

Report to Congress

Submitted Pursuant to U.S. Policy in Iraq Act, Section 1227(c) of the National Defense Authorization Act for Fiscal Year 2006 (PL 109-163), as amended by Section 1223 of the National Defense Authorization Act for Fiscal Year 2008 (P.L. 110-181)

May 2008

Table of Contents

Introduction.....5

I. The current military mission and the diplomatic, political, economic, and military measures that are being or have been undertaken to successfully complete or support that mission.....13

(A) Efforts to convince Iraq’s main communities to make the compromises necessary for a broad-based and sustainable political settlement.....13

(B) Engaging the international community and the region in efforts to stabilize Iraq and to forge a broad-based and sustainable political settlement.....17

(C) Strengthening the capacity of Iraq’s government ministries.....19

(D) Accelerating the delivery of basic services.....21

(E) Securing the delivery of pledged economic assistance from the international community and additional pledges of assistance.....22

(F) Training Iraqi Security Forces and transferring additional security responsibilities to those forces and the government of Iraq.....24

- II.** Whether the Iraqis have made the compromises necessary to achieve the broad-based and sustainable political settlement that is essential for defeating the insurgency in Iraq.
 - (A) Enacting a broadly accepted hydrocarbon law that equitably shares revenue among all Iraqis.....25
 - (B) Adopting laws necessary for the conduct of provincial and local elections, taking steps to implement such laws, and setting a schedule to conduct provincial and local elections.....25
 - (C) Reforming current laws governing the de-Baathification process in a manner that encourages national reconciliation.....26
 - (D) Amending the Constitution of Iraq in a manner that encourages national reconciliation.....26
 - (E) Allocating and beginning expenditure of \$10 billion in Iraqi revenues for reconstruction projects, including delivery of essential services, and implementing such reconstruction projects on an equitable basis.....26
 - (F) Making significant efforts to plan and implement disarmament, demobilization, and reintegration programs relating to Iraqi militias.....27

- III.** A detailed description of the Joint Campaign Plan, or any subsequent revisions, updates, or documents that replace or supersede the Joint Campaign Plan, including goals, phases, or other milestones contained in the Joint Campaign Plan.....27
 - (A) An explanation of conditions required to move through phases of the Joint Campaign Plan, in particular those conditions that must be met in order to provide for the transition of additional security responsibility to the Iraqi Security Forces, and the measurements used to determine progress.....28

- (B) An assessment of which conditions in the Joint Campaign Plan have been achieved and which conditions have not been achieved. The assessment of those conditions that have not been achieved shall include a discussion of the factors that have precluded progress.....28
 - (C) A description of any companion or equivalent plan of the Government of Iraq used to measure progress for Iraqi Security Forces undertaking joint operations with Coalition Forces.....29
- IV. Additional information on military, policy, and security forces:
 - (A) The number of battalions of the Iraqi Armed Forces that must be able to operate independently or to take the lead in counter-insurgency operations and the defense of Iraq’s territory.....29
 - (B) The number of Iraqi special police units that must be able to operate independently or to take the lead in maintaining law and order in fighting the insurgency.....30
 - (C) The number of regular police that must be trained and equipped to maintain law and order.....31
 - (D) The ability of Iraq’s Federal ministries and provincial and local governments to sustain, direct, and coordinate Iraq’s security forces independently.....31
- V. The criteria to be used to evaluate progress toward meeting such conditions.....32
- VI. A plan for meeting such conditions, an assessment of the extent to which such conditions have been met, information regarding variables that could alter that plan, and the reasons for any subsequent changes to that plan.....33

VII. An assessment of the levels of U.S. Armed Forces required in Iraq for the six-month period following the date of the report, the missions to be undertaken by the Armed Forces in Iraq for such period, and the incremental costs or savings of any proposed changes to such levels or missions.....33

VIII. A description of the range of conditions that could prompt changes to the levels of U.S. Armed Forces required in Iraq for the six-month period following the date of the report or the missions to be undertaken by the Armed Forces in Iraq for such period, including the status of planning for such changes to the levels or missions of the Armed Forces in Iraq.....34

List of Acronyms and Abbreviations.....36

Introduction

This report is submitted pursuant to Section 1227(c) of the National Defense Authorization Act for Fiscal Year 2006 (Public Law 109-163) concerning United States Policy in Iraq, as amended by Section 1223 of the National Defense Authorization Act for Fiscal Year 2008 (Public Law 110-181). The report covers the security, political, diplomatic, and economic measures that are being or have been undertaken primarily during the reporting period January 1-March 31, 2008 (for convenience, referred to here as the First Quarter of 2008).

