Allocations within the Iraq Relief and Reconstruction Fund (IRRF), the main U.S. assistance account in the first few years, mirrored shifting events on the ground. However, funds shifted to security and democratization in the period from 2004 to 2006 meant fewer funds available for electric power and water projects. At this time, most large-scale infrastructure programs are no longer funded; however, many small-scale, targeted community-level infrastructure efforts are funded under the Commander's Emergency Response Program (CERP). The key emphases of the aid program are the training of Iraqi forces and programs assisting the development of Iraqi governing capacities and supporting the work of the Provincial Reconstruction Teams (PRTs).

The report will be updated as events warrant. For discussion of the Iraq political situation, see CRS Report RL31339, *Iraq: Post-Saddam Governance and Security*, by Kenneth Katzman.

Contents

List of Tables

Iraq: Reconstruction Assistance

Most Recent Developments

On February 4, 2008, the Administration submitted its regular FY2009 budget request, providing $397 million for Iraq reconstruction under the foreign operations account and, as is usually the case, making no request under the regular DOD account. Of the requested amount, $300 million is for ESF, $75 million for INCLE (rule of law), and $20 million for NADR (mostly demining).

On December 26, 2007, H.R. 2764, the FY2008 Consolidated Appropriations Act, was signed into law (P.L. 110-161). Under section 699K of the State/Foreign Operations portion (Division J), Congress specifically rejected most regular or supplemental economic assistance to Iraq. Allocations of assistance under the State/Foreign Operations appropriations amount to roughly $250 million, mostly to assist refugees and displaced persons. Under the emergency Defense portion (Division L), Congress provided $1.9 billion for the training of Iraqi security forces and CERP military-allocated reconstruction funds. Further economic reconstruction funding awaits consideration of a second tranche of the FY2008 emergency appropriations, anticipated in spring 2008.

Introduction

Following years of authoritarian rule and economic sanctions, the United States and the international community agreed in the spring of 2003 that efforts should be made to rehabilitate economic infrastructure and introduce representative government to post-war Iraq, among other objectives.[1] To meet these ends, a large-scale assistance program has been undertaken by the United States in Iraq. This program, funded through a mix of appropriations accounts, is undergoing increased scrutiny in the 110th Congress. This report describes recent developments in this assistance effort and key issues of potential interest to Congress.[2]

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[1] U.N. Security Council Resolution 1483, May 22, 2003.

[2] For detailed discussion of the Iraq political situation, see CRS Report RL31339, *Iraq: Post-Saddam Governance and Security*, by Kenneth Katzman.

Funding for Reconstruction

Several "spigots" have been available to fund Iraq reconstruction during the period from 2003 to the present.[3] U.S. foreign aid appropriations for Iraq have been provided mostly in annual emergency supplemental bills beginning in FY2003. International donors have also made aid contributions. Iraqi funds, largely derived from oil export profits, have been employed to cover the "normal" operating costs of the Iraqi government, and, when sufficient amounts are available, have been used to address reconstruction needs. Additionally, the reduction or rescheduling of Iraqi debt repayments has made further resources available. These sources of reconstruction funding are discussed below.

U.S. Assistance

Over the years, U.S. assistance to Iraq has been provided through multiple appropriations accounts (see **Table 1** for funding levels). In the first several years of the U.S. effort in Iraq, the bulk of U.S. assistance was provided through a specially created Iraq Relief and Reconstruction Fund (IRRF), placed under the direct control of the President, supporting aid efforts in a wide range of sectors, including water and sanitation, electricity, oil production, training and equipping of Iraqi security forces, education, democracy, and rule of law. The Fund, established in the April 2003 FY2003 Emergency Supplemental (P.L. 108-11, H.R. 1559/H.Rept. 108-76) and replenished in the November 2003 FY2004 Emergency Supplemental (P.L.108-106, H.R. 3289/H.Rept. 108-337), eventually totaled nearly $21 billion.

A new DOD account, the Iraq Security Forces Fund (ISFF), supporting the training and equipping of Iraqi security forces, was set up under the May 2005 FY2005 emergency supplemental (P.L. 109-13, H.R. 1268/H.Rept.109-72). Previously, most security training funds had been provided out of the IRRF. Policy responsibility for the IRRF, originally delegated to the CPA (under DOD authority), had, since the end of the occupation in June 2004, belonged to the State Department as a result of a Presidential directive (NSPD 36, May 11, 2004), which, nonetheless, continued to give DOD the main role in directing security aid. Putting funding for security assistance entirely under DOD, however, was a sharp departure from historic practice. Under most military assistance programs — Foreign Military Financing (FMF) and the International Military Education and Training Program (IMET) — State makes broad policy and DOD implements the programs. The conference report on the supplemental adopted the President's formula for the new account but required

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[3] The only formal estimate of the possible cost of Iraq reconstruction amounted to $55 billion over the four years from 2003 through 2007. This figure was the sum total of an October 2003 World Bank and U.N. Development Group needs assessment of 14 sectors of the Iraqi government and economy — $36 billion — combined with a $19.4 billion Coalition Provisional Authority (CPA) projection for security, oil, and other sectors not covered by the Bank/U.N. assessment. These amounts, calculated in mid-2003, did not take into account the significant costs of instability and security needs that have emerged since then. See [http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/MENAEXT/IRAQEXTN/0,,contentMDK:20206752~pagePK:141137~piPK:141127~theSitePK:313105,00.html].

that the Iraq Security Forces Fund be made available "with the concurrence of the Secretary of State."

Another DOD account, the Commander's Emergency Response Program (CERP), has provided immediate reconstruction and humanitarian assistance at the local level to support the work of U.S. military commanders. More recently, a Business Task Force, attempting to rehabilitate state-owned enterprises to stimulate the Iraqi economy and increase employment, has been funded out of the DOD Iraq Freedom Fund account.

By FY2006, ESF had replaced the IRRF as the main spigot of U.S. economic aid, provided in support of a wide variety of economic development and governance efforts, but not funding the large-scale infrastructure programs or the security forces training that characterized much of the IRRF. ESF, in particular, is a key component of the so-called "surge" initiative, announced in January 2007. It largely funds the programs implemented by the Provincial Reconstruction Teams (PRTs), such as improvements to community infrastructure, job training, vocational education, and micro-loans, and supports programs at the national level, including Ministerial capacity development, agriculture and private sector reform, and strengthening of the judicial process and democratization efforts. Under the FY2007 Supplemental, all ESF, including previously unobligated funds, was withheld until the President certified in reports to be submitted before July 15 and September 15, 2007, that the government of Iraq had made progress in 18 benchmarks, including whether it enacted the hydro-carbon law, taken specific steps toward provincial and local elections, reformed de-Baathification laws, and begun expenditure of the promised $10 billion Iraqi funds for reconstruction. The benchmark certification requirements could be waived by the President. The reports were submitted as required, and the President has released $1.7 billion in ESF through waivers issued on July 12 and September 28, 2007.

In addition to ESF, the International Narcotics and Law Enforcement account (INCLE) has supported "rule of law" efforts, the Democracy Fund supports a range of democratization and civil society efforts, and the Treasury Department Technical Assistance program offers experts on financial issues to the government of Iraq. More recently, humanitarian refugee and displaced persons concerns have been addressed by increased funding for the Migration and Refugee (MRA) and International Disaster Assistance (IDA) accounts.

Most funding for Iraq reconstruction has been appropriated under emergency supplemental appropriations legislation, because it is "off-budget" and does not compete with other aid priorities in the regular aid bill. Efforts to "regularize" the economic assistance program for Iraq by requesting funds in the traditional annual foreign operations appropriations bill have met with limited success. The first such effort, in 2005 for the FY2006 foreign operations bill (P.L. 109-102, H.R. 3057), saw only $60.4 million (after rescission) provided of a $414 million request, because some Members felt that sufficient funds remained unobligated in the IRRF — at the time, $3-$5 billion — from which the Administration could draw to pay for continuing reconstruction. Iraq programs received an allocation of only $176.3 million of an $734 million FY2007 regular foreign operations request as a consequence of the continuing appropriations resolution (H.R. 5631/P.L. 109-289

Division B, as amended by H.J.Res. 20, P.L. 110-5, on February 15, 2007), which only set funding levels for major aid accounts. Congress rejected almost all of the regular FY2008 request for Iraq (see below).

FY2008 Regular and Emergency Appropriations and Congressional Action. On February 5, 2007, the Administration sent to Congress two budget requests for Iraq reconstruction funding. First, it requested $391.8 million in regular FY2008 State/Foreign Operations appropriations — mostly $298 million in ESF and $75.8 million in INCLE. Second, the Administration issued a request for an FY2008 "Global War on Terror" emergency supplemental. The emergency request for Iraq reconstruction, as later revised on October 22, 2007, totaled $4.9 billion, including $797 million in ESF.

Of the ESF request, $25 million would support a new Iraq Enterprise Fund based on the model in east Europe and the former Soviet Union. Enterprise funds are U.S. government-funded private sector-run bodies that primarily provide loans or equity investments to small and medium business. In the former communist countries, they also took other steps to encourage growth of the private sector, including support for mortgage lending markets and establishment of private equity funds. The most successful example, the Polish Fund, made many profitable investments, helping companies grow that otherwise were unable to obtain financial support in the period just after the fall of communism. Some of the Funds, however, have been much less successful, either by taking on poor investment risks, or unable to locate promising businesses because of the poor business climate or competition from other private sector funding sources. Some observers question the usefulness of the funds because their ostensible development purpose seems often to conflict with pressures for economic profit. The Administration proposed authorization language for inclusion in the supplemental to allow the Administration to establish the Fund.

The FY2008 emergency request also included $159 million under INCLE to extend judicial reform and anticorruption efforts to the provinces and fund prison construction, something that Congress has sometimes cut from previous requests. Also requested was $195 million under the MRA account to address the continuing refugee crisis in the region, and $80 million under the IDA account to provide medical care, food, shelter, and other relief to refugees and displaced people.

The DOD portion of the request included $3 billion under the ISFF, $1.2 billion in CERP funds, a request that includes Afghanistan, and $100 million under the Iraq Freedom Fund for the Task Force to Improve Business and Stability Operations in Iraq.

FY2008 emergency funds were also requested for operational costs (not included in the totals above or in **Table 1**) for staffing and administering reconstruction programs: $679 million for PRT and $45.8 million for USAID operations.

Table 1. U.S. Assistance to Iraq

(appropriations in $ millions)

Fiscal Year	2003	2004	2005	2006	2007 Reg	2007 Supp	2008 Consolidated	Enacted Total	Unenacted 2008 Supp (request)	2009 (request)
Iraq Relief and Reconstruction Fund (IRRF)	2,475.0	18,439.0	—	10.0[a]	—	—	—	**20,924.0**	—	—
Economic Support Fund (ESF)	—	—	—	1,535.4	122.8	1,554.0	5.0	**3,217.2**	797.0	300.0
Democracy Fund	—	—	—	—	—	250.0	—	**250.0**	—	—
INCLE (Int'l Narcotics & Law Enforcement)	—	—	—	91.4	20.0	150.0	—	**261.4**	159.0	75.0
IFTA (Treasury Dept. Tech Asst.)	—	—	—	13.0	—	2.8	—	**15.8**	—	—
MRA (Migration & Refugee Asst.)	—	—	—	—	20.0	45.0	149.5	**214.5**	—	—
NADR (Nonprolif, Anti-Terror, De-mining)	—	—	3.6	—	13.2	7.0	16.0	**39.8**	—	20.0
IMET (Int'l Mil. Ed & Training Program)	—	1.2	—	—	1.1	—	—	**2.3**	—	2.0
IDA (Int'l Disaster Assistance)	—	—	—	7.9	5.0	45.0	80.0	**137.9**	—	—
Other USAID Funds	469.9	—	—	—	—	—	—	**469.9**	—	—
Total 150 Account	2,944.9	18,440.2	3.6	1,657.7	182.1	2,053.8	250.5	**25,532.8**	956.0	397.0
DOD - Iraq Security Forces Fund (ISFF)	—	—	5,391.0	3,007.0	1,700.0	3,842.3	1,500.0	**15,440.3**	1,500.0	—
DOD - Iraq Army	51.2	—	210.0[b]	—	—	—	—	**261.2**	—	—
DOD - CERP	—	140.0	718.0	708.0	375.0	350.4	370.0	**2,661.4**	359.7[c]	—
DOD - Oil Repair	802.0	—	—	—	—	—	—	**802.0**	—	—
DOD - Iraq Freedom Fund - Business Support	—	—	—	—	—	50.0	—	**50.0**	100.0	—
Total 050 Account	853.2	140.0	6,319.0	3,715.0	2,075.0	4,242.7	1,870.0	**19,267.9**	1,959.7	—
Total U.S. Reconstruction Assistance	**3,798.1**	**18,580.2**	**6,322.6**	**5,372.7**	**2,257.1**	**6,296.5**	**2,120.5**	**44,800.7**	**2,915.7**	**397.0**

Sources: State Department FY2009 Foreign Operations Congressional Budget Justification; SIGIR Report to Congress, January 30, 2008; and CRS calculations.

