



Iraq: Reconstruction Assistance

Curt Tarnoff

Specialist in Foreign Affairs

August 7, 2009

Congressional Research Service

7-5700

www.crs.gov

RL31833

Summary

A large-scale assistance program has been undertaken by the United States in Iraq since mid-2003. To date, over \$49 billion has been appropriated for Iraq reconstruction.

Most recently, in June 2009, Congress provided \$439 million in ESF and \$20 million in INCLE funds for Iraq in the FY2009 supplemental appropriations (P.L. 111-32, H.R. 2346). The \$1 billion in ISFF funding appropriated previously in P.L. 110-252 was rescinded and reappropriated in this bill. The CERP appropriation of \$453 million is to be shared with Afghanistan.

A significant number of reconstruction activities, especially those involving construction of road, sanitation, electric power, oil production, and other infrastructure, are completed or near completion. Security concerns slowed progress and added considerable expense to these efforts.

Reconstruction priorities and funding mechanisms have changed over time. The Iraq Relief and Reconstruction Fund (IRRF), the main U.S. assistance account in the first few years, is no longer available, and 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) and the Economic Support Fund (ESF). 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

Most Recent Developments	1
Introduction	1
Congress and U.S. Assistance.....	1
FY2009 Regular Appropriations.....	4
Defense Authorization for FY2009.....	4
FY2009 Supplemental Appropriations for Iraq Reconstruction	4
House Action on FY2009 Supplemental	7
Senate Action on FY2009 Supplemental.....	7
Conference Report on FY2009 Supplemental	7
FY2010 Regular Appropriations Request	8
U.S. Reconstruction Assistance	8
U.S. Assistance Implementors	8
Reconstruction Programs: 2003-2006.....	10
Reconstruction Priorities: 2007-2010	12
Infrastructure Sustainability and Asset Transfer	13
Capacity Development and Iraqi Capital Budget Execution	14
Provincial Reconstruction Teams (PRTs).....	16
CERP.....	18
Assistance to Security Forces	19
Accountability, Waste, and Fraud	20

Tables

Table 1. U.S. Assistance to Iraq.....	3
Table 2. FY2009 Supplemental for Iraq: Request and Conference Report	5

Appendixes

Appendix. Notable Reconstruction Assessments.....	24
---	----

Contacts

Author Contact Information	25
----------------------------------	----

Most Recent Developments

On July 9, 2009, the Senate Appropriations Committee reported S. 1434, the FY2010 State, Foreign Operations Appropriations, providing \$375 million in ESF and \$52 million in INCLE.

On July 9, 2009, the House approved H.R. 3081, the FY2010 State, Foreign Operations Appropriations, providing \$400 million in ESF and \$52 million in INCLE.

In June 2009, Congress approved the FY2009 supplemental appropriations (P.L. 111-32, H.R. 2346), providing \$439 million in ESF and \$20 million in INCLE. The \$1 billion in ISFF funding appropriated in P.L. 110-252 was rescinded and reappropriated in this bill. The CERP appropriation of \$453 million is to be shared with Afghanistan.

On May 7, 2009, the Administration issued its FY2010 State, Foreign Operations budget request, including \$500 million for Iraq economic aid, composed of \$415.7 million in ESF, \$52 million in INCLE, \$30.3 million in NADR, and \$2 million in IMET account funds. The FY2010 DOD budget request contained \$1.5 billion for the CERP, to be shared with Afghanistan. There was no DOD request for the Iraq Security Forces Fund.

Introduction

Following the 2003 intervention in Iraq, the United States undertook a large-scale assistance program meant to stabilize the country, rehabilitate economic infrastructure, and introduce representative government, among other objectives. Even as the U.S. military role in Iraq winds down, this program, funded through a mix of appropriations accounts, will continue to be scrutinized closely by the 111th Congress. This report describes recent developments in this assistance effort. For detailed discussion of the Iraq political and security situation, see CRS Report RL31339, *Iraq: Post-Saddam Governance and Security*, by Kenneth Katzman.

Congress and 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 supporting the training and equipping of Iraqi security forces, the Iraq Security Forces Fund (ISFF), 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 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. 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, the Economic Support Fund (ESF) account 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, was 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), including local governance support; programs implemented by USAID, 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.

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. Humanitarian refugee and displaced persons concerns have been addressed by programs funded under the Migration and Refugee (MRA) and International Disaster Assistance (IDA) accounts.

Until now, 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. In December 2007, Congress rejected almost all of the regular FY2008 ESF and INCLE request for Iraq (sec. 699K of P.L. 110-161, Division J), specifically approving only humanitarian aid, including demining and refugees and internally displaced persons programs. In the FY2009 regular appropriations for foreign operations (sec. 7042 of P.L. 111-8, Division H), Congress only approved demining assistance. From FY2010 on, the Obama Administration intends to request all Iraq aid in the annual regular appropriations.

Table I. U.S. Assistance to Iraq
(appropriations in \$ millions)

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	Enacted Total 2003-2009
Iraq Relief and Reconstruction Fund (IRRF)	2,475.0	18,389.0 ^a	—	10.0 ^b	—	—	—	20,874.0
Economic Support Fund (ESF)	—	—	—	1,535.4	1,620.8 ^c	429.0	541.5	4,126.7
Democracy Fund	—	—	—	—	250.0	75.0	—	325.0
INCLE (Int'l Narcotics & Law Enforcement)	—	—	—	91.4	170.0	85.0	20.0	366.4
IFTA (Treasury Dept. Tech Asst.)	—	—	—	13.0	2.8	—	—	15.8
MRA (Migration & Refugee Asst.)	—	—	—	—	65.0	179.5	249.0 ^d	493.5
NADR (Nonprolif, Anti-Terror, De-mining)	—	—	3.6	—	19.4	20.4	35.5	78.9
IMET (Int'l Mil. Ed & Training Program)	—	1.2	—	—	1.1	—	2.0	4.3
IDA (Int'l Disaster Assistance)	—	—	—	7.9	50.0	80.0	45.0 ^d	182.9
Other USAID Funds	469.9	—	—	—	—	—	—	469.9
Total 150 Account	2,944.9	18,390.2	3.6	1,657.7	2,179.1	868.9	893.0	26,937.4
DOD - Iraq Security Forces Fund (ISFF)	—	—	5,391.0	3,007.0	5,542.3	3,000.0	1,000.0	17,940.3
DOD - Iraq Army	51.2	—	210.0 ^e	—	—	—	—	261.2
DOD - CERP	—	140.0	718.0	697.5	748.4	1,280.8	— ^f	3,584.7
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	3,704.5	6,340.7	4,330.8	1,000.0	22,688.2
Total U.S. Reconstruction Assistance	3,798.1	18,530.2	6,322.6	5,362.2	8,519.8	5,199.7	1,893.0	49,625.6

Sources: State Department FY2010 Foreign Operations Congressional Budget Justification; SIGIR Report to Congress, July 30, 2009; and CRS calculations.