Following this introduction, this report is organized into the following sections: (1) the current mission in Iraq and measures taken to support it; (2) Iraqi progress towards a sustainable political settlement; (3) a description of the Joint Campaign Plan; (4) Iraqi Security Forces (ISF) capacity and readiness; (5) criteria used to evaluate progress in that area; (6) our plan for successfully completing the mission; (7) an assessment of the U.S. force levels required in Iraq for the next six months and their missions; and (8) a description of conditions that could prompt changes in U.S. force levels.

The focus of U.S. policy in Iraq remains helping the Iraqi people build a constitutional, representative government that respects the rights of all Iraqis and has security forces capable of maintaining order and preventing the country from becoming a safe haven for terrorists and foreign fighters. The ultimate goal is a peaceful, united, stable, democratic, and secure Iraq with institutions capable of providing just governance and security for all Iraqis. In order to accomplish these goals, the efforts of the U.S. Government (USG), the Government of Iraq (GOI), governments of Coalition states, and the international community must be integrated. Active participation of the United Nations (UN) and states involved in the Expanded Neighbors of Iraq Process will be key. U.S. policy outlines goals and measures progress along four tracks: security, political, diplomatic, and economic. Ultimately, responsibility for success in these efforts lies with the Iraqi people.

Security Track

The security environment in Iraq generally continues to improve, supported by limited but important gains on the political, economic, and diplomatic fronts. In the majority of provinces violence levels have declined since the last report. The level of violence continues to be significantly lower than levels in late summer

UNCLASSIFIED

- 6 -

2007 and remains comparable to that last consistently seen in Iraq in early 2005. Total civilian and Coalition deaths have each dropped by over 70 percent. The ISF are assuming increased responsibility for maintaining law and order and promoting stability. Particularly noteworthy progress has been achieved in Anbar Province, where security incidents have decreased by nearly 90 percent since January 2007.

Several factors have contributed to the decrease in violence in much of Iraq, including a Coalition focus on securing the population; progress against Al Qaida in Iraq (AQI); rejection of AQI by significant portions of the population; the continued strength of the tribal Awakening movement and Sons of Iraq (formerly known as Concerned Local Citizens); Muqtada al-Sadr's cease-fire order; actions in source and transit countries against foreign fighter facilitation networks; and an increase of over 100,000 Iraqi Army (IA), police, and border forces.

In late March, Prime Minister Maliki directed an Iraqi-planned and executed military operation in Basrah to free the city and nearby ports from the control of criminal and illegal armed groups. Iraqi Forces have made progress in reducing criminal influence in the city and in enforcing the law. In response to the government's action, some extremist Shia militia elements in several Baghdad neighborhoods and in a number of locations in south and central Iraq ignored Muqtada al Sadr's order to suspend attacks and initiated an intimidation campaign against Iraqi citizens. In Baghdad, these criminal groups conducted aggressive combat operations against ISF and Coalition positions and launched rockets and mortars into the International Zone. The long-term implications of these developments are still unclear, but there are some encouraging signs that these events may strengthen momentum toward a rejection of illegal militias in Iraq politics and society.

New strides have been taken in reconciliation at the national, provincial, and local levels, and the Iraqi economy is growing. However, recent security gains remain fragile, and sustained progress over the long term will depend on Iraq's ability to address a complex set of issues associated with key political and economic objectives.

Iraqi police and military capabilities continued to improve, underpinned by progress in ministerial capacity. The Ministry of Interior (MoI) has expanded the number of its training facilities from four to 17 over the past year and is currently in the midst of implementing its first annual strategic plan. Similarly, the Ministry of Defense (MoD) continues to progress. With continuing Coalition assistance, the MoD has generated 144 army combat, infrastructure, and Special Operations

UNCLASSIFIED

battalions that are conducting operations at varying levels of capability. Another 41 combat battalions and two Special Operations battalions are either planned or have begun the force generation process. Improved ministerial and security force capacity are paying dividends in terms of strengthening coordination between elements of MoD and MoI. This synergy is giving the GOI its first opportunity to conduct long-term planning for security force development.

Political Track

As with the security track, progress on the political track has been tangible but remains fragile and reversible. The Executive Council (formerly known as the “3+1”), made up of the prime minister, the president, and the two vice presidents, met for the first time in January and has met several times since then. The leaders also have established a new secretariat for the Executive Council. Their stated goal is for the Executive Council to meet weekly.

The late March security operation in Basrah showed that the GOI is prepared to take on criminal and extremist groups regardless of their sectarian identity. A result has been increased political unity and support for Prime Minister Maliki by an array of Shia, Sunni, and Kurdish leaders.

Prime Minister Nuri al-Maliki’s team of advisors continues to negotiate with senior leaders from Tawafuq (Sunni Arab bloc) and Iraqiya (Nationalists), who resigned from the national cabinet in August 2007, on their conditions for return. Of the 15 ministerial positions formerly held by the Tawafuq and the Iraqiya List parties and the Sadrist Trend, only nine positions remain vacant. The Minister of Planning, Ali Baban, a former Iraqi Islamic Party/Tawafuq member, returned to the cabinet in January. Two other ministers from the Iraqiya List – Minister of Human Rights Wijdan Mikhaeel and Minister of Science and Technology Ra’id Fahmi Jahid – kept their ministerial posts and broke with Iraqiya.