Note: The 150 account encompasses International Affairs spending and is mostly appropriated in the State/Foreign Operations bill. The 050 account is Defense appropriations. This table does not contain agency operational costs, including CPA and State Department, except where these are embedded in the larger reconstruction accounts. The SIGIR estimates these costs to date at an additional $3.0 billion.

a. Transfer from ESF.

b. Transfer from ISFF to reimburse Army for previous Iraqi training expenses.

c. The total unenacted FY2008 CERP request of $719.4 million is for both Iraq and Afghanistan. The amount included here assumes that at least half of the request is for Iraq.

Both House (H.Rept. 110-197) and Senate-approved (S.Rept. 110-128) versions of the regular FY2008 State/Foreign Operations appropriations (H.R. 2764) rejected most economic (as opposed to security) aid to Iraq. These views were carried into the final version of H.R. 2764, which became the vehicle for the omnibus Consolidated Appropriations Act (P.L. 110-161, signed into law on December 26). The Act included regular FY2008 funding as well as a first tranche of the emergency supplemental appropriations. With a few discrete exceptions, Congress, in section 699K, specifically rejected almost all regular or supplemental economic assistance to Iraq provided under the State/Foreign Operations part of the bill (Division J). It approved efforts to fund humanitarian demining (drawing on regular NADR funds) and assist refugees and internally displaced persons (drawing on supplemental MRA and IDA funds), provided $5 million (before imposition of a .81% across-the-board rescission) in ESF for the Marla Ruzicka War Victims Fund and $10 million (pre-rescission) in ESF for the rescue of Iraqi scholars (the latter has not yet been allocated).

Congress did provide a significant portion of the Administration emergency supplemental request made for Defense appropriations. It appropriated half ($1.5 billion) of the request for the Iraq Security Forces Fund and nearly half of the total CERP request (of which $370 million has been allocated to Iraq).

In the end, the Consolidated Appropriations Act provides about 40% of the total $5.3 billion combined FY2008 regular and emergency request. Currently, the Administration is seeking the remainder — about $2.0 billion — of the unappropriated emergency Defense appropriations reconstruction request and $797 million in ESF and $159 million in INCLE of the unappropriated emergency foreign operations request (as well as $679 million for PRT operational expenses) when a second tranche of the FY2008 emergency supplemental is deliberated, as expected in spring 2008. But, until then, U.S. funding for PRT operations and programs and a wide range of other economic aid programs designed to support the surge and enhance the capacity of the Iraqi government to address its own social needs will have to rely on previously appropriated funds.

FY2009 Regular Appropriations Request. On February 4, 2008, the Administration submitted its FY2009 regular appropriations request, providing $397 million for Iraq reconstruction under foreign operations and, as is usually the case, making no request under the regular DOD appropriations. Of the requested amount, $300 million is for ESF, $75 million for INCLE (rule of law), and $20 million for NADR (mostly demining).

Oil Revenue, Corruption, and the Iraqi Capital Budget

Prior to the war, the Administration had expected that Iraq's oil reserves would help it "shoulder much of the burden for [its] own reconstruction."[4] Although they have been insufficient in view of Iraq's enormous needs, oil revenues have been an important element in reconstruction funding. The May 22, 2003, U.N. Resolution

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[4] Press briefing by Ari Fleisher, White House, February 18, 2003; *Sec. 1506 Report to Congress*, July 14, 2003, p. 4.

1483 which ended sanctions permitted the occupying coalition to use oil reserves for more long-term reconstruction purposes. The resolution shifted responsibility for oil profits and their disbursal from the U.N. to the United States and its allies by establishing a Development Fund for Iraq (DFI) held by the Central Bank of Iraq and into which oil profits and other Iraqi assets would be deposited.[5]

During the occupation, DFI funds available to the CPA — $20.7 billion by June 28, 2004 — were used to support a wide range of reconstruction activities, including the currency exchange program, oil and electricity infrastructure repair, purchase of firefighting equipment, the Iraqi operating budget, and the Oil for Food Program's monthly food baskets, responsibility for which was transferred from the U.N. to the CPA in November 2003. Under Security Council Resolution 1546, adopted on June 8, 2004, the transitional government of sovereign Iraq obtained control over use of DFI funds, which continue to be replenished with oil revenue.

Oil production accounted for more than 94% of the Iraqi government revenue in 2007. Recognizing the importance of oil revenue to Iraq reconstruction, more than $2.5 billion of total U.S. reconstruction funding has been devoted to efforts to restore and expand oil production infrastructure. Oil exporting resumed in mid-June 2003, but oil production was slowed by sabotage and corruption. In September 2004, rates of production reached a peak of 2.67 million barrels/day compared with an estimated pre-war rate of 2.5 million barrels/day (MBD), but rates fell after that and for much of the past few years has stood at around 2.0 MBD. Production has grown during 2007, and, as of mid-March 2008, stands at 2.4 MBD. The CPA target had been 2.8-3.0 MBD by end of 2004. The Iraqi government had hoped to raise production to at least 2.5 MBD in 2006, but goal for 2008 is 2.2 MBD.[6]

Payment for operating budget expenses and a variety of government social programs has limited the amount of oil revenue left for reconstruction. Fuel and food subsidies as well as support for state-owned enterprises have accounted for as much as $11 billion annually. Because these practices divert funds from needed reconstruction, Administration officials since 2003 have repeatedly pressured the Iraqi government to face the need to address the subsidy issue. As part of its agreement with the IMF pursuant to a debt reduction with the Paris Club, Iraq in mid-December 2005 began to take steps to end its subsidy of gasoline, increasing the price of fuel from 5 cents to roughly $1.06 a gallon.[7] In response to rising

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[5] On March 20, 2003, President Bush issued an executive order confiscating non-diplomatic Iraqi assets held in the United States, an estimated $1.74 billion worth available for reconstruction purposes. Another $927 million in assets located by the United States in Iraq were also used for these purposes. In addition, foreign governments were reported to hold an estimated $3.7 billion in seized or frozen assets, of which $847 million had been deposited in the DFI by June 28, 2004. Security Council Resolution 1511 urged member states to deposit seized assets in the DFI.

[6] Department of State, *Iraq Weekly Status Report*, March 19, 2008, p. 18.

[7] Country Report Iraq Updater Fiscal Policy, *Economist Intelligence Unit*, May 15, 2007; "Iraqi Economy Adds to Tensions with U.S.," *Financial Times*, July 7, 2005; "Iraqis Reluctant to End Love Affair with Fuel Subsidies," *Financial Times*, June 13, 2005.

commodity prices, the government of Iraq has announced that in 2008 the monthly food rations will be halved and recipient numbers will be reduced.[8]

Iraqi Corruption. A further concern regarding the amount of oil income available for reconstruction is the extent of corruption and mismanagement in the Iraqi government. A 2006 audit of the DFI undertaken on behalf of the International Advisory and Monitoring Board (IAMB) found that controls over export earnings were ineffective and funds improperly accounted for by government staff. The Comptroller General of the GAO has also suggested that there is "massive corruption" in the Oil Ministry, and the head of Iraq's Commission on Public Integrity estimates that corruption has cost the government up to $18 billion. Iraq ranks third from the bottom on Transparency International's corruption index.[9]

A variety of U.S. assistance programs attempt to address the corruption issue. Among these are provision of staff training and equipment to the Commission on Public Integrity, the key national anti-corruption organization, similar assistance to each Ministry Inspector General office, and most rule of law efforts that seek to strengthen the judicial system. However, the SIGIR has found fault with management of the Embassy anti-corruption effort — only 2 of 12 recommendations made by the SIGIR in July 2006 had been fully implemented a year later. In a January 2008 report, the SIGIR noted that the Embassy had taken steps to implement all its concerns. On March 11, 2008, the U.S. Embassy announced the appointment of Ambassador Lawrence Benedict as Coordinator for Anti-Corruption Initiatives.[10]

Iraqi Capital Budget. As the U.S. economic assistance program has dwindled in size, the importance of Iraqi-owned funds available for large-scale infrastructure has increased significantly. However, Iraqi ministries have had difficulty spending their budget for capital projects such as roads, schools, and oil production. According to U.S. officials, only about 23% of the 2006 capital budget of about $6.2 billion was spent in that year, and only 3% of a $3.5 billion capital budget available to the Oil Ministry was spent in 2006. Funds not spent in 2006 were being utilized in 2007, delaying expenditure of 2007 capital funds. Among the reasons offered for this situation has been a rapid turnover in personnel, security concerns, lack of skills in contracting and managing projects, and a fear by government employees of being accused of corrupt practices. The latter concern led

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[8] Department of State, *Iraq Weekly Status Report*, January 3, 2008, p. 10.

[9] Transparency International, *2007 Global Corruption Perception Index*, September 2007; "Corruption Cited in Iraq's Oil Industry," *Washington Post*, July 17, 2006; "An Audit Sharply Criticizes Iraq's Bookkeeping," *New York Times*, August 12, 2006; "Iraqi Judge Says Maliki's Government Shields Officials Accused of Corruption," *New York Times*, October 5, 2007; "Nonstop Theft and Bribery Stagger Iraq, *New York Times*, December 2, 2007; "Iraq Insurgency Runs on Stolen Oil Profits," *New York Times*, March 16, 2008.

[10] SIGIR, *U.S. Anticorruption Efforts in Iraq: Sustained Management Commitment is a Key to Success*, 08-008, January 24, 2008.

the Finance Minister in January 2008 to call for the abolition of the Commission on Public Integrity, a key public watchdog group.[11]

Complementing the Administration's new strategy for Iraq, the Iraqi government approved a 2007 budget containing $10.1 billion for capital investment, of which $2.1 billion was expected to go to provincial governments. The 2007 Iraq budget also included $2.4 billion for investments in oil production and another $3 billion for the construction of new oil refineries to reduce oil product imports. The Iraqi government has approved a $48.6 billion budget for 2008, $13.4 billion of which is to be spent on capital projects.

Both U.S. Embassy and PRT assistance are partly aimed at helping ministries and local government, respectively, to develop the capacity to efficiently utilize these Iraqi-owned resources (See "Capacity Development" section below). According to U.S. officials, the government of Iraq has taken significant steps in 2007 to execute its capital budget, including formation of a senior-level task force, establishment of new procedures such as revised procurement regulations, and additional training.

The allocation and expenditure of the Iraqi capital budget was one of the 18 benchmarks assessed under section 1314 of the FY2007 Supplemental. In September 2007, the Administration found progress on this factor to be satisfactory. It should be noted, however, that the GAO has found the data on which the Administration based its reports of 2007 improvements in budget execution to be subject to dispute, and has indicated that actual expenditures may be significantly lower than reported. The State Department disputes the GAO view. Nonetheless, there appears to be confusion in the presentation and definition of data by various agencies.[12] According to a March 2008 DOD report to Congress, only 55% (page vi) of the total capital budget had been "executed" as of November 2007, although this was "more than double" the 2006 rate. The same report (page 9) notes that 45% was "spent" through October 2007. The January 2008 SIGIR report quotes U.S. Treasury figures showing that 15% had been "spent" by end of August 2007.

Focusing solely on Iraqi ministry spending, which presumably is easier to capture than data from provincial governments, does not resolve the issue. The March 2008 DOD report indicates that ministries had "executed" 47% of their capital budgets through October 2007; the White House benchmark report issued in September 2007 puts expenditures at 24% as of July 15, 2007. The GAO, however, quotes Iraq's official expenditure reports showing 4.4% as of August 2007. With regard to provincial capital spending, the March 2008 DOD report notes that non-Kurdish provinces had spent about 18% of their resources through September 2008. Why the March DOD report has been unable to capture more recent expenditure data

[11] "Oil Revenues are in the Billions, but Iraq is Failing to Spend Them," *New York Times*; and SIGIR, *Report to Congress*, July 30, 2007, p. 5; "Iraqi Finance Minister Warns of Iranian-U.S. Escalation," *Al-Hayat in BBC Monitoring Int'l Reports*, January 23, 2008.