Notes: 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, State Department, and PRTs, except where these are embedded in the larger reconstruction accounts. Estimated operational costs to date are an additional \$2.0-\$3.0 billion.

- a. Original appropriation was \$18,439 million. \$50 million was rescinded in 2008 by P.L. 110-252.
- b. Transfer from ESF.
- c. State Department rescinded \$76 million in 2008.
- d. Appropriation did not provide specified amount for Iraq. Assumes request level will be met.
- e. Transfer from ISFF to reimburse Army for previous Iraqi training expenses.
- f. Total CERP appropriation in FY2009 was \$1.453 billion, shared with Afghanistan. Total allocation for Iraq not yet available.

FY2009 Regular Appropriations

On February 4, 2008, the Bush Administration submitted its FY2009 regular appropriations request, providing \$397 million for Iraq reconstruction under foreign operations and, as had been the case until the FY2010 budget submission, making no Iraq aid request under the regular DOD appropriations. Of the requested amount, \$300 million was for ESF, \$75 million for INCLE (rule of law), and \$20 million for NADR (mostly demining).

On July 16, 2008, the House State/Foreign Operations Subcommittee approved its FY2009 bill. It provided no funding for Iraq. On July 17, the full Senate Appropriations Committee reported S. 3288 (S.Rept. 110-425), its version of the FY2009 State/Foreign Operations bill, recommending \$75 million in ESF and \$25 million in INCLE funds for Iraq, \$275 below the combined request for these accounts. A recommended NADR account amount for Iraq was not specified.

On March 11, 2009, the President signed the FY2009 Omnibus appropriations into law (P.L. 111-8, H.R. 1105), providing regular FY2009 foreign operations funding (Division H). With the exception of demining assistance, it provides no funds for Iraq reconstruction (Div. H, sec. 7042). As noted above, most economic and security assistance for Iraq has been provided under emergency supplemental legislation. The legislation requires that all FY2009 assistance, including supplementals, be provided “only to the extent that the Government of Iraq matches such assistance on a dollar-for-dollar basis.” It also requires that the Secretary of State submit a report detailing plans for the transition of assistance programs to the Government of Iraq.

Defense Authorization for FY2009

On October 14, 2008, the Duncan Hunter National Defense Authorization Act for FY2009 was signed into law (S. 3001, P.L. 110-417). It contains several provisions of importance to the reconstruction of Iraq. The most significant provision (sec. 1508) bans the use of ISFF funds for infrastructure projects. A large proportion of IRRF security funding and ISFF funds has gone to the construction of training facilities, border forts, police stations, and the like. The congressional view in approving this measure is that the Iraqis should now provide such infrastructure from their own resources. In another effort to limit the use of U.S. funds for infrastructure, the Act (sec. 1214) restricts the use of the CERP by setting a maximum limit on project cost at \$2 million; anything over \$1 million must be certified by the Secretary of Defense as an urgent humanitarian or reconstruction requirement. The legislation also authorizes (sec. 1501) only half of the Administration’s FY2009 ISFF request, providing only the \$1 billion already approved in the FY2008/2009 supplemental approved in June 2008.

FY2009 Supplemental Appropriations for Iraq Reconstruction

The FY2009 supplemental assistance request for Iraq reflects the Obama Administration’s intention to move toward a diminished U.S. presence in the country. The total non-humanitarian foreign operations aid request amounted to \$482 million, which, with already appropriated amounts from the June 2008 FY2009 “bridge” supplemental (P.L. 110-252) and the regular FY2009 appropriations approved in March 2009 (P.L. 111-8), would bring total non-humanitarian foreign operations assistance to \$605 million, basically the same amount as appropriated in FY2008. The equivalent amount in FY2007 was \$2 billion, which would have been available

through FY2008. Without a similar cushion of funds from the preceding year, the FY2009 request may be seen as a notable decrease in economic assistance.

The request for DOD assistance represents a more pronounced decline. The Administration asked that the \$1 billion appropriated in the FY2009 “bridge” appropriation to the Iraq Security Forces Fund (ISFF), which supports training and equipping of Iraqi security forces, be rescinded and re-appropriated in this new FY2009 supplemental bill. In essence, the request was made in order to extend availability of these funds. The “bridge” appropriation would have expired at end of September 2009; with this new appropriation, it would be available until end of September 2010. If the request was approved—as largely turned out to be the case—the trend in ISFF totals would appear as follows: \$5.5 billion in FY2007, \$3 billion in FY2008, and \$1 billion in FY2009. The Commander’s Emergency Response Program (CERP) request, totaling \$453 million, was, as for other years, to be shared by both Afghanistan and Iraq.

The \$482 million foreign operations request broke down as follows—\$449 million in Economic Support Fund (ESF), \$20 million in International Narcotics and Law Enforcement (INCLE), \$2 million in International Military Education and Training (IMET), and \$11 million in Narcotics, Anti-Terrorism, Demining and Related Programs (NADR) funds. Within these accounts, the largest amounts were requested for certain programs in ESF that well-characterize the Iraq assistance program at this stage. Of programs supporting improved governance, the Quick Response Fund (\$45 million), a civilian equivalent of the CERP, is a key tool of the Provincial Reconstruction Teams (PRTs) that allow U.S. civilians, with security provided by the U.S. military, to maintain a presence in the provinces, deal directly with local leaders, and bolster local government. The Local Governance Program (\$55 million), managed by USAID, helps build management and knowledge skills of provincial government personnel. The Community Action Program (CAP) (\$35 million) funds projects identified by local representative associations. Ministerial Capacity Development (\$60 million) seeks to enhance the capabilities of Iraqi central government personnel, especially focusing on helping them execute their budgets. Significant funding (\$112 million) was requested to support national elections scheduled for later this year. Key programs supporting economic growth in Iraq are Economic Reform (\$50 million) activities to build a better regulatory system and in Agriculture (\$43 million), which after oil production is Iraq’s best hope for an improved economy.