Iraq’s Council of Representatives (CoR) passed several key pieces of legislation during the reporting period, including the Accountability and Justice Law, the 2008 Budget, the Provincial Powers Law, and the Amnesty Law. The CoR is dealing with difficult issues in a more practical manner, through compromises and a less stringent adherence to sectarian political groupings.

In January, the CoR passed the Law on Accountability and Justice (also known as the de-Baathification reform law), which, after clearing review by the Presidency Council, was subsequently published in the Official Gazette, the final

UNCLASSIFIED

- 8 -

step before an Iraqi law's implementation. Passage of this legislation was a positive development, but the ultimate impact of the law will depend in large part on the spirit in which it is implemented. Iraq's leaders have pledged to pursue implementation that will bolster reconciliation efforts.

The Accountability and Justice Law resolves two important issues for former members of the Baath party: employment and retirement. The law will allow an estimated 36,000 former members to return to government employment. The bill, in conjunction with recent amendments to the Unified Pension Law, also restores pension rights to former civil servants and military officials without regard to former party affiliation.

During the reporting period, and with broad consensus among Sunni, Shia, and Kurds alike, the CoR passed legislation establishing a new national flag representing the new Iraq. The flag, free of symbols associated with the former Baathist regime, now flies over all parts of the country as the symbol of the new Iraq.

On February 13, the CoR passed the Provincial Powers Law, Amnesty Law, and the 2008 budget. As a result of political compromises by Iraq's main political blocs, the three laws were voted on as a package in the CoR. Using his authority under the Iraqi Constitution, Vice President Adel Abd al-Mahdi vetoed the Provincial Powers Law on February 26 on constitutional grounds. However, upon further consultation with political leaders, Vice President Abd al-Mahdi withdrew his veto on March 19.

When the Provincial Powers Law is published in the Official Gazette, it will codify a federal system of government in Iraq by establishing a power sharing arrangement between the central government and the provinces. Success in defining provincial powers could add momentum to the broader political process and encourage progress on hydrocarbons legislation and other key issues, such as constitutional reform and the scheduling of provincial elections.

The Provincial Powers Law calls for provincial elections to be held by October 1, 2008; and the Presidency Council, the prime minister, and a majority of political blocs remain committed to holding elections by that date. As a next step, the CoR must pass an Elections Law that addresses voter eligibility and a wide range of political and technical questions on how the elections are to be conducted.

UNCLASSIFIED

UNCLASSIFIED

- 9 -

The Amnesty Law provides for the release of many Iraqi detainees (i.e., those who have not been charged or convicted of a crime) held in Iraqi government detention facilities. As the majority of persons held in GOI detention are Sunni, the law is widely seen as a gesture to the Sunni community intended to foster national reconciliation. On March 2, regional committees began accepting applications for amnesty releases.

Iraqi displacement leveled off during this reporting period, continuing a trend from the summer of 2007. Refugee returns, however, have not continued, with the United Nations High Commissioner for Refugees (UNHCR) reporting that more Iraqis were entering Syria than returning to Iraq in early 2008. Overall conditions for Iraqi refugees in the region and those internally displaced continue to deteriorate. The USG and international humanitarian community are increasing assistance to Iraqi refugees to help sustain these populations in asylum countries until conditions in Iraq permit their safe and secure return. At the same time, the GOI, USG, and the international humanitarian community have started preparing for potential refugee returns in the near term.

The Embassy's Office of Provincial Affairs and Multi-National Forces-Iraq (MNF-I) are coordinating closely to ensure the Provincial Reconstruction Teams (PRTs) continue to serve as a key USG instrument to hasten Iraq's transition to self-reliance as the military draws down its surge brigades. During this period, the embedded PRT (ePRT) located in the Karkh district of Baghdad combined operations with the ePRT that serves the Khadimiyah/Mansour district upon the departure of the brigade in which it was embedded. Taking advantage of the security gains of the surge, the Provincial Support Team dedicated to Diwaniyah (formerly based in Hillah) moved to a forward operating base located in the province. Preparations are underway for two more Provincial Support Teams based in Hillah to convert into PRTs in the provinces of Najaf and Karbala. This move will greatly enhance the teams' effectiveness in supporting Iraqi moderates in those key provinces.