[12] None of the quoted documents fully explain: What is the difference between execution vs. expenditure? What is the appropriate proportion of capital expenditures one should expect from a government? Does expenditure in the Iraqi government case mean contract obligation or cash disbursement (the latter of which would likely take longer)?

is not explained. In any event, despite possible improvements from the previous year, available information suggests that it is unlikely that Iraqi central ministries and provincial governments had spent all of their 2007 budgets by the end of that year.[13]

Iraqi Debt

At the time of the invasion, Iraq's debt, both public and private, was estimated at $125 billion.[14] Since then, the United States has argued that any new Iraqi government should not be burdened with debts associated with the policies of its previous ruler and has supported a near total forgiveness of debt. Some large holders of Iraqi debt — France, Germany, and Russia for instance — were more inclined to reschedule debt than to forgive it, arguing that, as an oil rich country, Iraq could afford someday to pay its debts.[15]

Several steps led to a partial resolution of the debt issue. A series of meetings in early 2004 between the President's personal envoy for Iraq debt reduction, former Secretary of State James Baker III, and the leaders of debt-holding countries led to statements of support, but no firm commitment, for varying levels of relief. By September 2004, Iraq had both assumed sovereignty and cleared its overdue financial obligations to the IMF, making it easier for Iraq to negotiate an agreement with private and government creditors. Further, Congress authorized $360 million (P.L. 108-309) to cover the costs of cancelling the roughly $4 billion Iraqi debt obligation owed the United States. These factors culminated in an agreement by the 19 Paris Club government creditors on November 20, 2004, to write off roughly $32 billion in Iraqi debt, 80% of what it owed to this group. Recently, the Russian government threatened to cancel its $13 billion cancellation commitment under the deal if Iraq rescinds an oil contract with a Russian company made under the Hussein regime.[16]

In addition to Paris Club creditors, Iraq has borne about $69 billion in other bilateral debt (mostly to Gulf States countries) and more than $21 billion in commercial debt. Of the latter, most claims have been resolved. In May 2007, four nations offered to forgive nearly $21 billion of Iraqi bilateral debt as part of their participation in the International Compact with Iraq. However, negotiations with

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[13] GAO, *Iraq Reconstruction: Better Data Needed to Assess Iraq's Budget Execution*, January 2008, GAO-08-153; Department of Defense, *Measuring Stability and Security in Iraq*, December 2007 Report to Congress, p. 8, March 2008 Report to Congress, p. vi, 9; White House, *Benchmark Assessment Report*, September 14, 2007, p. 27; "State Dept. Official Disputes Iraq Report," *Washington Post*, January 17, 2008.

[14] Based on Paris Club data. Does not include $29 billion in unpaid Gulf War reparations. International Monetary Fund, *Iraq: Use of Fund Resources — Request for Emergency Post-Conflict Assistance*, September 24, 2004.

[15] "G-7 Agrees That Iraq Needs Help with Debt," *Washington Post*, April 13, 2003; "Restructuring, Not Forgiveness," *Financial Times*, April 15, 2003.

[16] "Iraq, with U.S. Support, Voids a Russian Oil Contract," *New York Times*, November 4, 2007.

Saudi Arabia to forgive 80% of Iraq's estimated $15 billion debt reportedly broke down in September.[17]

Other Donors

To date, more than 40 non-U.S. donors have offered more than $17.0 billion in economic reconstruction funds to Iraq.[18] Of this reconstruction assistance, grant aid promised by other donors totals about $7.2 billion. These include $1.6 billion by Japan, $832 million by the United Kingdom, $214 million by Spain, $920 million by the European Commission, $200 million by South Korea, and $350 million by Italy. Much of the grant assistance has been provided as a contribution to the IRFFI (see below). Of the nearly $10 billion offered in loans, about $3.2 billion have been provided, including by Japan ($2.1 billion), the World Bank ($399 million), and the IMF ($744 million).

Japan and Britain have been notably active in providing bilateral assistance. Japan, the second largest donor after the United States, has already spent most of the grant aid it pledged and has developed projects for use of $2.1 billion of a $3.5 billion concessional loan pledge. Among other things, it has provided significant funding for electrical power station rehabilitation, water treatment units and tankers, medical equipment, and firetrucks and police vehicles. The loan is funding port and power plant rehabilitation and irrigation improvements. Britain has offered considerable technical assistance and related support for improvements in the justice system, governance, and economic policy.

Among multilateral contributions, the IMF provided an Emergency Post-conflict Assistance package in 2004 and continues to offer a roughly $744 million Standby Arrangement on which Iraq can draw, but has yet to do so. The World Bank has allocated $399 million of a $500 million concessional loan program, including a $100 million education project, $135 million road project, and $124 million electric power project.[19]

Iraq Trust Fund. During much of the U.S. occupation, donors had been reluctant to contribute to reconstruction because they had no say in where the funds

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[17] Department of Defense, *Measuring Stability and Security in Iraq*, December 2007, p. 9; SIGIR, *Report to Congress*, July 30, 2007, p. 134. See CRS Report RL33376, *Iraq's Debt Relief: Procedure and Potential Implications for International Debt Relief*, by Martin A. Weiss, for further details.

[18] State Department calculation in *2207 Report*, Appendix II, January 2008. Most of these pledges were made at the Madrid Donor Conference held in October 2003. In addition, immediately following the U.S. intervention in Iraq, U.N. appeals for *postwar humanitarian relief* to Iraq met with $849 million in grant donations from non-U.S. donors. U.N. Office for the Coordination of Humanitarian Affairs, *Total Humanitarian Assistance for Iraq Crisis 2003.* April 5, 2004.

[19] IMF, *Iraq Financial Position in Fund as of September 30, 2007*, [http://www.imf.org]; World Bank, *World Bank Operations in Iraq, as of September 30, 2007*.

were to be allocated.[20] To deal with this concern, a multi-donor trust fund, the International Reconstruction Fund Facility for Iraq (IRFFI), was established on December 11, 2003. The Facility has two windows, one run by the Bank (the World Bank Iraq Trust Fund) and one by the United Nations (UNDG Iraq Trust Fund). As of November 2007, donors had deposited about $1.8 billion in the Facility. Among other activities, the World Bank Fund ($467 million committed) has financed textbooks, school rehabilitation, and water and sanitation infrastructure, and has provided hundreds of Iraqi civil servants with management training. The UNDG Fund ($1.3 billion committed) is supporting a wide range of projects, most to be implemented by the Iraqi government.[21]

United Nations. Despite the devastating bombing of its Baghdad compound in 2003, the U.N. has played a major role in Iraq reconstruction. The U.N has been largely responsible for providing assistance and guidance to promote the democratization of Iraq, including support to the transitional government and the Iraqi Electoral Commission. U.N. envoy Lakhdar Brahimi helped negotiate the transition to sovereignty, and a U.N. team headed by Carina Perelli assisted the implementation of elections for the National Assembly, successfully held on January 30, 2005. With U.N. assistance the electoral law was drafted, thousands of registrars were trained, 540 registration centers were set up around the country, millions of ballots were printed, 5,300 voting centers established, and thousands of poll watchers trained. Subsequently, the U.N. helped with the constitution-writing process, the constitutional referendum, and the December 2005 parliamentary election. The U.N. is expected to assist in organizing provincial elections scheduled for autumn 2008. With Trust Fund support, the development organizations within the United Nations are actively working on dozens of projects. U.N. Security Council Resolution 1770, approved August 10, 2007, extended the U.N. Mission for Iraq (UNAMI) another year and called on the U.N. to expand its role in assisting Iraq. The number of U.N. international staff in Iraq itself has grown significantly in the past year; in December 2007 there were 250-300, as well as about 500-600 local staff.[22]

International Compact for Iraq. In response to a continuing U.S. effort to encourage greater levels of donor contributions, the U.N. and Iraq, on July 27, 2006, launched an International Compact with Iraq. Under this initiative, participating donor countries have pledged funds and, in return, Iraq has promised a five-year program of specific reforms and actions leading to long-term economic and political development. The Compact was finalized at a donor meeting held in Egypt on May 3, 2007, attended by more than 60 countries. Roughly $700 million in grant and loans commitments (included in the above donor totals) and $21 billion in debt relief are estimated to be associated with the Compact, not counting a $10.7 billion pledge

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[20] "U.S. Seeks Help With Iraq Costs, But Donors Want a Larger Say," *New York Times*, July 14, 2003; "Bush's Plea for Iraq Aid Falls on Deaf Ears," *Financial Times*, September 25, 2003.

[21] IRFFI website, [http://www.irffi.org].

[22] "Security Council Approves a Broader U.N. Mandate in Iraq to Seek Reconciliation," *New York Times*, August 11, 2007; "New U.N. Envoy in Iraq Sets Out Strategy to Revive Hopes Crushed in 2003 Attack," *New York Times*, December 3, 2007; "U.N. to Help Organize Iraqi Elections Set for October," *New York Times*, February 15, 2008.

from the United States that was requested in the FY2007 Supplemental, FY2008 regular, and FY2008 Emergency budget proposals made in February 2007.[23]

U.S. Assistance Policy and Program Structure

On June 28, 2004, the Coalition Provisional Authority (CPA), the agency established to temporarily rule Iraq and implement reconstruction programs, was dissolved as Iraq regained its sovereignty. At that time, broad responsibility for assistance programs moved from the Secretary of Defense to the Secretary of State.[24] At the Department of State, the Senior Advisor and Coordinator for Iraq is David Satterfield. In Iraq, the United States provides assistance and, to the extent possible, policy guidance to the Iraqi government through its U.S. embassy. Ryan Crocker is the Ambassador. The embassy employs about 1,000 U.S. direct hire staff.

On May 15, 2007, President Bush chose Lieutenant General Douglas Lute to serve as his so-called "war czar" in the capacity of Assistant to the President and Deputy National Security Advisor. He is expected to coordinate and manage the implementation of the new strategy in Iraq, including assistance program activities.

By executive order (13431), on May 15, 2007, an Iraq Transition Assistance Office (ITAO) was established in the embassy, supplanting some of the functions of the Iraq Reconstruction Management Office (IRMO) that had, itself, supplanted CPA efforts in setting requirements and priorities for the aid program. The Embassy's Office of Provincial Affairs is in charge of the PRTs.

The Project and Contracting Office (PCO), formerly the CPA's Program Management Office (PMO), is run by the Army Corps of Engineers, Gulf Region Division (GRD), headed by Brig. Gen. Jeffrey J. Dorko.[25] The GRD-PCO has been chiefly responsible for the more than $10 billion in FY2004-funded IRRF programs dedicated to infrastructure construction, as well as follow-on sustainability efforts. The GRD/PCO coordinates, manages and monitors contracting and expenditures in six sectors — transport and communications; electricity; buildings/health; security/justice; public works/water resources; and oil. Although in the Department of the Army, it reports to the Department of State as well as to the Department of the Defense.

Overall responsibility for management of U.S. military activity in Iraq belongs to Gen. David H. Petraeus, commander of the multinational forces in Iraq. He also serves as principal military adviser to the U.S. ambassador. Utilizing the roughly $5

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[23] Ambassador David Satterfield, Department of State briefing on April 30, 2007; SIGIR, *Report to Congress*, July 30, 2007, p. 131.

[24] According to National Security Presidential Directive (NSPD) of May 11, 2004. It made the Secretary of State responsible for "continuous supervision and general direction of all assistance for Iraq."

[25] The PCO and IRMO were established by the May 11, 2004 NSPD. See GRD-PCO website at [http://www.rebuilding-iraq.net].

billion in IRRF funds and nearly $16 billion of ISFF funds, with the policy guidance of the Ambassador, Lt. General James Dubik is the officer immediately in charge of overseeing the training and support of all Iraqi security forces. Although the State Department had assumed control of technical assistance provided to the different Iraq ministries, in October 2005 it ceded responsibility to DOD for the two ministries most closely involved in security matters — Interior and Defense. Among reasons given for this switch are that DOD has greater resources at its disposal and that State has had difficulty filling advisor positions in these ministries, the latter point disputed by some. In most other countries, State has responsibility for training police forces.[26]

A third major U.S. actor in the implementation of the aid program is the U.S. Agency for International Development (USAID). Responsible for more than $5.2 billion of assistance to date, USAID manages a wide range of economic, social, and political development programs. Its programs have included a multi-faceted, large-scale construction project and most activities related to public health, agricultural development, basic and higher education, civil society, local governance, democratization, and policy reform.