In addition to the security and economic aid-related requests for Iraq, the supplemental request contained a humanitarian aid component. The Migration and Refugee Assistance account (MRA) included \$108 million to address the needs of the roughly 4.8 million Iraqi refugees and internally displaced persons (IDPs).

Table 2. FY2009 Supplemental for Iraq: Request and Conference Report

Request		P.L. 111-32	
150 Foreign Operations Accounts			
Economic Support Fund (ESF)	\$449 million, of which:	\$439 million, of which:	
	Civil Society & Elections	\$112 million	Civil Society & Elections \$118 million
	Community Action Program (CAP)	\$35 million	Community Action Program (CAP) \$50 million
	Ruzicka War Victims Fund	\$3.5 million	Ruzicka War Victims Fund \$10 million

Request		P.L. 111-32		
	War Widows	\$5 million	War Widows	\$5 million
	Quick Response Fund	\$45 million	Iraq Cultural Antiquities	\$2 million
	Ministerial Capacity Development	\$60 million	Targeted Stability Programs	\$15 million
	Local Governance	\$55 million	Unallocated	\$239 million
	Economic Reform	\$50 million		
	Provincial Economic Growth	\$27.5 million		
	Agriculture	\$43 million		
	Program Support	\$13 million		
International Narcotics and Law Enforcement (INCLE)	\$20 million, of which:		\$20 million, unallocated	
	Police Transition Planning	\$5 million		
	Judiciary	\$9 million		
	Rule of Law Advisors	\$3 million		
	Program Support	\$3 million		
Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR)	\$11 million of which:		Level for Iraq not Specified	
	Train ISF for Diplomatic Protection	\$6 million		
	Terrorist Interdiction	\$0.5 million		
	Border Control	\$2 million		
	WMD	\$1 million		
	Nuclear Waste Disposal	\$1.5 million		
International Military Education and Training (IMET)	\$2 million		\$2 million	
Migration and Refugee Assistance (MRA)	\$108 million		Level for Iraq not Specified	
050 DOD Accounts				
Iraq Security Forces Fund (ISFF)	\$1 billion	Coinciding with cancellation of \$1 billion from FY2009 “bridge” (P.L. 110-252).	\$1 billion	Coinciding with rescission of \$1 billion from FY2009 “bridge” (P.L. 110-252).
Commander’s Emergency Response Program (CERP)	\$453 million	For both Iraq and Afghanistan.	\$453 million	For both Iraq and Afghanistan.

Source: Department of State, OMB, and Conference Report H.Rept. 111-151 on H.R. 2346.

House Action on FY2009 Supplemental

The House-approved bill (H.R. 2346) matched the Administration request for most items associated with Iraq reconstruction aid. Bill language appropriated the request for the ISFF, and House Appropriations Committee explanatory language provided the request for the CERP, ESF, INCLE, NADR, and IMET accounts. Sufficient funds were provided to the overall MRA account to meet the Iraq request here.

The most notable change from the Administration request came in operating expense accounts. The State Department Diplomatic and Consular Programs account, which funds staff salaries, expenses, and security, was increased in the case of Iraq by 224%, from a request of \$150 million to a House allocation of \$486 million. The Appropriations Committee took this action in order to fund the Iraq Mission through the first quarter of 2010 as it transitions “both to an annualized funding cycle and to a more regular diplomatic and development program.” Funds are largely to lease facilities supporting the Mission and to provide for civilian security needs that, presumably, are expected to increase as U.S. troops draw down.

Senate Action on FY2009 Supplemental

The FY2009 supplemental approved by the Senate mostly followed the Administration request for Iraq reconstruction—matching the request for CERP, INCLE, NADR, and IMET accounts, and reducing by only \$10 million the ESF level to \$439 million. Sufficient funds were also provided to the overall MRA account to meet the Iraq request. On the ISFF, however, the Senate bill departed from the request. Instead of rescinding \$1 billion from the FY2009 “bridge” supplemental and re-appropriating it in this bill, the Senate version left the “bridge” appropriation intact and still appropriated \$1 billion in the new supplemental. Further, recognizing that responsibility to train Iraqi security forces will transition from DOD to the Department of State in August 2010, the committee added language transferring unobligated balances, as of July 31, 2010, to State to use for this purpose. Unlike the House bill, the Senate bill matched the Administration’s \$150 million request for the State Diplomatic and Consular Programs account.

Conference Report on FY2009 Supplemental

The conference report on H.R. 2346 closely follows the Administration request for Iraq reconstruction aid. ESF is provided at \$439 million, \$10 million less than the request. INCLE, at \$20 million, and IMET, at \$2 million, match the request. The ISFF appropriation from P.L. 110-252 was essentially extended for another year, by the rescission and reappropriation of its \$1 billion. The \$453 million in requested CERP funds (shared with Afghanistan) is provided. Amounts from other accounts requested by the Administration are not specified in the bill, but will likely be allocated at or near the request level.

Bill language specifies that not less than \$15 million of ESF be used for targeted development programs determined by the Ambassador. Explanatory language made special reference to the treatment of women in Iraq and encouraged the use of funds to incorporate women in the course of stabilizing the country and building government institutions.

The conference report adopted the \$486 million House level for State Operating Expenses, addressing the FY2010 request early in order to assist the Embassy transition to a more regular diplomatic and aid program.

FY2010 Regular Appropriations Request

On May 7, 2009, the Administration issued its FY2010 State, Foreign Operations budget request, including \$500 million for Iraq economic aid. The request is composed of \$415.7 million in ESF, \$52 million in INCLE, \$30.3 million in NADR, and \$2 million in IMET account funds.

The FY2010 DOD budget request contains \$1.5 billion for the CERP, to be shared with Afghanistan. There is no DOD request for the Iraq Security Forces Fund, the first time since 2003 that there has been no large funding request for the training and equipping of Iraqi security forces. In H.R. 2647, the House authorized \$1.3 billion for the CERP; in S. 1390, the Senate authorized \$1.4 billion. The House-approved FY2010 DOD appropriations bill, H.R. 3326 (July 30, 2009), provides \$1.3 billion, to be shared with Afghanistan.

On July 9, 2009, the House approved H.R. 3081, the FY2010 State, Foreign Operations Appropriations. The House bill provides \$400 million in ESF and \$52 million in INCLE, but makes no specific allocation under NADR and IMET accounts. In report language (H.Rept. 111-187), the Appropriations Committee recommended that \$50 million of the ESF go to USAID's Civilian Assistance Program and \$126 million go to democracy and civil society activities. It also notes its support for all efforts to incorporate women in Iraq's stabilization and government institutions. The bill would require that assistance follow the U.S. government guidelines that have been established in response to earlier legislation requiring that funds be matched by Iraq.