Looking ahead, the GOI must focus its political efforts to pass a hydrocarbons legislative package and an Elections Law, and complete its constitutional review. Leaders must also move forward with the Article 140 process to address the future status of Kirkuk and other disputed territories. As part of its expanded mandate under UN Security Council Resolution (UNSCR) 1770, the UN Assistance Mission to Iraq (UNAMI) continues to work with Iraqi leaders to provide technical assistance on implementing a process for resolution of disputed territories and on preparations for provincial elections.

UNCLASSIFIED

Economic Track

Iraq's economy is moving in a positive direction. The International Monetary Fund (IMF) projects seven percent growth in 2008. Iraq's year-on-year core inflation fell from 31.9 percent in 2006 to 12.1 percent in March 2008 as a result of an appreciation of the exchange rate, tightened monetary policy, and improved security and supply conditions. In February the Central Bank of Iraq (CBI) lowered its main interest rate to 17 percent, which is down from 20 percent at the beginning of 2008. Further cuts are likely if inflation remains low.

The CoR passed the 2008 Federal Budget Law on February 13, 2008. Subsequently, the Presidency Council approved the law on February 26 and the Official Gazette published it on March 13. The 2008 budget projects revenue of \$42.3 billion, \$35.5 billion of which comes from oil. It allocates \$49.9 billion for expenditures, which includes \$13.2 billion for capital investment expenditures and \$9 billion for the security ministries. The additional revenue from high oil prices and higher-than-projected exports are likely to cover the projected \$7.6 billion deficit in full. Both ministries and provincial governments made significant progress in executing their budgets in 2007, improving their ability to meet the needs of the Iraqi people. To enhance timely budget execution and accounting further, the GOI restarted a program to implement a financial management information system by signing a Memorandum of Understanding with the United States Agency for International Development (USAID) during the first quarter of 2008. The GOI committed itself to providing the necessary resources to make the system operational.

U.S. Embassy officials and PRTs continue to work with Iraqi national and provincial government officials to build technical capacity for budgeting and budget execution. Challenges remain, however, including a cumbersome system of funding releases, inadequate coordination between provincial officials and the national government, lack of clarity on budget execution rules, and limited budgeting delegation below the provincial level.

Crude oil production averaged 2.36 million barrels per day during the first quarter of 2008, a one percent decrease from fourth quarter 2007 performance but still above the GOI target of 2.2 million barrels per day. Crude oil exports averaged 1.93 million barrels per day during the first quarter of 2008, an almost two percent increase over fourth quarter 2007 performance. Crude oil prices were well above the \$57 per barrel budgetary target during the first quarter of 2008, significantly increasing government revenue. Iraqi officials continue to discuss

outstanding issues regarding a national hydrocarbon framework law in an effort to come to consensus.

The GOI has improved the provision of essential services to the Iraqi people. Due to the lingering consequences of a nearly system-wide blackout January 8, the electricity supply was sharply reduced temporarily, but by early February, electricity supply was consistently above levels achieved during the same periods in 2004-2007. The gain was largely due to the addition of 1200 megawatts to available generating capacity during the second half of 2007, nearly all of it through the repair of existing generating units. The increase would have been even larger if Iraq's hydroelectric dams had not been affected by water shortages.

The GOI plans to begin reform of its Public Distribution System (PDS), a national program of food aid for all Iraqis. The program is highly inefficient, and costs have climbed to unsustainable levels with the international rise in commodity prices. The GOI spent more than \$3 billion on PDS in 2007, with costs projected to more than double (to \$7 billion) in 2008. The GOI has outlined specific, multi-step PDS reforms with a timeline to begin them. Principal reforms include means-testing recipients and monetizing benefits. The ultimate goal is to roll the PDS into a broader social safety net program that specifically targets needy Iraqis with a comprehensive package of benefits. PDS reforms, while politically sensitive, will strengthen Iraq's agricultural sector and the private sector more generally. In support of the deteriorating PDS, USAID is currently a primary contributor toward the World Food Program's (WFP) Emergency Appeal (EMOP), contributing \$30 million for Iraq. This food will help to meet the needs of the most vulnerable in Iraq. The food will be distributed by WFP partners.

To promote private sector development in Iraq, U.S. Secretary of Commerce Carlos Gutierrez and Iraqi Minister of Trade Abd al-Falah Al-Sudani co-chaired the second meeting of the U.S.-Iraq Business Dialogue (USIBD) in Baghdad on February 9, 2008. USIBD's purpose is to provide advice and counsel to the USG and GOI that reflect private sector concerns regarding growth of the Iraqi private sector and enhanced bilateral commercial ties between the United States and Iraq. Since their inaugural meeting in February 2007 in Erbil, Iraq, the U.S. and Iraqi sections have collaboratively developed recommendations focused on the Iraqi private sector and U.S.-Iraq commercial relations. During the second meeting, the USIBD presented policy recommendations and identified constructive and practical solutions to business impediments in Iraq and showed tangible interest in enhancing U.S.-Iraqi commercial relations through increased trade.