The post of CPA Inspector General, created under the FY2004 Emergency Supplemental legislation (P.L. 108-106), was redesignated the Special Inspector General for Iraq Reconstruction (SIGIR) by the FY2005 DOD Authorization (P.L. 108-375). Special Inspector General Stuart Bowen, Jr., reports to both the Secretary of Defense and State. The SIGIR office has about 60 employees examining a range of issues, including the extent and use of competition in contracting; efficient and effective contract management practices; and charges of criminal misconduct. The SIGIR issued his first report to Congress regarding his audits and investigations on March 30, 2004, and has reported quarterly since then.[27]

The SIGIR's scope of authority originally encompassed only the IRRF, although the SIGIR has responded to specific congressional and executive branch requests to audit other account programs. The FY2007 Defense Authorization made all FY2006 reconstruction appropriations, regardless of account, subject to SIGIR jurisdiction as though they were under the IRRF. Both House and Senate committee reports on the FY2007 supplemental appropriations indicated they expected SIGIR authority to include FY2007 reconstruction funding irrespective of funding account, but they did not address the issue with legislation. The FY2008 Defense Authorization (H.R. 4986, P.L. 110-181), signed into law on January 28, 2008, broadens the authority of the SIGIR to include all reconstruction programs from all accounts and all years.

U.S. Reconstruction Assistance

Among the key policy objectives laid out by the Bush Administration is the economic and political reconstruction of Iraq. Discussion and debate have been

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[26] "Aid to Iraq Ministries to Shift to Pentagon," *Washington Post*, September 26, 2005.

[27] See [http://www.sigir.mil/] for reports and audits.

ongoing regarding the strategy to reach these ends utilizing reconstruction aid funds and the effectiveness of aid implementation.

Table 2. Iraq Relief and Reconstruction Fund (IRRF)
($ millions)

Sector	Current allocation	Obligations as of March 19, 2008	Expend.
FY2004 Supplemental (P.L. 108-106)			
Security and Law Enforcement	4,978	4,955	4,866
Justice and Democracy	2,264	2,237	2,153
Electricity	4,196	4,048	3,781
Oil Infrastructure	1,723	1,597	1,569
Water and Sanitation	2,067	1,944	1,782
Transport and Telecommunications	462	449	407
Roads, Bridges, Construction	327	317	247
Health	812	776	725
Private Sector	821	821	811
Education, Refugees, Governance	436	423	395
Administrative Expenses	213	210	210
Total FY2004 Supplemental	**18,299**	**17,776**	**16,946**
FY2003 Supplemental (P.L. 108-11)	**2,475**	**2,232**	**2,139**
Total IRRF	**20,774**	**20,012**	**19,085**

Sources: Department of State, *Iraq Weekly Status Report*, March 19, 2008.

Reconstruction Priorities

Reconstruction priorities have changed over time. Allocations within the Iraq Relief and Reconstruction Fund (IRRF), the main U.S. assistance account in the first few years, mirrored shifting events on the ground. For example, in November 2003, when the CPA decided to accelerate the hand-over of sovereignty, it immediately revised the allocation of FY2004 IRRF appropriations that had been legislatively mandated only weeks previously in order to increase substantially the democratization effort — from $100 million to $458 million. After the State Department took charge in June 2004, the new U.S. Embassy country team reallocated FY2004 IRRF resources, emphasizing security needs, increased oil production, greater employment, and democracy as the highest priorities, at the expense of many large-scale economic infrastructure projects — in particular water and sanitation and electricity — that were viewed as too slow and dependent on an improved security situation to have an immediate impact. Although these and later reallocations were pragmatic responses to new events on the ground, their cumulative impact was to divert funds from previously planned programs. As a result, water and sanitation projects were cut by half (from $4.3 billion to $2.1 billion), and electric power programs lost a quarter of their original funding (from $5.6 to $4.2 billion).

Current Priorities. As of the end of September 2006, IRRF funds were no longer available for obligation, and the large-scale infrastructure programs which chiefly characterized IRRF efforts are no longer funded by the United States (although targeted neighborhood-oriented infrastructure projects and sustainment of completed projects continue).[28] The major elements of current assistance are as follows:

- **Military-Security Assistance.** Almost two-thirds of total FY2007 military and security assistance regular and supplemental reconstruction appropriations and 71% of FY2008 funds are applied to the training and equipping of Iraqi security forces. This effort is funded entirely from the ISFF.

Economic-social-democratization assistance is funded mostly with Economic Support Fund (ESF) assistance, categorized under three "tracks":

- **Security Track.** Under the security track are assistance programs most closely associated with the Administration's new strategy for Iraq, largely programs supporting work of the Provincial Reconstruction Teams (PRTs). There are 31 PRTs, including 13 embedded with combat battalions (ePRTs) in strategic locations. These work with Iraqi local leaders to identify economic and political development projects that can be implemented with U.S. financing (see PRT section below for details).

- **Economic Track.** This track encompasses assistance to help Iraqis operate, maintain, and sustain U.S.-funded infrastructure projects (see sustainability section below for discussion).

- **Political Track**. Under the political track are a range of efforts to support governance, democratization, and rule of law programs at all levels of government in Iraq, including helping Iraqi ministries improve their ability to operate and helping local governments administer their provinces and municipalities.

Finally, there has been increasing attention paid to humanitarian needs.

- **Humanitarian Aid.** The Migration and Refugee Assistance (MRA) and International Disaster Assistance (IDA) accounts address the problems of a refugee and internally displaced persons population amounting to more than 4.4 million.

Security, sustainability, PRTs, governance, and humanitarian needs constituted the key features of the Administration budget reconstruction aid requests for FY2008.

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[28] According to the SIGIR, most of the "unobligated" FY2003 IRRF funds were used to reimburse the Department of State for reconstruction costs incurred prior to the appropriation. SIGIR, *Report to Congress*, October 31, 2007, p. 61. According to the Department of State, $402 million of the remaining "un-obligated" FY2004 IRRF funds are considered "expired" and can only be used for claims and adjustments related to existing IRRF-funded contracts. *2207 Report to Congress*, October 2007, p. 1.

However, of these, Congress funded only the security and humanitarian aspects in FY2008.

Reconstruction Programs and Issues

Status. Reconstruction programs have shown mixed results to date. There are many positive outputs, such as schools rehabilitated, vaccinations provided, and so on. However, in the critical sectors of electric power and oil production, outputs have been less than originally envisioned. (In the past eight months, there have been noteworthy improvements in both of these sectors.) Moreover, the impact of U.S. projects on Iraq is hard to estimate, and the extent to which they and other-donor contributions meet the total needs of Iraq has not been fully assessed. Although mismanagement and corruption play a large role in diminishing returns from reconstruction efforts, it has been the lack of stability and the effects of the insurgency that have most affected the course of reconstruction to date.

A brief review of assistance sectors:[29]

- **Security and Justice**. More than 1,200 facilities — police stations, border forts, fire stations, courts, etc. — have been completed. About 444,502 police and military security forces have been trained and equipped. Security responsibility for 9 of the 18 provinces has now been transferred to Iraqi military control. However, sectarian divisions, inadequate logistics capabilities, and insufficient numbers of Iraqi officers and other problems keep the Iraqi Army and the Ministries of Defense and Interior dependent on U.S. support. The police are a particular concern; the September 2007 Independent Commission report recommended that the National Police force be eliminated and reconstituted. U.S. assistance is providing salaries for the tribal Awakening movement's so-called Sons of Iraq (formerly Concerned Local Citizens) volunteer security force.[30]

- **Healthcare**. The focus of this sector, mostly funded from the IRRF, has been to rehabilitate and equip facilities, train health care providers, and provide medical services such as immunizations. Nonetheless, according to a July 2007 Oxfam International report, 90 percent of Iraq's 180 hospitals lack basic medical and surgical supplies. Many construction projects experienced considerable delays, and contracts won by U.S. firms had to be revoked and re-awarded to Iraqis, including 12 of 20 refurbished hospitals. Only 91 of a planned 142 new clinics will be completed with U.S. funding. Further, the Basrah Children's Hospital has had significant cost

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[29] SIGIR, *Report to Congress*, January 30, 2008, pp. 14-132; Department of State, *2207 Report to Congress*, January 2008; Department of State, *Iraq Weekly Status Report*, March 19, 2008.

[30] General James Jones, et al., *The Report of the Independent Commission on Security Forces in Iraq*, September 6, 2007, [http://www.csis.org/isf/], SIGIR; *Report to Congress*, January 30, 2008, 25-33; DOD, Measuring Stability and Security in Iraq, March 2008, p. 17.

overruns. A new Amara surgical hospital is being funded with ESF funds. The ability to open new facilities has been hindered by the lack of doctors; since 2003, the number of doctors has fallen from 24,000 to 14,000.[31]

- **Transportation**. Key results in this sector are the restoration of the deepwater port at Umm Qasr, and repairs on 96 of 98 railway stations, as well as two international and three regional airports. Although the airports and seaport have shown considerable activity, only a tiny percentage of Iraqi trains run because of security concerns. The SIGIR notes that road repairs, mostly village roads, are only targeting a very small percentage of total road and bridge work required (for example, only 8 repaired bridges of 1,156 in poor condition or destroyed) and have been delayed by security problems.

- **Democracy.** Local governance has been strengthened through establishment of councils and community associations. More than 6,000 grassroots projects have been conducted through USAID grants provided to more than 1,450 community action groups. Voter education, training of election monitors, and related activities contributed to three successful elections in 2005. Technical experts provide advice to government agencies regarding adoption of possible budgetary and management reforms. Halting progress has been made on achieving national reconciliation, including amending the Iraqi constitution, and holding long-promised local elections.

- **Education, Agriculture and Private Sector Development**. About 6,716 schools have been rehabilitated and 60,000 teachers trained. Irrigation systems were rehabilitated, 68 veterinary clinics reconstructed, and 83,500 date palm offshoots planted. Agricultural extension agents are being trained and agribusiness supported. Bank credit officers have been trained, and credit is provided to micro and small business. Efforts to reinvigorate state-owned factories have met with limited success to date (see discussion below).

- **Refugees and IDPs**. Of the 4.6 million Iraqis who have fled their homes due to sectarian violence, roughly half are refugees in other countries and half are internally displaced people (IDPs). Most U.S. assistance in this sector is channeled through the U.N. High Commission for Refugees (UNHCR), the International Red Cross, and other agencies. More than $500 million has been allocated to date.[32]

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[31] Oxfam International, *Rising to the Humanitarian Challenge in Iraq*, July 30, 2007, p. 11; SIGIR, *Report to Congress*, October 30, 2007, pp. 127-128.

[32] For details, see CRS Report RL33936, *Iraqi Refugees and Internally Displaced Persons: A Deepening Humanitarian Crisis?* by Rhoda Margesson, Andorra Bruno, and Jeremy Sharp.

- **Electricity**. U.S.-funded projects have added 2,120 megawatts (MW) to Iraq's generating capacity. Before the war, electric power was 4,500 MW and, until recently, capacity fell well below this level despite an early goal of reaching 6,000 MW. However, by the third quarter of 2007, it had increased to around 4,550 MW, a post-war record. The most recent figures show a decline from that high to 4,121 MW. In Baghdad, Iraqis receive fewer hours of electricity than before the war (averaging about 8 hours in late January); elsewhere they receive more than previously (about 11 hours). In addition to the impact of insurgent activity, other challenges to the growth of electrical power are the rising demand for electricity, a lack of centralized monitoring and control systems, poorly maintained infrastructure, and a shortage of fuels to operate power plants. The GAO estimates that an infrastructure investment of $27 billion is required to meet demand.[33]

- **Oil and Gas**. Although the original U.S. goal was 2.8-3.0 MBD by end of 2004, oil and gas production remained stagnant and well below the pre-war level of 2.5 million barrels/day for some years. Production held steady during most of the past year at around 2.0 MBD. However, by late October 2007 the level had risen to 2.4 MBD, where, with occasional lapses, it remains. According to the SIGIR, poor infrastructure, corruption, and difficulty maintaining and operating U.S.-funded projects join the destruction caused by the insurgency as major challenges. As the IRRF projects end, only relatively small-scale CERP activities in this sector are active.