On July 9, 2009, the Senate Appropriations Committee reported S. 1434, its version of the FY2010 State, Foreign Operations Appropriations, providing \$375 million in ESF and \$52 million in INCLE. It does not specify an amount for NADR and IMET. The committee report (S.Rept. 111-44) recommended \$5 million for the Marla Ruzicka War Victims Fund and not more than \$50 million for USAID's Ministerial Capacity Development program, \$35 million below the Administration request for this program, because of its belief that the Iraqi government should fund such programs itself.

U.S. Reconstruction Assistance

Among the key policy objectives laid out by the Bush Administration was the economic and political reconstruction of Iraq. Since 2003, discussion and debate have been ongoing regarding the strategy to reach these ends utilizing reconstruction aid funds and the effectiveness of aid implementation. Although the aid program is already greatly diminished from its first years, a changed U.S. role in Iraq, as proposed by the Obama Administration, is reflected in the FY2010 aid request largely due to the absence of a request for the ISFF, but ESF would also decline by 23% from FY2009 if the request is met. As U.S. forces draw down, there are likely to be substantial changes in the way in which U.S. assistance is provided. Elements of the history, current state, and possible future of the aid program are discussed below.

U.S. Assistance Implementors

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.¹ In Iraq, the United States provides assistance and, to the extent possible, policy guidance to the Iraqi government through its U.S. embassy under U.S. Ambassador Christopher Hill.

Within the embassy, an Iraq Transition Assistance Office (ITAO) was established by executive order (13431) in May 2007, 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. It managed most of the IRRF and continues to manage much funding related to infrastructure. It is expected to expire in May 2010. The embassy's Office of Provincial Affairs is in charge of the PRTs (see PRT section below). Within the embassy, there are also separate coordinators for the many activities addressing anti-corruption and rule of law that are carried out by multiple U.S. government entities.

With the policy guidance of the ambassador, U.S. military officers are 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 were that DOD had greater resources at its disposal and that State 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.² The State Department is expected to resume a police training role in Iraq in FY2010 as U.S. troops withdraw.

DOD has also played a major role administering and implementing development programs more normally associated with civilian agencies. In charge of the embassy's Project and Contracting Office (PCO), the Army Corps of Engineers, Gulf Region Division (ACE-GRD), was chiefly responsible for the more than \$10 billion in FY2004-funded IRRF programs dedicated to infrastructure construction, as well as follow-on sustainability efforts. Although in the Department of the Army, it reported to the Department of State as well as to the Department of the Defense. More recently, ACE-GRD has implemented the infrastructure projects under the roughly \$700 million ESF-funded Provincial Reconstruction Development Committee (PRDC) program and the DOD-funded CERP.

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 \$6 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.

A July 2009 State Department Inspector General inspection of the U.S. embassy noted that many aid functions are dispersed among numerous actors and are misaligned with traditional aid roles, largely as a result of the ad hoc and urgent nature of their origin during the occupation and insurgency. Among other things, it noted that multiple agencies and offices are involved in some

¹ 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."

² "Aid to Iraq Ministries to Shift to Pentagon," *Washington Post*, September 26, 2005.

capacity development activities, but have only recently adopted a coordination mechanism to address redundancies and gaps in aid. In view of the impending military drawdown and the anticipated decline in numbers of specialist temporary employees, the IG recommended that steps be taken to incorporate appropriate assistance programs into USAID's portfolio.³

Reconstruction Programs: 2003-2006

Most funding during the first several years of the U.S. assistance program came from the Iraq Relief and Reconstruction Fund (IRRF). The nearly \$21 billion provided through that account supported the entire range of economic and security programs. Although FY2004 IRRF funding levels were initially established in 10 categories of assistance, reconstruction priorities changed over time and allocations mirrored shifting events on the ground. For example, 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 slowly implemented and dependent on an improved security situation to have an immediate impact.⁴ In the end, nearly a quarter of the IRRF (\$5 billion) has gone to the training and equipping of Iraqi security forces, nearly half (roughly \$10 billion) to economic infrastructure—the construction of water, oil, electric, and other facilities—and another quarter to a range of more traditional assistance in health, education, policy reform, and other areas.

These reconstruction programs have shown mixed results.⁵ There have been many positive outputs. Among achievements of the U.S. reconstruction program, more than 1,200 security facilities—police stations, border forts, fire stations, courts, etc.—were completed. Nearly a half-million police and military security forces were trained and equipped. Health facilities were rehabilitated and equipped, health care providers trained, and medical services such as immunizations provided. The deepwater port at Umm Qasr was restored, as were 96 of 98 railway stations, two international airports, and three regional ones. Local governance was strengthened through establishment of councils and community associations. More than 6,000 grassroots projects were 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 provided advice to government agencies regarding adoption of budgetary and management reforms. About 6,716 schools were rehabilitated and 60,000 teachers trained. Irrigation systems were rehabilitated, 68 veterinary clinics reconstructed, and 83,500 date palm offshoots planted. Agricultural extension agents were trained and agribusiness supported. Credit was provided to micro and small business. U.S.-funded projects added 2,500 megawatts (MW) to Iraq's generating capacity. Water and sanitation sector assistance provided clean water to 6.7 million people and sanitation to 5.1 million. Oil production, largely stagnant in the first years, by 2008 had risen to near pre-war levels.

³ State Department Inspector General, *Report of Inspection, Embassy Baghdad, Iraq*, ISP-I-09-30A, July 2009, p. 29.

⁴ 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).

⁵ SIGIR, *Report to Congress*, July 30, 2009 and previous reports; Department of State, *2207 Report to Congress*, January 2009 and previous reports.

Yet, along with the accomplishments have come less than satisfactory outcomes. In the critical sectors of electric power and oil production, outputs were less than originally envisioned.⁶ Many health-related 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 had significant cost overruns. Although the airports and seaport showed considerable activity, only a tiny percentage of Iraqi trains ran because of security concerns, although numbers have been improving since 2008. Despite democratization efforts, halting progress has been made on achieving national reconciliation.