The GOI hosted a USG delegation in Baghdad, February 27-28, for the U.S.-Iraq Dialogue on Economic Cooperation (DEC). Senior officials from both governments discussed the nature of the bilateral economic relationship, its direction, and what the GOI can do to accelerate economic growth and improve the lives of its citizens. Participants discussed a broad spectrum of Iraq's economic sectors in eight working group sessions, during which the GOI and USG both noted the importance of including the private sector in all economic reforms. As a result of these sessions, the GOI and USG agreed to a number of key "next steps" for pursuing economic growth in Iraq, including developing an action plan on state-owned bank restructuring, ratifying the U.S.-Iraq Trade and Investment Framework Agreement (TIFA) in the CoR, convening the first TIFA Council meeting in 2008, working together to create a comprehensive national energy strategy and improve investment in oil and gas, pursuing GOI membership in the Extractive Industries Transparency Initiative, and reforming the PDS. Both governments will track progress on these "next steps." They agreed to continue this important dialogue by holding another DEC in spring 2009.

On January 28, a fire gutted the main building of the Central Bank of Iraq's headquarters complex, destroying the CBI's paper records and computers, although some of the hard drives survived. The CBI was able to resume full operations within a day, working out of other buildings in the CBI complex. The CBI's electronic banking systems survived as did its ability to utilize the SWIFT, which allows the CBI to make transactions with international banks. The CBI's vault stores of cash and gold were undamaged.

Iraq has continued to work with its international partners and creditors. The IMF's new Standby Arrangement (SBA) will continue to provide incentives for Iraq to implement economic structural reforms, including strengthening public financial management and the accounting framework of the CBI, restructuring the two largest public banks, and strengthening governance in the oil sector. Iraq's satisfactory completion of SBA terms will trigger the final 20 percent tranche of debt reduction by Paris Club members, bringing the total Paris Club reduction to the agreed 80 percent.

During the first quarter of 2008, Iraq secured additional foreign assistance from Japan and the European Commission (EC) for infrastructure and humanitarian projects. The GOI reached debt reduction agreements on Paris Club equivalent terms with Bulgaria, the former Yugoslav republics, and Russia. More information on these developments appears in Section (I)(E).

Implementation of the International Compact with Iraq (ICI) is proceeding, with increasing commitment from all of Iraq's ministries to meet the ICI's benchmarks. Since the December 10, 2007 announcement by the GOI that key staff had been hired for the ICI Secretariat, all of the Secretariat's main functions have been staffed by qualified Iraqis. The Secretariat works with ministries, provinces, the COR, and donors, and is responsible for coordinating Iraq's implementation of ICI goals and objectives. UN technical advisors are working with the Iraqis to write the first annual ICI Progress Report in time for a foreign ministers-level Joint Consultative Group (JCG) meeting that will mark the one year anniversary of the launching of the ICI on May 3, 2007. All of the Thematic Work Groups (TWG) have met to support the drafting of the annual report. The GOI plans to revise its national development strategy in 2008 and will integrate conclusions from the JCG into the new strategy (and into the ICI monitoring Matrix).

Also on the international front, Iraq continued the long-term process of World Trade Organization (WTO) accession, most recently submitting the requested documentation to the WTO Secretariat and preparing its second Working Party meeting in Geneva on April 2. The Legislative Action Plan, one of the submitted documents, outlines Iraq's schedule for drafting or amending laws to be compliant with WTO regulations.

I. The current military mission and the diplomatic, political, economic, and military measures that are being or have been undertaken to successfully complete or support that mission.

In early March, the United States and Iraq began discussions in Baghdad on a Strategic Framework. The Strategic Framework is intended as a statement of intent, reflecting shared U.S. and Iraqi political, economic, cultural, and security interests. On March 11, U.S. and Iraqi negotiating teams opened talks on a bilateral Status of Forces Agreement, to provide for authorities and protections for U.S. forces following the expiration of UNSCR 1790 on December 31, 2008.

(A) Efforts to convince Iraq's main communities to make the compromises necessary for a broad-based and sustainable political settlement;

The United States has worked closely with GOI leaders in pursuing reconciliation efforts. During this reporting period, the USG continued to utilize high-level diplomatic engagement to spur progress, with numerous trips to Iraq by

UNCLASSIFIED

- 14 -

senior USG officials, including visits by Secretary of State Condoleezza Rice, Senior Advisor and Coordinator for Iraq David Satterfield, and Under Secretary Reuben Jeffery to encourage senior Iraqi political leadership to move forward on key legislation. Ambassador Satterfield and the Embassy consistently reinforce this message as they continue to work with Iraqi leaders on increasing the GOI's legislative momentum.