- **Water and Sanitation**. Water and sanitation sector assistance has provided clean water to 6.7 million people and sanitation to 5.1 million. However, according to the aforementioned Oxfam report, the number of Iraqis without access to clean water has risen since 2003 from 50 percent to 70 percent and 80 percent lack sanitation. CERP funds now play the main role in U.S. water assistance.[34]

Infrastructure Sustainability and Asset Transfer. As large-scale construction projects — power plants, water and sanitation systems, oil facilities, etc. — have been completed, there has been concern regarding the ability of Iraqis to maintain and fund their operations once they are handed-over to Iraqi authorities. This concern has grown following SIGIR "sustainment reviews" that suggested projects transferred to Iraqi control are not being adequately maintained. For instance, a July 2007 assessment found that two Baghdad region power station units

[33] Glenn Zorpette, "Keeping Iraq in the Dark, *New York Times*, March 11, 2008; ""Iraq Far From U.S. Goals for Energy," *Washington Post*, September 2, 2007.

[34] Ibid., Oxfam, p. 3.

that had been rehabilitated with U.S. funds were not operational, largely because of insufficiently maintained equipment.[35]

To insure long-term sustainability, the U.S. effort — the so-called "economic track" now led by the Army Corps of Engineers — has focused on capacity development — providing training to the appropriate personnel in the labor force who will operate and maintain facilities and insuring sufficient funds are available for repairs and equipment replacement following project completion. At the Ministry level, the ITAO (formerly IRMO) is assisting development of policies and laws conducive to efficient use and maintenance of infrastructure.

In addition, the United States is providing significant assistance to support the physical protection of important infrastructure, in particular electricity and oil facilities. Efforts to secure infrastructure include the use of biometrics, construction of security perimeters, lighting and communications improvements, establishment of exclusion zones for pipelines, and enhancements to the forward operating bases used by the Iraqi army to protect infrastructure.[36]

The long-term responsibility for sustainability, however, lies with the Iraqi government. The IRMO once estimated that it would cost about $1.2 billion annually to operate and maintain U.S.-sponsored projects.[37] Whether the Iraqi government can shoulder the burden of additional costs will likely depend on the level of resources it is able to draw on from oil profits and international donors.

Although a "principal objective" of the U.S. infrastructure construction program has always been the "swift transition of the reconstruction effort to Iraqi management and control," the SIGIR found in July 2007 that the Iraqi government had not accepted any U.S. project transfers since July 2006. As of May 31, 2007, 2,363 projects valued at $5.3 billion awaited transfer. According to the SIGIR, the U.S. government in some cases has continued to fund maintenance of projects pending acceptance by Iraq.[38]

Capacity Development. Much effort and assistance has gone into improving the capabilities of government ministries, including equipping and training personnel at all levels of service, and situating U.S. advisers in every ministry. Ministry officials and staff, however, remain deficient in knowledge of modern administrative systems and management practices. The current focus is on improving budget execution and service delivery, considered by many to be essential elements of an

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[35] SIGIR, *Report to Congress,* April 30, 2007, p. 147; SIGIR, *Report to Congress,* July 30, 2007, p. 7; SIGIR, Project Assessment 07-103, *Doura Power Station Units 5 and 6,* July 18, 2007.

[36] State Department, 2207 Report to Congress, January 2008, p. III6-9.

[37] SIGIR, *Transition of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government*, Audit 06-017, July 2006.

[38] Iraq Reconstruction Pre-Proposal Conference Briefing Slide Show, DOD, January 21, 2004; SIGIR, *Transferring Iraq Relief and Reconstruction Fund Capital Projects to the Government of Iraq*, Audit 07-004, July 25, 2007.

effective Iraqi government. As noted earlier, both the national Government of Iraq and provincial governments have had difficulty implementing capital budgets. U.S. programs, including institution of 18 Provincial Procurement Assistance Teams, several Procurement Assistance Centers (two in Baghdad and one in Erbil), and a range of training programs in public administration, appear to have led to improvement over the previous year's performance in this regard, although the extent of that improvement has been subject to some dispute (see "Oil Revenue and Iraqi Capital Budget" section).[39]

In the past two years, the SIGIR has highlighted problems with U.S. implementation and coordination of capacity development programs, pointing out that, as there is no single organization responsible for the reconstruction effort, the capacity building program has gone without an integrated plan providing coordination and priorities to the multiple organizations responsible for it, points reiterated in an October 2007 GAO report on the effort. Perhaps responding to the SIGIR's concerns, in early 2007, the newly appointed Coordinator for Economic Transition began leading an Embassy Budget Execution Initiative. This initiative encompasses an interagency task force to coordinate U.S. activities, including those of USAID and the U.S. senior consultants assigned to each ministry. The GAO report suggests that this and parallel efforts have not yet resolved coordination issues and that only now are U.S. officials beginning to develop a capacity development strategy.[40]

Provincial Reconstruction Teams (PRTs). In an effort to expand outreach to the provinces and strengthen local government, the U.S. Embassy, in mid-2005, began establishing Provincial Reconstruction Teams (PRTs). There are now three types of PRTs in Iraq, 31 in all. In each case, the military provides protection to U.S. civilian officials and development specialists, allowing them access to parts of Iraq that otherwise would not be possible. The PRTs are now a major purveyor of U.S. reconstruction aid — responsible for over $1 billion in FY2006 and FY2007 ESF funds — and a key element in the President's new strategy for Iraq.

The first PRTs were made up of Embassy, PCO, USAID, military, and other U.S. agency staff, between 35 and 100 members in each, with the State Department as leader. There are currently 11 of these PRTs. Prior to the new Iraq strategy announced in January 2007, 10 of these PRTs had been established in Kirkuk, Ninewa (Mosul), and Babil (Hillah), as well as in Baghdad, Anbar, Diyala, Salah-ad-Din, Basrah, Nasiriyah, and Irbil (for all of Kurdistan). The latter three PRTs are British, Italian, and South Korean-led, respectively.[41] In addition to the PRTs, there

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[39] GAO, *Better Data Needed to Assess Iraq's Budget Execution*, 08-153, January 2008, p. 15-19.

[40] SIGIR, *Status of Ministerial Capacity Development in Iraq*, Audit 06-045, January 30, 2007; SIGIR, *Report to Congress*, July 30, 2007, pp. 61-66; SIGIR, *Report to Congress*, October 31, 2007, pp. 101-105; GAO, *U.S. Ministry Capacity Development Efforts Need an Overall Integrated Strategy to Guide Efforts and Manage Risk*, GAO-08-117, October 2007.

[41] SIGIR, *Review of the Effectiveness of the Provincial Reconstruction Team Program in*

(continued...)

have been seven Provincial Support Teams (PSTs), much smaller teams that reside on a military forward operating base and provide advice to provincial officials as needed.[42]

The third type of PRT — called ePRTs — are structured differently than their predecessors. They are *embedded* in Brigade Combat Teams with the Brigade Commander acting as leader. Most have 8 to 12 personnel. They were created as part of the January 2007 surge strategy, which also saw an increase in U.S. forces. In essence, the strategy envisions that, as U.S. and Iraqi military forces work to clear and hold an area, ePRT staff will work with local Iraqis to further stabilize the area by drawing on all available spigots of U.S. and Iraqi government funding to create jobs and meet other basic needs. They play a major role in reconciling tribal, municipal, district, and provincial government entities. Of the 13 ePRTs — nine are in Baghdad, three in Anbar, one in northern Babylon, one in southern Diyala, and one is in Wasit province.[43]

While the new ePRTs are more focused on establishing stability, the regular PRTs emphasize improvement of local governance. They work together with local community and Iraqi government representatives — forming Provincial Reconstruction Development Councils (PRDCs) — to identify projects that can be implemented and carried out with U.S. financing. It is anticipated that, as a result of this collaboration, local governments may be strengthened while U.S. projects achieve more lasting support. The PRTs also work closely with provincial governments to strengthen their capacities and enable them to better interact with the central government as well as to more effectively utilize the Iraqi government funds that have been allocated to each province.[44]

At the disposal of all PRTs is a tool-box of projects that can be implemented at the grass-roots level. PRDC-identified projects tend to be focused on infrastructure — road and bridges, water and sanitation, schools, and health clinics — and usually are finished in one year. Although the Embassy must approve them, PRDC projects generally are implemented by the Army Corps of Engineers. In August 2007, a new Quick Response Fund (QRF) that mimics the flexibility of the CERP in funding local community projects was made available to the PRTs. They support local government, NGOs, and small businesses. In addition to economic projects directly handled by the PRTs, USAID runs several programs, often in conjunction with the PRTs. The Community Action Program (CAP) funds projects identified by local representative associations, stimulating democratic participation, while meeting local needs and creating short-term employment. The Community Stabilization Program

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[41] (...continued)
Iraq, 07-015, October 18, 2007; Department of State, *2207 Report to Congress*, October 2006, p. 5. "Military to Protect U.S. Aid Teams in Iraq," *Washington Post*, April 14, 2006.

[42] The PSTs are either being converted to PRTs or blended into existing PRTs.

[43] SIGIR, *Report to Congress*, July 30, 2007, pp. 53-60; SIGIR, *Status of the Provincial Reconstruction Team Program Expansion in Iraq*, Audit 07-014, July 25, 2007.

[44] Robert Perito, *Embedded Provincial Reconstruction Teams*, U.S. Institute of Peace Briefing.

(CSP) addresses economic needs in specific strategic cities, providing youth programs, micro and small enterprise support, and vocational training. The Local Governance Program (LGP) helps build management and knowledge skills of provincial government personnel. Complementing the work of the PRTs and USAID, although apparently provided independently, funding from the Commander's Emergency Response Program (CERP) is also available to pacify the local population where PRTs reside. A large proportion of CERP projects support local, small-scale infrastructure construction, especially in the water and sanitation and electrical power sectors.

There have been security and staffing constraints to the work of PRTs, however, that might also pose problems for the expansion effort. One reason there had been limited grassroots development work in the provinces up to the creation of the PRTs is the lack of security. Although originally reluctant to divert the necessary manpower from its other responsibilities, the Department of Defense agreed to provide protection to the PRTs. A Memorandum of Understanding to this effect was signed in November 2006. However, according to an October 2006 SIGIR report, minimum "movement" by PRT personnel required three armored vehicles and eight "shooters." Normal business was, therefore, difficult. The SIGIR reported that many PRT members could not regularly meet with local government officials to carry out their capacity-building chores.[45] Further, a former PRT diplomat who left in January 2007 suggested that local Iraqis were too intimidated to meet with U.S. staff and that training sessions had been cancelled due to security concerns.[46] In January 2007 congressional testimony, however, Secretary Rice indicated that civilian staff were able to meet regularly with local government personnel, and Ambassador Satterfield claimed in February 2007 that the SIGIR's views on this issue did not reflect current reality. But a March 2007 article based on PRT foreign service officer reports indicated that the security problem had persisted.[47] The October 2007 SIGIR report continued to find that PRT performance was impeded by security concerns, and its draft version even recommended that personnel be reassigned to better functioning PRTs until security improved. According to the SIGIR, the Embassy and military have promised new efforts to ensure that PRTs are not hindered by lack of appropriate security.[48]

The March 2007 article mentioned above also raised the concern that security obstacles facing PRTs might increase as U.S. troops protecting PRT staff hand responsibility for security over to Iraqi forces. In September 2007 testimony to Congress, a SIGIR official noted that there was little coordination between the PRTs and U.S. military in those cases where security has been handed to the Iraqis. As a

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[45] SIGIR, *Status of the Provincial Reconstruction Team Program in Iraq*, 06-034, October 29, 2006.

[46] "Ex-Envoy Says Iraq Rebuilding Plan Won't Work," *Reuters*, February 17, 2007.

[47] "Rice's Rebuilding Plan Hits Snags," *Washington Post*, January 15, 2006; Testimony of Secretary Rice to Senate Foreign Relations Committee, January 11, 2007; Teleconference of Ambassador Satterfield, February 7, 2007; Shawn Dorman, "Iraq PRTs: Pins on a Map," *Foreign Service Journal*, March 2007.

[48] SIGIR, *Review of the Effectiveness...*, October 18, 2007, p. x.

result, the official suggested that U.S. civilians will be unable to move about freely and, consequently, PRTs may be unable to function in those areas where the U.S. military steps down.[49] Whether the ePRTs are to be dissolved or redeployed elsewhere following the draw-down on "surge" forces should become apparent by summer 2008.