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. While the U.S. water and sanitation contribution has been significant, the International Committee of the Red Cross estimated in 2008 that more than 40% of Iraqis do not have access to clean water. Despite U.S. efforts in the health sector, Oxfam reported in 2007 that 90% of Iraq's 180 hospitals lacked basic medical and surgical supplies.⁷ U.S. transport assistance is said to have repaired only 8 bridges of 1,156 in poor condition or destroyed. 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.⁸ A more

⁶ Oil production accounts for more than 90% of Iraqi government revenue. Recognizing the importance of oil revenue to Iraq reconstruction, more than \$2.5 billion of total U.S. reconstruction funding was devoted to restoring and expanding oil production infrastructure. Oil exporting resumed in mid-June 2003, but oil production was slowed by sabotage and corruption, and the CPA target of 2.8-3.0 million barrels/day (MBD) by end of 2004 was not met. In September 2004, rates of production reached a peak of 2.67 MBD compared with an estimated pre-war rate of 2.5 MBD, but rates fell after that and hovered at around 2.0 MBD until 2007 when production grew again to reach the 2.5 MBD mark. As of July 2009, the rate was 2.5 MBD. Before the war, electric power was 4,500 MW and until the end of 2007 capacity fell well below this level despite an early goal of reaching 6,000 MW. By late 2007, it had increased to around 4,550 MW, a post-war record. Nevertheless, in Baghdad, Iraqis receive fewer hours of electricity than before the war (averaging about 14 hours in early August 2009); elsewhere they receive more than previously (about 14 hours). Department of State, *Iraq Weekly Status Report*, August 5, 2009.

⁷ State Department, *Iraq Weekly Status Report*, November 5, 2008, p. 14; Oxfam, *Rising to the Humanitarian Challenge in Iraq*, July 30, 2007, p. 3 and 11.

⁸ The cumulative effect on the reconstruction effort of years of continued instability has been manifold. Implementation of reconstruction projects was hindered. Security threats prevented PRT personnel from communicating directly with local governments, construction workers from appearing at their jobs, and project managers from monitoring project work. Completed reconstruction projects and pre-existing infrastructure were 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 were 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. 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 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 meant that infrastructure programs could accomplish less than originally anticipated. Fearing for their safety, many aid implementors were withdrawn from the country, with U.N. and some bilateral aid donors forced to run programs from Jordan or Kuwait utilizing Iraqi personnel to the extent possible. With implementors not able to meet with local people and design and monitor projects as they would in other countries, the quality of aid has likely been negatively affected. The pool of foreign expertise available to offer technical assistance has been restricted to those few willing to endure the country's hardships. U.S. agency personnel stay only a short time (usually one year) and therefore institutional knowledge is not maintained. Among the 2.4 million Iraqis who have fled the country are professionals necessary to successful reconstruction. In 2006, more than 300 teachers and Ministry of Education staff were killed. Since 2003, an estimated 8,000 doctors fled the country, thereby hindering the ability to open new health facilities. Notable signs of the decrease in violence in 2008 were reports of the return of many foreign aid staff and the reappearance of 800 Iraqi (continued...)

peaceful environment since 2007 has set the stage for noteworthy improvements in the electric, oil, and other sectors.

Reconstruction Priorities: 2007-2010

Reconstruction priorities in the period from 2007 mainly reflect the “surge” strategy enunciated by the Bush Administration in January 2007 as well as the fact that IRRF funds are exhausted and large-scale infrastructure programs, which chiefly characterized IRRF economic efforts, are no longer funded as plentifully by the United States.⁹ The major elements of assistance in this period have been as follows:

- **Military-Security Assistance.** More than 62% of total FY2007-FY2008 regular and supplemental reconstruction appropriations were applied to the training and equipping of Iraqi security forces. This effort was funded entirely from the ISFF.

Economic-social-democratization assistance has been funded mostly with Economic Support Fund (ESF) assistance, categorized under three “tracks”:

- **Security Track.** Under the security track are assistance programs supporting work of the Provincial Reconstruction Teams (PRTs) and USAID to improve local governance and establish stability in strategic locations (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), and to develop agriculture and small business.
- **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 4.6 million.

Security, sustainability, PRTs, governance, and humanitarian needs constituted the key features of Bush Administration reconstruction aid program from 2007 through 2008. The Obama Administration can be said to be continuing many of these programs, but some key distinctions

(...continued)

doctors.

⁹ A number of significant infrastructure efforts remain—a new Amara surgical hospital is being funded with ESF funds, the CERP supports larger, targeted neighborhood-oriented infrastructure projects, sustainment of completed infrastructure projects continues, and, until an October 2008 legislative prohibition was imposed, the ISFF supported construction of security-related facilities.

can be seen based on statements from officials as well as the FY2009 supplemental and FY2010 appropriations requests.

For one, the overall level of assistance is falling significantly. In FY2009, the change is largely in ISFF levels, which decreased by two-thirds in FY2009 from the previous year. As suggested by this decrease and the absence of any request for the ISFF in FY2010, support for the Iraq security forces will alter in coming months. The training of the Iraqi military will be conducted by an Iraq Training and Advisory Mission (ITAM), and training of the Iraqi police will be handed to the Department of State.

The pending drawdown on U.S. troops means that both the CERP, distributed by U.S. forces, and PRT activities, dependent on U.S. troop protection, may be expected to decline, while other mechanisms to provide aid to the grassroots might be found. It has been reported that four new Army brigades—Advise and Assist Brigades (AABs)—have been created focusing on advising Iraqi troops and providing transport and other stability support to civilian reconstruction personnel.¹⁰

Economic aid in the two main spigots, ESF and INCLE, would fall by about 17% if the FY2010 Administration request is met. Assistance would emphasize improved local and national governance capabilities as well as specific economic policy reforms at the national level.

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 that had been rehabilitated with U.S. funds were not operational, largely because of insufficiently maintained equipment.¹¹ More recently, Humvees provided to the Iraqi military, reportedly, are being cannibalized for spare parts rather than properly repaired.¹²

To insure long-term sustainability, a U.S. effort 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 United States is assisting development of policies and laws conducive to efficient use and maintenance of infrastructure. Nearly \$300 million in ESF has been used to support sustainment of U.S. projects.

In addition, the United States has provided 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

¹⁰ “Troops Ordered to Advise Iraqis,” *Washington Times*, July 15, 2009.

¹¹ 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.