On the heels of the Secretary's trip to Baghdad in January, the Presidency Council ratified the Law on Accountability and Justice (also known as de-Baathification reform). The law was subsequently published in the Official Gazette. As with any law, even-handed implementation will demonstrate the law's contribution to reconciliation efforts.

The law resolves two important issues for former members of the Baath party: employment and retirement. This law would allow an estimated 36,000 former members to return to government employment. The bill, in conjunction with the recent amendments to the Unified Pension Law, also restores pension rights to former civil servants and military officials without regard to former party affiliation.

Progress on hydrocarbons legislation is at a standstill due to differences among Iraqi parties about management of the sector – further complicated by the Kurdish Regional Government's (KRG) pursuit of oil contracts prior to passage of a national oil law. The United States continues to discourage the KRG from signing oil contracts until negotiations on a national oil law are completed. Although there may be as many as four bills incorporated into the hydrocarbons package, the main bills are the Framework Law and the Revenue Management Law. The Framework Law, which helps define the control of Iraq's oil structure between the central and provincial governments, was approved by the Council of Ministers last summer, but subsequent revisions by the Shura Council stalled its progress in the CoR and reopened debate on the drafts. The Revenue Management Law, which will help determine the level of central government control over oil revenue and its distribution, has been drafted but has not yet had its first reading in the CoR.

Prime Minister Maliki publicly pushed for passage of an Amnesty Law during this reporting period; that law was passed by the CoR February 13 and approved by the Presidency Council February 26. The Amnesty Law sets provisions by which detainees held in Iraqi detention facilities can be released. A

UNCLASSIFIED

majority of those potentially impacted by the law are Sunni Arabs. On March 2, regional committees began accepting applications for amnesty releases.

On Iraqi displacement, the International Organization for Migration (IOM) reported a leveling off of new displacements, continuing a trend from the summer of 2007. In November and December 2007, a number of internally displaced persons (IDPs) and refugees returned for various reasons, including depletion of savings, concerns about their legal status in Syria, and improvements in the security situation. In January 2008, UNHCR reported that refugee returns had stopped and that more Iraqis were entering Syria than returning to Iraq. Recent reports from international humanitarian organizations caution that conditions for Iraqis displaced inside the country and in the region continue to deteriorate. These reports, coupled with the short-lived spike in repatriation, have focused GOI, USG, and international humanitarian community attention on the need to prepare for returns while continuing to provide assistance until conditions in Iraq permit Iraqis' safe and secure repatriation.

The GOI has launched a number of initiatives to address displacement and repatriation. In the spring of 2007, the GOI announced that it would make one-time payments of one million Iraqi dinars, approximately \$800, to displaced families who returned to their homes in Baghdad. Several thousand families received payments under this program before it was temporarily suspended. In coordination with the UN, the GOI has launched the Joint Rapid Response Plan, a pilot project that will target assistance to the most vulnerable IDPs and returnees. In addition, the Iraq Ministry of Migration has sponsored several conferences, which included the UN, UNHCR, PRTs, USAID, IOM, and the U.S. Embassy, to coordinate and unify various efforts and plans of the different agencies dealing with IDP issues. The ministry is also accepting bids from suppliers and contractors to supply food and non-food items to IDPs.

USG efforts have focused on several areas, including encouraging the GOI to take the lead on coordinating assistance to its displaced citizens, and providing assistance to displaced Iraqis through contributions to UNHCR and other international humanitarian organizations. Since late 2007, the USG has engaged the GOI leadership on the need to create a national policy on displacement and returns. As the leading humanitarian donor, the USG's overall contribution for refugee and IDP assistance was \$171 million in Financial Year (FY) 2007, roughly \$208 million has been made available in FY 2008, and \$30 million is outstanding in the FY 2008 supplemental. In this fiscal year, the USG has made available

UNCLASSIFIED

- 16 -

\$95.4 million to the 2008 UNHCR Iraq Situation Appeal, \$2.4 million to the United Nations Children's Fund (UNICEF) portion of the Regional UN Education Appeal for Iraqis, \$4.0 million to UNICEF and \$6.6 million to WHO for their respective portions of the UN Regional Health Appeal for Iraqis, \$5.5 million in cash and \$36 million Food For Peace in-kind contribution to the WFP EMOP for Syria and Jordan, \$32.5 million to other international organizations, and \$26.1 million to non-governmental organizations operating inside Iraq.

On refugee resettlement, the USG is working hard to meet its commitment to resettle 12,000 Iraqi refugees in the United States during FY 2008. The USG has begun in-country refugee processing of locally employed Iraqi staff and has planned for expanded in-country refugee processing with Embassy Baghdad per the "Refugee Crisis in Iraq Act" in the FY 2008 National Defense Authorization Act.

The PRTs continue to focus on governance capacity-building efforts that help make the provincial budget process a driver of political reconciliation. Representatives from across Iraq's political spectrum participate in the budget making process and improve the lives of all Iraqis. PRTs facilitate relations between provinces and the national government and between provincial and municipal level governments, strengthening the institutions key to Iraq's long-term stability.