A second issue is the availability of qualified U.S. government civilian staff. Early reports of its first year of operations suggested that State was having difficulty enticing its personnel to volunteer for PRT posts. According to the SIGIR, DOD stepped in to provide military civil affairs personnel in place of the State posts, but required skills for such posts as local government, city management, business development, and agricultural advisers were not being fully met. That situation continued as the ePRTs were established. About 104 of the new ePRT posts were temporarily occupied by military personnel or civilians until State was able to recruit sufficient numbers of skilled individuals. Those recruited in specialized skills are mostly contract personnel, because such skills are not typically available from either the State or USAID foreign service. As many as 278 such personnel were expected to eventually be needed. According to the October 2007 SIGIR report, many PRTs were at half-capacity, there was a mismatch of skills to requirements, and there were only 29 bilingual Arabic-speaking cultural advisers of 610 personnel. [50]

The Role of Iraqis in Reconstruction and the DOD Plan to Re-start State-Owned Enterprises. One facet of the U.S. reconstruction effort has been an attempt to encourage economic growth and decrease unemployment by trying to utilize Iraqis in the implementation of projects. In 2003-2004, this involved making Iraqi businessmen aware of contract opportunities and encouraging U.S. contractors to employ Iraqi firms. Although U.S. government requirements could be waived for Iraqi contractors, most work for Iraqi business came in the form of subcontracts under U.S. prime contractors.

When the State Department took over reconstruction in July 2004, however, greater efforts were made to contract project work directly with Iraqis. By 2005, the SIGIR estimated that about 70%-80% of new contracting was directly with Iraqis.[51] A contributing factor in this effort was the deleterious impact of security on the activities of the large-scale contractors. In January 2005, Contrack International, holder of a $325 million roads and bridges construction contract, announced its

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[49] Shawn Dorman, "Iraq PRTs: Pins on a Map," *Foreign Service Journal*, March 2007; Testimony of Ginger Cruz, Deputy SIGIR, to House Armed Services Committee, Subcomm. on Oversight, September 5, 2007.

[50] SIGIR, *Report to Congress*, October 30, 2007, p. 87; "Pentagon Agrees to Help Fill State Department's Iraq Reconstruction Jobs on Temporary Basis," *New York Times*, February 20, 2007; Teleconference of Ambassador David Satterfield, February 7, 2007; and Robert Perito, *Provincial Reconstruction Teams in Iraq*, United States Institute of Peace, February 2007.

[51] Stuart Bowen, Testimony to House Foreign Operations Appropriations Subcommittee, September 7, 2005.

withdrawal.[52] Consequently, many bridge and road projects were then implemented directly with the Ministry of Construction, with estimated savings of between 30% and 40%.[53] As some U.S. contractors were shown to perform inadequate work, they were replaced by Iraqi contractors. The PCO claims that hundreds of Iraqi firms are currently working on U.S.-funded reconstruction projects, although these numbers are falling significantly as construction projects are completed. CERP and USAID Community Action Program grants are often designed to directly employ large numbers of Iraqis, many at the village level. About 111,976 Iraqis were reported to be employed under all U.S.-funded projects in early January 2008.[54]

In the past year, U.S. defense officials, seeking to create employment opportunities for Iraqi citizens, have begun rehabilitating some of the roughly 240 state-owned enterprises that composed a large portion of the Iraqi economy prior to the U.S. occupation. Soon after the occupation began, the CPA attempted to privatize them in an effort to open up a free market economy in Iraq, but officials gave up on what promised to be a politically unpopular endeavor when the turnover of sovereignty was accelerated. The Defense Department plan envisions the production in Iraq of items required by the U.S. military, some of which are currently produced by neighboring countries. Additionally, U.S. firms have been asked to consider purchasing supplies from Iraqi enterprises.

To support this effort — entitled the Task Force to Improve Business and Stability Operations — Congress approved $50 million in the FY2007 supplemental and will consider the request of an additional $100 million under the DOD Iraq Freedom Fund account when the second tranche of the FY2008 supplemental is debated. Funds are being used to supply generators and other supplies. Between November 2006 and December 2007, 17 factories had started-up: among them, one producing Iraqi uniforms, another armored vehicles, and another household ceramic bathware for domestic Iraqi consumption. Another 30 re-starts were anticipated by the Task Force by March 2008. However, by December, only 5,000 jobs had been created versus the DOD employment goal of 150,000 jobs in 140 restarted factories by September 2008. A further Task Force effort directs U.S. military contracts to Iraqi business — $200 million worth each month to over 5,000 private sector businesses, according to the DOD. More recently, the Task Force has sought to encourage the development of the private banking system, promoting formation of a consortium of these banks and assisting the adoption of electronic funds transfers.[55]

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[52] BNA, Inc., Federal Contracts Report, January 11, 2005.

[53] Ambassador Jeffrey, Testimony to House Foreign Operations Subcommittee, September 7, 2005. Department of State, *2207 Report to Congress*, October 2005, p. 3.

[54] Department of State, *Iraq Weekly Status Report*, January 9, 2008.

[55] DOD, *Measuring Stability and Security in Iraq*, December 2007, p.10; DOD News Briefing with Deputy Undersecretary Paul Brinkley, March 28, 2007; "To Stem Iraqi Violence, U.S. Aims to Create Jobs," *Washington Post*, December 12, 2006; "Bush to Propose Restoring Iraqi Factories to Create Jobs," *New York Times*, January 10, 2007; "Aging and Shut, Iraq Factories May Reopen and Mitigate Ills," *New York Times*, January 18, 2007; Paul Brinkley, "Restoring Hope," *Military Review*, March-April 2008.

Skepticism had been expressed regarding the DOD program. Some observers questioned the extent to which violence would be reduced as a result of expanded employment. Some were concerned that the SOEs might provide targets for insurgents. Others have suggested that, unless well-managed, investments in SOEs might provide opportunities for corruption and political manipulation.[56] DOD officials attribute program problems to a lack of enthusiasm by U.S. companies, the Iraqi consumer's preference for imported goods, the lack of electricity, and the uncertain political and security environment.[57]

CERP. Drawn from DFI and Department of Defense funds rather than IRRF or ESF appropriations, the Commander's Emergency Response Program (CERP) contributes to the reconstruction effort by providing U.S. military commanders on the ground with "walking around money" intended to win hearts and minds throughout Iraq. Up to now, a total of $3.2 billion — $548 million in Iraqi funds and nearly $2.7 billion in U.S. DOD appropriations — has been made available for this purpose.

The CERP supports a wide variety of reconstruction activities at the local level, from provision of micro-grants to businesses to digging wells to painting schools, provided in the form of small grants. CERP also funds infrastructure efforts, such as repair or provision of electric generators and construction of water and sewer systems, roads, and schools. Commanders identify local needs and dispense aid with few bureaucratic encumbrances. Major subordinate commanders have authority to approve grants up to $500,000. The grants have been credited with helping the military better exercise their security missions, while at the same time meeting immediate neighborhood development needs, often much more quickly than equivalent efforts of the civilian reconstruction program. In addition to reconstruction, CERP funds are used for compensation payments to the families of killed or injured Iraqis.[58] Recently, the CERP has been used to pay the salaries of the so-called Sons of Iraq (formerly known as the Concerned Local Citizens).

As the IRRF program has declined, the CERP program has grown as a major spigot of U.S. aid in Iraq. From its beginnings as a small-scale village program — the average grant in FY2004 was $67,000 — it is now the major source of U.S. infrastructure construction aid with an average grant in FY2006 of $140,000.

The SIGIR and others have raised some concerns regarding the CERP, most derived from the essentially different security and reconstruction objectives of military and civilian efforts, respectively. Among the SIGIR's concerns is that there is no mechanism to measure the outputs and outcomes of CERP projects. Secondly, the high turnover of military personnel in Iraq means that there is little continuity in management and oversight of the projects. Third, little weight has been given to the

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[56] United States Institute of Peace, *State-Owned Enterprises: Post-Conflict Political Economy Considerations*, March 2007. "Defense Skirts State in Reviving Iraqi Industry," *Washington Post*, May 14, 2007.

[57] "U.S. Falters in Bid to Boost Iraqi Business," *Washington Post*, August 24, 2007; SIGIR, *Report to Congress,* October 30, 2007, p. 95; "In Iraq, One Man's Mission Impossible," *CNNMoney.com,* September 4, 2007.

[58] SIGIR, *Report to Congress*, January 30, 2007, Appendix G.

handing-over of projects to Iraqis and insuring their sustainability. Other observers have noted that civil affairs officers and others allocating CERP grants are not development specialists and have been provided little or no training on the selection and management of reconstruction activities. The program's early rationale — that the military were the only ones able to conduct small-scale reconstruction in places where civilian U.S. officials and NGO aid personnel were unable to go — appears less strong now that civilian ePRT personnel are embedded in combat battalions. Further, the October 2007 SIGIR report on the PRTs points to cases where the use of CERP funds to meet local needs conflicted with PRT efforts to make local government assume responsibility for provision of local services and work with the provincial and national government, instead of the U.S. military, to address problems.[59]

Security. The successful conduct of reconstruction work is contingent on an environment of order and stability. Although recent reports suggest a lessening of violence in parts of the country, the cumulative effect on the reconstruction effort of years of continued instability has been manifold.

- The instability has hindered implementation of reconstruction projects. Security threats have prevented PRT personnel from communicating directly with local governments, construction workers from appearing at their jobs, and project managers from monitoring project work.[60]

- Completed reconstruction projects and pre-existing infrastructure have been destroyed. For instance, in June 2007, eight of the twelve 400-kV transmission lines were out of service, greatly reducing the electricity supply to Baghdad. Major pipelines continue to be sabotaged, shutting down oil exports. Along with criminal activity and poor equipment, insurgent attacks are estimated to be responsible for the loss of $16 billion in oil revenue during a two year period from 2005-2006.[61]

- Reconstruction costs rose substantially due to the need to provide for security and insurance for personnel. Estimates of the portion of project costs devoted to security have varied widely. A 2006 SIGIR survey of major U.S. contractors found security costs to range from

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[59] SIGIR, Commander's Emergency Response Program in Iraq Funds Many Large-Scale Projects, 08-006, January 2008; SIGIR, *Review of the Effectiveness of the Provincial Reconstruction Team Program in Iraq*, 07-015, October 18, 2007, pp. 23-24.

[60] For example, the SIGIR reports that on March 24, 2006, a project manager received an e-mail threatening all employees — as a result, no one came to work the next day. SIGIR, *Report to Congress*, April 30, 2006, p. 12; SIGIR, *Status of the Provincial Reconstruction Team Program in Iraq*, 06-034, October 29, 2006.

[61] SIGIR, *Report to Congress*, August, 2007, pp. 69, 77; "Militias Seize Control of Grid," *New York Times*, August 23, 2007; "Iraq Insurgents Starve Capital of Electricity," *New York Times*, December 19, 2006; "Report Details Oil Industry Losses," *Washington Post*, September 29, 2006.

a low of 7.6% to a high of 16.7%. Unanticipated security costs as well as the related need to shift $1.8 billion from water and power projects to the training and equipping of Iraqi forces has meant that infrastructure programs could accomplish less than originally anticipated.[62]

- Implementing organizations and personnel have fled. Fearing for their safety, many aid implementors have been withdrawn from the country. U.N. and bilateral aid donors have been reluctant to initiate projects of their own; many are running programs from Jordan or Kuwait utilizing Iraqi personnel to the extent possible.[63]

- The quality of aid has likely been negatively affected as implementors cannot meet with local people and design and monitor projects as they would in other countries. The pool of foreign expertise available to advise the government and NGOs is restricted to those few willing to endure the country's hardships. U.S. agency personnel stay only a short time and therefore institutional knowledge is not maintained. Among the 2.4 million Iraqis who have fled the country are professionals necessary to successful reconstruction. More than 20,000 of 34,000 registered doctors have reportedly left. In 2006, more than 300 teachers and Ministry of Education staff were killed.[64]

- In a broader sense, prolonged insecurity has undermined the trust of the Iraqi people in U.S. and now Iraqi government leadership to bring about a democratic and economic transformation in Iraq, opening the door to further political discontent and possible civil war.[65]

There are two elements in the effort to provide the security that might allow political and economic reconstruction to take hold — U.S. and coalition peacekeeping forces and the training of Iraqi security forces to replace them. The

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[62] SIGIR, *Fact Sheet in Major Contractors' Security Costs*, 06-044, January 30, 2007.

[63] "Wolfowitz Says Iraq Violence Impedes Rebuilding Aid," *Wall Street Journal*, June 1, 2005; "Driven from Iraq, Aid Groups Reflect on Work Half Begun," *New York Times*, November 15, 2004; "Security Conditions Continue to Hamper U.N. in Iraq," *Washington File*, August 11, 2004; "Charities Get Ready to Leave," *London Times*, September 9, 2004.