¹² “Lower Oil Prices Put Iraq’s Security Forces in Bind at Crucial Time,” *Washington Post*, May 20, 2009

communications improvements, establishment of exclusion zones for pipelines, and enhancements to the forward operating bases used by the Iraqi army to protect infrastructure.¹³

The long-term responsibility for sustainability, however, lies with the Iraqi government. 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.¹⁴ A SIGIR report in April 2008 found that only limited progress had been made in establishing an asset transfer process, and that planning included only IRRF projects and excluded more than \$2 billion in ESF, ISFF, and CERP projects.¹⁵ In July 2008, the SIGIR noted the continued lack of a definitive asset transfer agreement—many facilities were being transferred unilaterally without formal Iraqi government acceptance.¹⁶ As of October 2008, according to the Embassy, of the \$13.5 billion in completed projects, 72% had been transferred locally and 13% transferred nationally. However, the SIGIR notes that this data is unreliable.¹⁷

P.L. 110-252 withheld \$10 million in infrastructure maintenance funding until the Department of State certified that Iraq had entered into and begun to implement an asset transfer agreement, including an agreement to maintain U.S.-funded infrastructure. As of April 26, 2009, when the SIGIR issued yet another report on the issue, little progress had been made on reaching agreement with the Iraqi government on an asset transfer process.¹⁸

Capacity Development and Iraqi Capital Budget Execution

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. In particular, government ministry officials and staff have been deficient in knowledge of modern administrative systems and management practices, a problem addressed under the Ministerial Capacity Development Program and the National Capacity Development Program (“Tatweer”). The latter program, according to USAID, has trained more than 70,000 staff in a recent two-year period.¹⁹

A focus of these efforts is on improving budget execution and service delivery, considered by many to be essential elements of an effective Iraqi government. In particular, both the national Government of Iraq and provincial governments have had difficulty implementing capital budgets that support construction of schools, roads, and oil and electricity production facilities and the like. Among the reasons offered for this situation were a rapid turnover in personnel, security

¹³ State Department, *2207 Report to Congress*, January 2008, p. III6-9.

¹⁴ 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.

¹⁵ SIGIR, *Transferring Reconstruction Projects to the Government of Iraq*, 08-017, April 2008.

¹⁶ SIGIR, *Report to Congress*, July 30, 2008, p. 4.

¹⁷ SIGIR, *Asset Transfer Process for Iraq Reconstruction Projects Lacks Unity and Accountability*, 09-016, April 26, 2009, p. iii.

¹⁸ *Ibid.*, p. ii.

¹⁹ SIGIR, *Report to Congress*, July 30, 2009, p. 91; GAO, *Rebuilding Iraq: Improved Management Controls and Iraqi Commitment Needed for Key State and USAID Capacity-Building Programs*, 09-526, June 2009.

concerns preventing construction, a lack of personnel skilled in contracting and managing projects, and a fear by government employees of being accused of corrupt practices.²⁰

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. Congressional concern on the issue led to its making the allocation and expenditure of the 2007 capital budget one of the 18 benchmarks assessed under section 1314 of the FY2007 Supplemental.

U.S. programs to facilitate budget execution included 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. According to U.S. officials, since 2007, the government of Iraq has taken significant steps as well, including formation of a senior-level task force, establishment of new procedures such as revised procurement regulations, and additional training. In 2008, a number of ministries and governors have been permitted to enter into contracts at much higher levels than previously and a central contracts committee has been replaced with a more decentralized system.

These steps appear to have led to improvements in budget execution, although definitional disagreements and lack of available data make it difficult to precise. According to DOD, the Iraqi government spent about \$9 billion on capital projects in 2008 compared with \$3.4 billion in 2007. If commitments are added to spending, the figure is \$16 billion in 2008 compared with \$6 billion in 2007.²¹

The FY2008 supplemental appropriations (P.L. 110-252) and subsequent FY2009 appropriations (P.L. 111-8) require that Iraq match U.S. economic aid appropriations on a dollar-for-dollar basis. Although prior to this legislation, the Iraqi government budget, on paper, had provided funding for capital investments equivalent to the U.S. reconstruction effort in some sectors, its expenditures did not match those of the United States. According to the GAO, the United States spent about \$23.2 billion on four critical sectors—security, oil, electricity, and water—from FY2003 through June 2008, 70% of its total allocation of \$33.4 billion in these sectors. Iraq, however, spent 14%, \$3.9 billion, of its total \$28 billion allocation for these same sectors from 2005 through June 2008.²² Dwindling U.S. contributions and the rising Iraqi budget execution expenditures noted above would suggest that this imbalance has been corrected, and the Department of State has certified that sufficient Iraqi government contributions are being made. The 2009 Iraqi budget contains \$12.5 billion for reconstruction projects, a significant decrease from the previous year's level of about \$21 billion due to the fall in world oil prices and Iraqi revenue, but still significantly greater than the U.S. reconstruction budget for Iraq.²³

²⁰ SIGIR, *Report to Congress*, July 30, 2007, p. 5.

²¹ DOD, *Measuring Stability and Security in Iraq*, June 2009, p.12.

²² GAO, *Iraqi Revenues, Expenditures, and Surplus*, GAO-08-1031, August 2008, p.17.

²³ SIGIR, *Information on Government of Iraq Contributions to Reconstruction Costs*, 09-018, April 29, 2009; "Budget 2009: Iraq Cuts Reconstruction Spending 40%," *World Markets Research Centre*, January 26, 2009.

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 two types of PRTs in Iraq—PRTs and ePRTs (embedded PRTs).²⁴ 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 were a key element in the surge strategy and remain a major purveyor of U.S. reconstruction aid.

PRTs are 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 16 PRTs—15 U.S.-led and one Italian-led. A South Korean and a British-led PRT transitioned to U.S. control in the 2008 and 2009 respectively.²⁵

The current seven 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 envisioned that, as U.S. and Iraqi military forces worked to clear and hold an area, ePRT staff would 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 have played a major role in reconciling tribal, municipal, district, and provincial government entities.²⁶

While the ePRTs are more focused on establishing stability, the 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.²⁷

At the disposal of both PRTs and ePRTs (henceforth collectively referred to here as 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

²⁴ Until mid-2009 when they were phased out or converted to PRTs, there were also a number of Provincial Support Teams (PSTs), much smaller teams that resided on a military forward operating base outside their target provinces and provided advice to provincial officials as needed.

²⁵ SIGIR, *Review of the Effectiveness of the Provincial Reconstruction Team Program in 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.

²⁶ 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.

²⁷ Robert Perito, *Embedded Provincial Reconstruction Teams*, U.S. Institute of Peace Briefing.

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, that address local-level concerns. 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 (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 provided independently, Commander's Emergency Response Program (CERP) funding 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.