In addition to better budget planning, the provincial governments are also significantly improving their budget execution. Reflecting the success that provincial governments had in spending their 2007 capital budgets, the central government allocated \$3.3 billion in capital funds to non-KRG provincial governments for 2008, a 65 percent increase over 2007.

Efforts toward political reconciliation at provincial and local levels continue to take root. For example, inter-sectarian reconciliation events have taken place in a number of districts in Baghdad, providing a non-violent outlet for dialogue. Baghdad residents have resumed public outings and social engagements in certain areas, reflected in the revival of Baghdad's markets.

Decreased violence has improved the ability of provincial governments to deliver services. For example, in Diyala province, the governor has made it a priority to visit districts and sub-districts to meet with residents and discuss their needs. He is often accompanied by provincial council members and directors general (ministerial representatives working at the provincial level). Working with

UNCLASSIFIED

the PRT and Coalition forces, Diyala's provincial government has improved its ability to provide water, fuel, and electricity. In turn, improved service delivery is having a positive effect on the security environment as residents are more supportive of the government.

Tribal leaders and delegations are playing an increasingly active political role. For example, in Maysan province tribal leaders are helping establish and participate in political advocacy groups. The Maysan Nobles Council, in which tribal leaders participate, intends to promote technocrats as well as tribal elders to seats on the Provincial Council. The Maysan Tribal Council acts as a formal voice for the province's tribal community. Similar councils exist or are being formed in Basrah and Dhi Qar. In Salah ad Din province, tribal leaders have moved toward a more overt, political role through organizations such as the Sheikh's Council and the Provincial Office of Tribal affairs.

Progress continues in achieving provincial political accommodation. Provincial elections, called for in the recently passed Provincial Powers Law, will be an important step for increased participation in the political process and for bottom-up accommodation. In the meantime, in Kirkuk, Sunni Arabs ended their one-year boycott of the Kirkuk provincial council in December 2007, after reaching a power-sharing accord with Kurdish leaders. Since then, Kurdish and Sunni Arab political representatives have begun implementing the provisions outlined in the power-sharing accord. A Sunni Arab Deputy Governor was chosen by the Provincial Council and, subsequently, has been sworn in.

(B) Engaging the international community and the region in efforts to stabilize Iraq and to forge a broad-based and sustainable political settlement;

During this reporting period, the Iraqi and U.S. governments continued to work with the international community to promote security, economic growth, and political progress in Iraq. At present, in addition to the U.S. contribution of over 155,000 troops, 25 countries provide nearly 10,000 military troops to the Coalition, with the United Kingdom, Georgia, Poland, the Republic of Korea, Australia, and Romania among the major contributors. During the reporting period, Montenegro announced its plans to contribute forces to the Coalition. Fifteen countries contribute forces to the North Atlantic Treaty Organization (NATO) training mission, including the Italian-led Carabinieri training for the National Police (NP). In January, Prime Minister Maliki requested continued NATO support and called

UNCLASSIFIED

- 18 -

for the expansion of the NATO Training Mission-Iraq (NTM-I) mission to conduct border police training and provide support to ministerial advisory teams.

The international community took several additional steps to show its support for Iraq during the reporting period.

UNAMI, under Staffan de Mistura, the new Special Representative of the UN Secretary General, has taken on an enhanced role in fulfillment of its expanded mandate. Of particular note is UNAMI's involvement in seeking resolution to the future of Kirkuk and other disputed territories. The UN is also working to assist refugees and IDPs (five UNHCR staff members plus a Resident Coordinator are being posted to Baghdad) and to enhance regional dialogue. The number of non-administrative staff is increasing and should reach approximately 140 in Baghdad and approximately 50 in Erbil in the coming months. UNAMI is also looking at reopening an office in Basrah. Two staff from the UN Development Program have already been posted in Basrah, based with the British-led PRT.

In this Quarter, the Expanded Neighbors of Iraq took place in Kuwait on April 22. This followed previous meetings in Sharm el Sheikh, Egypt (May 2007) and Istanbul, Turkey (November 2007). High-level participation is expected from Iraq's neighbors plus Bahrain and Egypt, the five permanent members of the UN Security Council, the Group of Eight, the European Union (EU), the UN, the Organization of Islamic Conference (OIC), and the Arab League. Previous meetings have been well-attended at high levels. The Neighbors Energy Working Group met in Istanbul on March 3 and 4, and the Refugees Working Group met on March 18 in Amman. The Border Security Working Group is expected to convene in Damascus in April.

During the reporting period, Saudi Arabia and Bahrain announced their intentions to pursue reopening diplomatic missions in Baghdad. In February the French opened an embassy office in Erbil.