[64] International Committee of the Red Cross, *Iraq: No Let-up in the Humanitarian Crisis*, March 2008; "Civilian Death Toll Reaches New High in Iraq, U.N. Says," *New York Times*, November 23, 2006; "As Death Stalks Iraq, Middle-Class Exodus Begins," *New York Times*, May 19, 2006; "Iraq's Attorneys Practicing in a State of Fear," *Washington Post*, June 10, 2006; "Professionals Fleeing Iraq as Violence, Threats Persist," *Washington Post*, January 23, 2006.

[65] "In Jaded, Perilous Capital, A Collision of Perceptions," *Washington Post*, July 29, 2005; "As Violence Deepens, So Does Pessimism," *Washington Post*, May 18, 2004; "Fueling Anger in Iraq," *Washington Post*, December 9, 2003; "The Best, Brightest, and Wealthiest Flee Iraq," *Chicago Tribune*, November 21, 2004.

number of U.S. troops is roughly 155,000. There are also about 13,481 troops from 25 other nations.[66]

About $20.7 billion in U.S. appropriations has been aimed at building Iraqi security forces. According to the State Department, in early January 2008, there were 238,216 trained and equipped conventional Iraqi police and Ministry of Interior forces and 202,577 army and other defense forces, although the actual number of active duty soldiers has been said to be 65 percent of the total because of leave, attrition, and desertion, and reports by officials and observers have suggested that many fewer could be said to be capable of the most demanding jobs.[67] In late 2007, the Iraqi government authorized a significant expansion of its security forces to a level of 555,789.[68]

During the past three years, poorly trained and equipped security forces, no-shows and desertions, dismissals of police for criminal behavior, bribe-taking for obtaining higher rank or for release of insurgent suspects, and infiltration of police and other units by sectarian militia groups have threatened U.S. plans to increase security using Iraqi personnel.[69] The September 2007 Jones Commission report called for the breakup and reconstitution of the police due to the high level of corruption and sectarianism. U.S. commanders believe this step is unnecessary because of progress made in weeding out inappropriate personnel.[70]

While the September 14, 2007, Benchmark Assessment Report argued that the Iraqi forces were showing progress, it also noted that they were not making satisfactory progress toward increasing the number of units capable of acting independently of coalition partners. More recently, the DOD stated that 77% of all formed Iraqi Army units are able to plan and execute operations with "minimal or no assistance." U.S. military officials point to "shortages of key personnel, equipment, weaponry, and logistical capabilities" as significant obstacles.[71]

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[66] *Iraq Index*, Brookings Institution, [http://www.brookings.edu/iraqindex], March 8, 2008, p. 27.

[67] Department of State, *Iraq Weekly Status Report*, March 19, 2008; SIGIR, *Report to Congress*, July 30, 2007, p. 47.

[68] "Iraqis Authorize Big Jump in Forces," *Washington Post*, December 31, 2007.

[69] GAO, *Stabilizing Iraq: Factors Impeding the Development of Capable Iraqi Security Forces*, GAO-07-612T, March 13, 2007; "U.S. Officers Detail Problems with Iraqi Soldiers," *Washington Post*, November 1, 2006; "In Baghdad, a Force Under the Militias' Sway," *Washington Post*, October 31, 2006; "Flaws Cited in Effort to Train Iraqi Forces," *Washington Post*, November 21, 2006.

[70] White House, *Benchmark Assessment Report*, p. 24; General James L. Jones, Chairman, *The Report of the Independent Commission on the Security Forces of Iraq*, September 6, 2007, p. 20; "U.S. Commanders Say Iraqi Police Can Be Reformed," *Washington Post*, December 11, 2007.

[71] See CRS Report RL34387, *Operation Iraqi Freedom: Strategies, Approaches, Results, and Issues for Congress*, by Catherine Dale; "Iraq May Need Military Help for Years, Officials Say," Washington Post, January 18, 2008; DOD, *Measuring Stability and Security*

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Accountability, Waste, and Fraud

A lack of transparency in early contracting and numerous reports in the media suggesting that reconstruction funds were being squandered led to the establishment in November 2003 of an Inspector General for the CPA, now called the Special Inspector General for Iraq Reconstruction (SIGIR). To date, the SIGIR has issued more than 108 audits and 108 project assessments, and it has conducted 96 limited onsite inspections as well as dozens of investigations of possible criminal activity.[72] It should be noted that many sectors and projects have not yet been subject to program audits or project assessments, including water projects, roads, and almost all traditional assistance programs, including those in democracy, governance, education, agriculture, and economic growth sectors. Recent expansion of SIGIR authority will likely facilitate increased oversight of the ESF and ISFF accounts that now compose the majority of U.S. assistance to Iraq.

Some of the most egregious examples of misconduct found to date appear to center on the CPA's use of Iraqi funds during the year-long occupation. For instance, a January 2005 SIGIR audit found that the CPA "provided less than adequate controls" for $8.8 billion of DFI resources it moved through Iraqi ministries. An April 2005 audit concluded that CPA managers of DFI funds distributed in the South-Central region of Iraq could not account for more than $96.6 million in cash and receipts. An October 2005 audit found that South-Central personnel could not account for more than $20.5 million in Rapid Regional Response Program funds and made $2.6 million in excessive payments. In late 2005, several U.S. citizens were criminally charged with respect to the handling of these funds — and have since pled guilty. In February 2007, five more were indicted.[73]

While some investigations of reconstruction programs utilizing U.S.-appropriated funds have raised the possibility of criminal activity, many more have produced evidence of poor project implementation and questionable management and oversight of projects, a large proportion of these the responsibility of the Army Corps of Engineers which runs the Embassy's Project and Contracting Office. SIGIR auditors and project assessment teams with engineering, audit, and investigative experience have traveled to major U.S.-funded IRRF project sites to see if work is being performed properly. Although most conclude that projects were either carried out as intended or point out correctable quality control and structural deficiencies, the SIGIR has found some projects to be especially problematic, including the following:

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[71] (...continued)
in Iraq, March 2008 Report to Congress, p. 34.

[72] See SIGIR website, [http://www.sigir.mil/], for audit reports to date. SIGIR, *Report to Congress*, January 30, 2008, Section 3.

[73] *Management of Rapid Regional Response Program Grants in South-Central Iraq*, Report No. 05-015, October 25, 2005; *Audit of Oversight of Funds Provided to Iraqi Ministries through the National Budget Process*, Report No. 05-004, January 30, 2005; *Control of Cash Provided to South-Central Iraq*, Audit Report No. 05-006, April 30, 2005; "5 Indicted in Probe of Iraq Deals," *Washington Post*, February 8, 2007.

- The Basrah Children's Hospital, expected to cost $50 million, will run to at least $98 million and nearly a year behind schedule. Bechtel, the project contractor, was removed and the project will be completed using local contractors. USAID, the agency responsible, failed to report the cost and delays, in part because it had only one contracting officer and one technical officer to oversee 20 projects worth $1.4 billion.[74]

- In September 2006, the SIGIR reported that the Baghdad Police College, a $75 million construction project implemented by Parsons, was riddled with deficiencies, including improperly fabricated wastewater plumbing which poses a health and structural hazard. Press reports in November 2007 indicate that the problems have still not been fixed by the contractor, despite promises made to Congress.[75] The Mosul police headquarters, constructed by an Iraqi contractor at a cost of approximately $1 million, is similarly troubled.[76]

- A $218 million first responders network was ineffective — communication was not possible between the three established zones of the system and Iraqi citizens could not call in to request emergency assistance, among other problems.[77]

- After the expenditure of $186 million, only 6 of 150 planned primary health care centers to be constructed by Parsons were completed and only 14 more were expected to be finished. A contract was awarded to Iraqi firms to complete 121 partially constructed centers.[78]

- A project to run 16 oil pipelines under the Tigris River failed amidst warnings from a geologist that the subsoil was not conducive to drilling, demonstrating a lack of appropriate oversight by the Army Corps of Engineers. Nearly $76 million in DFI funds were wasted.[79]

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[74] SIGIR, Audit 06-026, July 2006; "U.S. Neglect Found in Long-Delayed Iraq Hospital Project," *Washington Post,* July 29, 2006.

[75] SIGIR, Project Assessment-06-078.1 and 06-079.1, September 27, 2006; "Heralded Iraq Police Academy a 'Disaster'," *Washington Post*, September 28, 2006; "Baghdad's Police Academy Remains in Poor Condition, Despite a Repair Pledge," *New York Times*, November 6, 2007.

[76] "U.S. Agency Cites Flaws in Another Iraqi Construction Project," *New York Times*, October 12, 2006.

[77] SIGIR, Audit 06-020, July 2006.

[78] SIGIR, Audit 06-011, April 2006; SIGIR, *Report to Congress*, October 30, 2006, p. 78; "In a Dispute, Army Cancels Rebuilding Contract in Iraq," *New York Times*, May 13, 2006.

[79] SIGIR, Project Assessment SA-2005-001, in *Report to Congress*, January 30, 2006, pp. 73-75; "Rebuilding of Iraqi Oil Pipeline as Disaster Waiting to Happen," *New York Times*,
(continued...)

- An examination of Task Force Shield, a program to train and manage an oil and electricity infrastructure protection force, found it had been unsuccessful after the expenditure of $147 million. In part, this outcome was due to the absence of a clear management structure for the various U.S. agencies involved. Further, auditors, reportedly, could not determine how many Iraqis were trained or how many weapons were purchased.[80]

- An audit of "design-build" contracts that characterize many of the infrastructure projects found very high administrative costs in some cases. About 55% of KBR work on the RIO project and 43% of a Parsons oil project were consumed by overhead costs. Security is likely one factor in the high level of overhead found here, and enforced idleness while awaiting government direction to begin work is another. However, the audit also found inadequate accounting and billing systems to capture administrative costs in four of five contracts examined.[81]

- Roughly 370,000 weapons purchased with $133 million in IRRF funds for the use of Iraqi security forces were not accompanied by spare parts or technical repair manuals, and were not registered to insure accountability. (Some of these weapons have reportedly made their way to the black market.)[82]

- A DynCorp project to provide services to international police trainers spent nearly $44 million on a residential camp that was not used (including an Olympic-size swimming pool that was unauthorized) and about $36 million for weapons that cannot be accounted for. The audit found the State Department Bureau for International Narcotics and Law Enforcement (INL) and State Office of Acquisition Management provided poor contract administration.[83]

- A 2007 SIGIR financial review of the State Department's DynCorp contract for training Iraqi police could not be completed, because documents were in disarray, invoices had not been validated, and

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[79] (...continued)
April 25, 2006.

[80] SIGIR, Audit 06-009, April 2006; "In Shadows, Armed Groups Propel Iraq Toward Chaos," *New York Times*, May 24, 2006.

[81] SIGIR, Audit 06-028, October 2006; "Idle Contractors Add Millions to Iraq Rebuilding," *New York Times*, October 25, 2006.

[82] SIGIR, Audit 06-033, October 2006. "Black-Market Weapon Prices Surge in Iraq Chaos," *New York Times*, December 10, 2006.

[83] SIGIR, Audit 06-029, January 2007.

INL did not know what it received for the $1.2 billion in expenditures.[84]

- A more than $38 million project to provide a new accounting system for the Iraq Ministry of Finance has been of limited use and has been suspended pending clarification of Iraqi government support for the effort.[85]

- A 2007 DOD IG audit of $5.2 billion in the Iraq Security Forces Fund found a lack of proper accountability for $1 billion in equipment purchase contracts.[86]

Assessments of Reconstruction

Dozens of reports and articles published during the past five years have sought to analyze, criticize, and recommend action regarding the progress of reconstruction aid.[87] Many focus on the history of the aid program with a view toward explaining the current state of affairs. Others, like the Iraq Study Group report, seek to improve future outcomes. See the **Appendix** for a collection of critical views.

Another category of assessments are reviews of specific projects, some findings of which are noted in the previous section. Security concerns in Iraq have made it difficult for interest groups and the news media to produce the kind of expert and anecdotal reports they publish about other places. Most project assessments,

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[84] SIGIR, Audit 07-016, October 19, 2007.

[85] SIGIR, Audit 08-001, October 23, 2007.

[86] Department of Defense Inspector General, *Management of the Iraq Security Forces Fund in Southwest Asia — Phase III*, November 30, 2007, Report No. D-2008-026.