One problem with these multiple assistance programs is that they are implemented by different agencies, with different funding sources, and different authorities, raising concerns regarding coordination of program coherence. Among other criticisms of the PRTs are that they lack clear lines of authority, agreed missions, and measurable objectives.²⁸

Even before the announced drawdown of U.S. forces, the concern had been raised that security obstacles facing PRTs might increase as U.S. troops protecting PRT civilian staff hand responsibility for security over to Iraqi forces. In September 2007 testimony to Congress, a SIGIR official suggested that U.S. civilians would be unable to move about freely and, consequently, PRTs might be unable to function in those areas where the U.S. military steps down.²⁹ In addition to security, the PRTs rely on the military for food and housing, and civil affairs officers make up about 10% of PRT staff.

The FY2008/2009 supplemental withheld all PRT operating expenses and program funds until the State Department reported on a strategy for winding down and closing out the PRTs. That strategy, was issued on September 7, 2008. This and an associated document issued by the Embassy Office of Provincial Affairs on October 1, 2008, in the SIGIR's view, suggested that no specific timeline existed for PRT close-out. However, it appeared "uncertain whether military resources will be available to support the PRTs until all conditions for close out are met."³⁰ In March 2009, the National Security Council issued "preliminary verbal guidance" that PRTs total 16 by August 2010 and six by end of 2011.³¹ The State Department envisions that the mission currently carried out by PRTs will evolve into a traditional USAID program at some point.³²

²⁸ U.S. House of Representatives, Committee on Armed Services, Subcommittee on Oversight and Investigations, *Agency Stovepipes vs Strategic Agility: Lessons We Need to Learn from Provincial Reconstruction Teams in Iraq and Afghanistan*, April 2008.

²⁹ 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.

³⁰ SIGIR, *Provincial Reconstruction Teams' Performance Measurement Process Has Improved*, 09-013, January 28, 2009, p. 10.

³¹ SIGIR, *Report to Congress*, July 20, 2009, p. 119.

³² SIGIR, *Report to Congress*, October 20, 2008, p. 9.

CERP

Drawn from 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 about \$4.1 billion—\$548 million in CPA-provided Iraqi funds and about \$3.6 billion in U.S. DOD appropriations—has been made available for this purpose. In April 2008, the Iraqi government allocated \$300 million to establish an Iraqi CERP to be managed by the U.S. military. That program has ended, however, due to the decline in Iraqi oil revenue.³³

In addition to the dolls, tee shirts, sheep, and other items reportedly provided to win popular support, 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.³⁴ CERP also funds many 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.³⁵ The CERP has also been used to pay the salaries of the so-called Sons of Iraq (formerly known as the Concerned Local Citizens); this effort accounted for more than one third of total FY2008 CERP obligations. Responsibility for the Sons of Iraq was fully transferred to the Iraqi Government in April 2009.³⁶

As the IRRF program declined, the CERP program grew 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 became a major source of U.S. infrastructure construction aid with an average grant in FY2006 of \$140,000. The SIGIR, however, indicates that in FY2008 the number of large-scale projects declined. The 2009 Defense Authorization (P.L. 110-417, sec. 1214) sets the maximum cost of CERP projects at \$2 million unless waived by the Secretary of Defense, and requires certification of any project over \$1 million as an urgent need.

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 handing-over of projects to Iraqis and insuring their sustainability.

The House Appropriations Committee report on the FY2010 Defense appropriations (H.R. 3326) notes its concern that the CERP is growing into an alternative development program "with few

³³ SIGIR, *Report to Congress*, July 30, 2009, p. 39.

³⁴ "Money as a Weapon," *Washington Post*, August 11, 2008.

³⁵ SIGIR, *Report to Congress*, January 30, 2007, Appendix G.

³⁶ SIGIR, *Report to Congress*, July 30, 2009, p. 57.

limits and little management.”³⁷ 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 with civilian ePRT personnel embedded in combat battalions. Further, an 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.³⁸

The impact on the CERP of the withdrawal of U.S. forces from Iraqi cities into bases is not yet clear. To the extent that military contact with the local populace is diminished, the utility of the CERP may decline as well.

Assistance to Security Forces

There have been two elements in the effort to provide the security that might allow political and economic reconstruction to take hold—U.S. (and earlier coalition) forces and the training and equipping of Iraqi security forces to replace them. The number of U.S. troops is currently about 130,000.³⁹ About \$23 billion in U.S. appropriations has been aimed at building Iraqi security forces. As of April 2009, there were roughly 645,000 Iraqi security forces—police, army and other defense forces.⁴⁰

During the first four years of the U.S. presence in Iraq, poorly trained and equipped security forces, no-shows and desertions, dismissals of police for criminal behavior, and infiltration of police and other units by sectarian militia groups threatened U.S. plans to increase security using Iraqi personnel.⁴¹ In June 2008, the DOD stated that 67% of all formed Iraqi Army combat units are able to plan and execute operations with “minimal or no assistance.” It reports “continued progress” since then, but with the end of the multinational force mandate in Iraq, estimates of Iraqi security force proficiency are considered sensitive and are not made public. In recent months, the emphasis of U.S. security assistance funding has shifted from provision of infrastructure—prohibited by Congress—to training and equipment. U.S. assistance in the security sector includes improving the institutional capacities of the Ministry of Defense and the Ministry of Interior, both of which, according to DOD, improve “slowly and unevenly.”⁴² The

³⁷ H.Rept. 111-230, p. 349.

³⁸ 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; GAO, *Military Operations: Actions Needed to Better Guide Project Selection for CERP*, GAO-08-746R, June 23, 2008.

³⁹ The last coalition forces departed in Summer 2009. *Iraq Index*, Brookings Institution, <http://www.brookings.edu/iraqindex>, July 16, 2009, p. 24.

⁴⁰ DOD, *Measuring Stability and Security in Iraq*, June 2009, p. 37.

⁴¹ 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.

⁴² DOD, *Measuring Stability and Security in Iraq*, June 2009, p. 39.

SIGIR reports that the pace of police training has not kept up with the growth in numbers of police forces.⁴³ U.S. military officials point to a lack of logistical capabilities—procurement and maintenance of equipment, for example—on the part of the Iraqi military as a continuing major challenge.⁴⁴ See CRS Report RL34387, *Operation Iraqi Freedom: Strategies, Approaches, Results, and Issues for Congress*, by Catherine Dale, for further discussion.

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 149 audits and 154 project assessments, and it has conducted 96 limited onsite inspections as well as hundreds of investigations of possible criminal activity.⁴⁵ Stuart W. Bowen, Jr. has been the SIGIR from the beginning.