[87] Among the most notable are Anthony Cordesman, *Cleaning Up the Mess*, Center for Strategic and International Studies, July 7, 2004; David Rieff, "Blueprint for a Mess," *New York Times Magazine*, November 2, 2003; George Packer, "War After War: Letter from Baghdad," *The New Yorker*, November 24, 2003; Kenneth M. Pollack, "After Saddam: Assessing the Reconstruction of Iraq," *Foreign Affairs*, January/February 2004; John Hamre et al., *Iraq's Post-Conflict Reconstruction: A Field Review and Recommendations*, Center for Strategic and International Studies, July 17, 2003; James Fallows, "Blind into Baghdad," *The Atlantic Monthly*, January/February 2004; Center for Strategic and International Studies, Post-Conflict Reconstruction Project, Frederick Barton and Bathsheba Crocker, Co-Directors, *Progress or Peril? Measuring Iraq's Reconstruction*, September 2004 and November 12, 2007, Update; Larry Diamond, *Squandered Victory: The American Occupation and the Bungled Effort to Bring Democracy to Iraq*, Henry Holt, 2005; James Fallows, "Why Iraq Has No Army," *The Atlantic Monthly*, December 2005; Rajiv Chandrasekaran, *Imperial Life in the Emerald City: Inside Iraq's Green Zone*, Knopf, 2006; and George Packer, *The Assassins' Gate: America in Iraq*, Farrar, Straus and Giroux, 2005; International Crisis Group, *Reconstructing Iraq*, September 2, 2004, available at [http://www.crisisgroup.org/home/index.cfm?]; T. Christian Miller, *Blood Money*, Little, Brown, and Company, 2006; SIGIR, *Iraq Reconstruction: Lessons in Program and Project Management*, March 2007; and Glenn Zorpette, "Re-engineering Iraq," *IEEE Spectrum*, February 2006, available at [http://www.spectrum.ieee.org/feb06/2831].

therefore, have come from various U.S. government auditors.[88] Even these, however, appear constrained by security in the number of site-visits they are able to undertake to review project results. The SIGIR is conducting some of its assessments by aerial imagery because of the risk to its personnel. Government Accountability Office (GAO) investigators were not even able to visit Iraq while preparing a 2005 report on water and sanitation programs.[89]

Some observers have suggested that one problem with assessing the progress of economic reconstruction is that there is no "big picture" overview; by comparison, more comprehensive end-result assessments of security assistance appear to be regularly conducted by DOD.[90] Responsible government agencies provide information regarding how many infrastructure projects are being started and completed — amounts of kilowatt hours produced and oil pumped — how many small-scale grants are being provided, and how many people are being trained, but there is little detail regarding to what degree the overall national need for drinking water, schools, health care, electricity, employment, and other requirements is being met by the expenditure of billions of dollars in U.S. resources — not to mention Iraqi and other donor resources — targeted at these needs. When such data have been gathered, they suggest that the needs are not being addressed to the extent required. For example, the GAO has estimated that it will take $50 billion in infrastructure investments to meet needs in the electricity and oil production sectors alone.[91]

The extent to which specific Iraqi needs are met is one way of assessing an assistance program. The extent to which U.S. policy objectives have been met is another. With the exception of a brief moment when what some would call an idealistic Administration appears to have sought to transform Iraq into a modern

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[88] For a list of audits and inspections from all agencies, see SIGIR, *Report to Congress*, January 30, 2007, Appendices I, J, K, L.

[89] SIGIR, *Report to Congress*, July 30, 2005, pp. 60-66; GAO, *Rebuilding Iraq: U.S. Water and Sanitation Efforts Need Improved Measures for Assessing Impact and Sustained Resources for Maintaining Facilities*, GAO-05-872, September 2005.

[90] Although observers may not agree on the meaning of what they find. In three assessments of the effort to train and equip Iraqi security forces released in September 2007, somewhat differing perspectives emerged. While the White House Benchmarks report found much progress in the development and operation of the Iraqi security forces — from growth in size to assumption of lead roles and independent planning — it also found the increase in the number of Iraqi security forces being capable of operating independently of U.S. troops to be unsatisfactory. The GAO, pointing out that the number of independent units declined between March and July 2007, bluntly chose to describe the objective as not being met. And the Iraqi Security Forces Independent Assessment Commission led by General James Jones found that, while the Iraqi Army is capable of taking over an increasing amount of day-to-day combat responsibilities, the Iraqi forces would be unable "to fulfill their essential security responsibilities independently over the next 12-18 months." White House, *Benchmarks Assessment Report*, September 14, 2007; GAO, *Iraqi Government Has Not Met Most Legislative Security and Economic Benchmarks*, GAO-07-1230T, September 7, 2007; General James L. Jones, Chairman, *The Report of the Independent Commission on the Security Forces of Iraq*, September 6, 2007, p. 8.

[91] "Iraq Far From U.S. Goals for Energy," *Washington Post*, September 2, 2007.

Western nation, the purpose of the U.S. assistance program has at the very least been to create a minimal level of stability in which a minimally functioning Iraq could take care of its own affairs. The strategies to accomplish this end have changed over time. While the strategy governing security assistance shifted from classroom military training to ever greater levels of cooperative U.S.-Iraqi troop operations, the strategy for economic assistance has moved from the construction of large-scale infrastructure, which chiefly characterized the period from 2004 through 2006, to technical assistance provided to encourage ministerial and local government capacities to manage and administer their own programs, small-scale employment initiatives, and hundreds of community-based projects meant to supplement and supplant the stabilization activities of the U.S. and Iraqi security forces.

The impact of these economic aid efforts, many underway on a smaller scale since 2003, is much more difficult to weigh than the infrastructure programs. They are individually too small and numerous perhaps to make an obvious dent on the larger political and economic picture in Iraq. Measurements for success of these economic aid programs are difficult to achieve. The seemingly most accessible potential measurement of success for the effort to enhance ministerial and local government capacities has been the rate of contracting and expenditure of capital investment — budget execution. In September 2007, the Administration touted a much improved level of budget execution over the previous year. However, a recent GAO report suggests that figures employed to make that judgment were flawed and that the level of spending cannot be established with current conflicting data.[92] Ultimately, it may be the cumulative stabilizing impact of economic aid projects when brought to bear on a specific Iraqi region in conjunction with the military security assistance effort that will be the determinant of success. The merits of individual project activities may be impossible to isolate.

[92] GAO, *Iraq Reconstruction: Better Data Needed to Assess Iraq's Budget Execution*, January 2008, GAO-08-153.

Appendix. Criticisms of Iraq Reconstruction: 2003-2006

There has been no lack of criticism of the U.S. reconstruction program in Iraq. However, it is important to recognize that criticisms aimed at earlier efforts may not apply to current programs and strategies, especially if appropriate lessons have been learned. Included among the many suggestions from a wide range of sources of what went wrong in the Iraq reconstruction effort are the following:

- **Inadequate security.** As noted earlier in this report, lack of a secure environment in which to undertake reconstruction meant delays in project implementation and completion; destruction of completed projects; greatly increased costs which, in turn, drained funding from other projects; and a loss of foreign expertise and local participation that would have made projects more effective. Among widely circulated reasons were a failure to anticipate post-invasion security needs and the early decision of the CPA administrator to disband the Iraqi military. Initially, security forces received hurried and insufficient training.

- **No prior planning.** Planning for post-Iraq reconstruction has been generally characterized as inept. Military officials planned for a humanitarian crisis that never happened. Moreover, accounts suggest that efforts to plan for reconstruction were actively discouraged by the Pentagon leadership lest it raise potential obstacles to U.S. invasion. The State Department's 2002 Future of Iraq Project, which utilized dozens of Iraqi experts to anticipate post-war concerns, including the possibility of widespread looting, was said to be studiously ignored by DOD.

- **Mismanaged transition to Iraqi governance.** Many critics have pointed to the slow pace of forming a publically approved Iraqi authority which could have provided Iraqis with a sense of ownership in the reconstruction and democratic process and discouraged disorder. In the first six months, foreign aid workers had no counterpart in the Iraqi ministries able to make decisions that might advance reconstruction. CPA-imposed de-Baathification disrupted the functioning of the Iraqi bureaucracy and meant the loss of skilled Iraqis from management positions. Further, large-scale reconstruction efforts were designed with little regard for Iraqi views and were originally meant to be implemented by U.S. contractors with Iraqis playing a secondary role.

- **Discouraging a U.N. and International Role.** The Administration sought at first to keep control of post-war reconstruction in U.S. hands, rather than internationalizing it as had been done in Kosovo and Bosnia. Critics asserted that, had the U.N. been in a position of greater responsibility, it would have deflected Iraqi criticism of the United States, legitimized occupation policies, and encouraged financial and peacekeeping participation by bilateral donors. Donors were said to be unresponsive to U.S. pleas for either military or financial assistance, partly because they were not being offered a "seat at the table" in determining the future of Iraq. The decision to exclude some countries from competing for Iraq contracts, in the view of many, further alienated potential international support.

- **Inadequate U.S. civilian administration.** Early on, a British official was quoted as saying of the CPA, "this is the single most chaotic organization I have ever worked for."[93] Critics asserted the CPA was understaffed, lacking experience and knowledge of the country, in many cases with no background in assistance programs, and too isolated from the Iraqi people (with headquarters in a former palace and requiring a military bodyguard when they ventured outside). The level of aid expertise is seen as improving under State Department management, but security concerns continued to limit contact with Iraqis and insufficient staff numbers negatively affected project oversight as well as PRT implementation.

- **Excessive Reliance on the U.S. Military.** Observers note that although actual reconstruction is inherently a civilian effort, in Iraq much of it was implemented by military personnel. In January 2003, the President placed sole authority for reconstruction in the hands of DOD, rather than with development assistance or democracy experts at USAID and State. In June 2004, after the State Department was given the lead role, the Army continued to manage about $10 billion in infrastructure projects, insuring a continued lack of coordination between assistance entities. Utilizing the CERP program, military commanders on the ground continue to influence reconstruction at the grassroots level. Some assert that these are roles for which the military had not been prepared — there is a long learning curve and many mistakes were made — and which emphasize to the Iraqi people the "occupation" character of the U.S. presence. Instead, some critics suggested that a corps of civilian reconstruction specialists should have been deployed around the country. As early as July 2003, the Hamre Assessment Mission report recommended that 18 provincial CPA offices be established with 20-30 civilian staff in each.[94] It was not until mid-2005, that the PRT program was launched. Its spread was delayed by military reluctance to provide security.

- **Poor Accountability.** As discussed earlier in this report, a number of projects were poorly implemented. In some cases, funds may have been misused. What unites many of these accounts, perhaps

[93] "America's Rebuilding of Iraq Is in Chaos, Say British," *London Daily Telegraph*, June 17, 2003.

[94] John Hamre et al,. *Iraq's Post-Conflict Reconstruction: A Field Review and Recommendations*, July 17, 2003, p. 5.

most notably the CPA's cavalier treatment of billions in Iraqi-owned funds, is the argument that they could have been prevented by more thorough oversight by government managers.

- **Ineffective Assistance.** Measurable objectives in critical sectors, such as oil production and electric power generation, were not met. But the full picture of the effectiveness of the reconstruction effort in most sectors is clouded by the impact of instability and conflict.

- **Inadequate Levels of Assistance.** The high cost of conducting reconstruction projects in Iraq: due to protective security spending and large overhead costs — amounting in some cases to a quarter or more of project totals — meant that amounts appropriated for economic reconstruction did not produce the equivalent in goods and services that one would expect in other aid recipient countries. In short, less bang for the buck. Further, funds originally intended for economic reconstruction, particularly water and electricity programs, were diverted to training of Iraqi security forces.

- **Too Broadly Dispersed Assistance.** Critics maintain that the aid effort attempted to do too much in too many sectors from health to electricity to microenterprise to roads. As a result, too few resources were scattered over too many projects to produce a significant impact in any one of them. They argue that assistance should have been concentrated more intensively in key areas such as oil production and governance so that Iraqi funds could have been generated and Iraqi managers could spend them.

- **Poor Contracting and Procurement Processes.** The SIGIR has looked at contracting actions from before the war through the CPA to the present. Among other problems, it points to the failure to involve contracting and procurement personnel in the planning stages of post-conflict reconstruction operations, the lack of emphasis given contracting for smaller projects, the use of sole-source and limited competition contracting, and the failure to give a single unified contracting entity the authority to coordinate all contracting activity.[95]

[95] SIGIR, *Iraq Reconstruction: Lessons in Contracting and Procurement*, July 2006.