In congressional testimony, Mr. Bowen estimated that as much as 15%-20% of the IRRF—\$3-\$5 billion—was wasted.⁴⁶ Summing up the assistance program in a recently published review report, the SIGIR asked and answered the question:

*Was the program grossly burdened by waste and fraud? Regarding waste, yes; regarding fraud, no. The overuse of cost-plus contracts, high contractor overhead expenses, excessive contractor award fees, and unacceptable program and project delays all contributed to a significant waste of taxpayer dollars. Although SIGIR and other law enforcement agencies have uncovered egregious examples of fraud, the size of the total criminal wrongdoing known to date amounts to a relatively small percentage of the overall reconstruction investment, and the number of individuals involved was relatively low.*⁴⁷

Some of the worst 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, of whom four were convicted and one pled guilty.⁴⁸

⁴³ SIGIR, Report to Congress, July 30, 2009, p. 56 and 35.

⁴⁴ DOD, *Measuring Stability and Security in Iraq*, June 2009, p. 54.

⁴⁵ See SIGIR website, <http://www.sigir.mil/>, for audit reports to date. SIGIR, *Report to Congress*, July 30, 2009, Section 4.

⁴⁶ Testimony to the House Armed Services Committee, March 25, 2009.

⁴⁷ SIGIR, *Hard Lessons: The Iraq Reconstruction Experience*, January 2009, p. viiii, available at <http://www.sigir.mil>.

⁴⁸ SIGIR, *Report to Congress*, January 30, 2009, p. 230; *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.

While some investigations of reconstruction programs utilizing U.S.-appropriated funds have raised the possibility of criminal activity and the number of such investigations has risen significantly in 2009, 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 project sites to see if work was 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:

- 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.⁴⁹
- 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 indicated that the problems had still not been fixed by the contractor, despite promises made to Congress.⁵⁰ The Mosul police headquarters, constructed by an Iraqi contractor at a cost of approximately \$1 million, was similarly troubled.⁵¹
- 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.⁵²
- 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.⁵³
- 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.⁵⁴

⁴⁹ SIGIR, Audit 06-026, July 2006; "U.S. Neglect Found in Long-Delayed Iraq Hospital Project," *Washington Post*, July 29, 2006.

⁵⁰ 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.

⁵¹ "U.S. Agency Cites Flaws in Another Iraqi Construction Project," *New York Times*, October 12, 2006.

⁵² SIGIR, Audit 06-020, July 2006.

⁵³ 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.

⁵⁴ 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*, April 25, 2006.

- 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.⁵⁵
- An audit of “design-build” contracts that characterized 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.⁵⁶
- 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 reportedly made their way to the black market.)⁵⁷
- 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.⁵⁸
- 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 INL did not know what it received for the \$1.2 billion in expenditures.⁵⁹
- A more than \$38 million project to provide a new accounting system for the Iraq Ministry of Finance had been of limited use and was suspended pending clarification of Iraqi government support for the effort.⁶⁰
- 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.⁶¹

⁵⁵ SIGIR, Audit 06-009, April 2006; “In Shadows, Armed Groups Propel Iraq Toward Chaos,” *New York Times*, May 24, 2006.

⁵⁶ SIGIR, Audit 06-028, October 2006; “Idle Contractors Add Millions to Iraq Rebuilding,” *New York Times*, October 25, 2006.

⁵⁷ SIGIR, Audit 06-033, October 2006. “Black-Market Weapon Prices Surge in Iraq Chaos,” *New York Times*, December 10, 2006.

⁵⁸ SIGIR, Audit 06-029, January 2007. An April 2008 review of INL progress in meeting SIGIR recommendations arising from the earlier audit found that a concerted effort was being made to implement them. SIGIR, Audit 08-014, April 2008.

⁵⁹ SIGIR, Audit 07-016, October 19, 2007. See above footnote re April 2008 review of INL.

⁶⁰ SIGIR, Audit 08-001, October 23, 2007.

⁶¹ 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.

- A 2008 assessment of the \$270 million Nassriya water treatment plant was producing water at one fifth its intended capacity, because the Iraqi government had failed over a four-year period to meet its promises to provide permanent power, repair leaks in the distribution system, and provide qualified staff to operate the facility.⁶²
- A 2008 audit of the USAID Community Stabilization Program found potential fraud ranging from \$6.7 to \$8.4 million in a district of Baghdad, including possible diversion of funds to militia activities by means of overpriced trash collection contracts as well as phantom workers for cleanup campaigns. The project was suspended in that district.⁶³
- Two July 2008 audits demonstrated the level of waste incurred by contract terminations, usually due to poor planning and cost estimates. In one case, \$6.9 million was wasted when water-supply project task orders were terminated at the 60% design stage due to lack of funds. In the other, \$142 million was spent on task orders for fire station and police training facilities that were terminated.⁶⁴
- A 2008 audit of the \$98 million Fallujah Waste Water Treatment System found a system costing three times the original estimate, but serving only one third the homes originally planned. In addition, the original U.S. plan to provide a system requiring little power and maintenance was rejected by the Iraqi Public Works Ministry because it was for “third-world countries.” The new system requires thousands of gallons of fuel per day, provision of which there is no commitment from the Ministry, raising the possibility that the U.S. effort has been wasted.⁶⁵

⁶² SIGIR, Sustainment Assessment, 07-116, April 28, 2008.

⁶³ USAID Inspector General, *Audit of USAID/Iraq’s Community Stabilization Program*, E-267-08-001-P, March 18, 2008.

⁶⁴ SIGIR, Audit 08-018, July 2008; SIGIR, Audit 08-019, July 2008.

⁶⁵ SIGIR, Project Assessment 08-144 to 08-148, October 27, 2008.

Appendix. Notable Reconstruction Assessments

Dozens of reports and articles published during the past six years have sought to analyze, criticize, and recommend action regarding the progress of reconstruction aid. Among the more notable:

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.

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.

Glenn Zorpette, "Re-engineering Iraq," *IEEE Spectrum*, February 2006, available at <http://www.spectrum.ieee.org/feb06/2831>.

SIGIR, *Hard Lessons: The Iraq Reconstruction Experience*, January 2009, available at <http://www.sigir.mil>.

Nora Bensahel et al., *After Saddam: Prewar Planning and the Occupation of Iraq*, RAND Arroyo Center, 2008.

Author Contact Information

Curt Tarnoff
Specialist in Foreign Affairs
ctarnoff@crs.loc.gov, 7-7656