On February 14, 2008, President Bush issued an Executive Order imposing new sanctions on Syria, after concluding that its government was not doing enough to stop the flow of foreign fighters into Iraq. Although Syria has taken some steps, mainly to strengthen its own internal stability, Syria remains the principal route for terrorists traveling to Iraq.

The ICI, launched at Sharm El-Sheikh (spelling inconsistent) in May 2007, provides the overarching framework for coordinating and enhancing donor

UNCLASSIFIED

assistance to Iraq, with the goal of Iraqi economic self-sufficiency by 2013. On January 24-25, 2008, there was an informal meeting of the International Reconstruction Fund Facility for Iraq (IRFFI) Donors Committee in Naples. The meeting discussed issues related to the Provincial Development Strategies that have been completed by 17 of Iraq's 18 provinces. Included was a review of the PRT program and of the provincial outreach activities of the Ministry of Planning and Development Cooperation. The next full Donors Committee Meeting will occur in Baghdad during June 2008. The international community also provided economic support to Iraq through other initiatives during the reporting period (covered in greater detail in section (I)(E)).

The United States has been working closely with the GOI and the international community to address the issue of Iraqi refugees and IDPs. Embassy Baghdad officials meet regularly with GOI officials and representatives from international humanitarian agencies and non-governmental organizations to discuss refugee and IDP returns, access by these communities to essential services, and coordination between the various actors involved. Ambassador James Foley, the Secretary's Senior Coordinator for Iraqi Refugees, traveled to the region for the second time in March to assess host country needs and encourage other countries in the region to increase their humanitarian assistance for Iraq. Ambassador Foley's previous visit to the region in October 2007 was successful in improving our ability to process Iraqi refugees in Syria for resettlement in the United States.

(C) Strengthening the capacity of Iraq's government ministries;

As Iraq is now earning the financial resources it needs for bricks-and-mortar construction through oil production and export, our assistance is focused on capacity development, with an emphasis on local and post-kinetic development. To accelerate improvement in the performance of key national ministries, we continued to increase the number of advisors dedicated to training ministerial employees in public administration, management, leadership, and technical fields. Since August 2007, 74 of the 75 advisors needed to support elements of the civilian surge have been deployed to Baghdad to support ongoing capacity development programs in key civilian ministries such as health, oil, electricity, and finance. There are over 200 civilian advisors working in 11 ministries and executive offices. We continue to review our current capacity development program for opportunities for increased engagement with other Iraqi ministries.

One of the key areas we are addressing is budget execution. Although there have been improvements, real impediments to budget execution remain, such as

the security environment, corruption, fear of corruption charges, and often a lack of technical expertise. We are working with our implementers, international partners, and the GOI to address shortfalls.

The GOI is working to address impediments to budget execution. The Council of Ministers has approved new regulations to improve the GOI's execution of its capital budget by lifting the previous ceiling on the amounts ministerial contracting committees can approve. Committees in the ministries of Defense, Interior, Oil, Trade, Health, Electricity, Industry and Minerals, Water Resources, and Municipalities may now approve contracts worth up to \$50 million. This represents a \$30 million increase for Defense, Oil, Electricity, and Trade and a \$10 million increase for the other ministries. A newly formed Central Contracts Committee chaired by the State Minister of the Council of Representative Affairs will approve contracts exceeding the \$50 million limit. This is expected to expedite rates of budget execution and project development.

The USG is supporting GOI efforts to develop a strategic multi-year planning culture by helping the Iraqis organize a 2008 budget execution training in coordination with a 2009 budget planning forum. The Embassy's Ministry of Finance engagement team has been working with the Ministry on bank restructuring, following an IMF timeline. Efforts are also directed toward piloting an electronic budget execution system in four provinces.

Fighting corruption remains a priority for the GOI and is included in several U.S. assistance programs. In January 2008, the GOI organized its first conference on anti-corruption, at which it presented a major initiative to combat administrative corruption. Since 2003, the United States has helped to build Iraq's judiciary, trained and supported Iraq's anti-corruption agencies to build capacity to investigate corruption charges, and helped to facilitate efficient prosecution and adjudication of corruption cases. At the request of the Embassy, Ambassador Lawrence Benedict (retired) became the Baghdad-based Coordinator for Anti-Corruption Initiatives. Ambassador Benedict, with the support of Embassy Baghdad's Anti-Corruption Working Group, will coordinate all USG anti-corruption programs in Iraq.

The Embassy's Ministry of Planning engagement team is providing strategic leadership in streamlining procurement policy and procedures. The USG is helping to establish a Contract Dispute Tribunal, which is a prerequisite for large scale GOI contract success. From January through March 2008, Ministry of Planning employees trained in public management and administration, including

fiscal management, human resources, project management, leadership and communication, information technology, anti-corruption, and specially-tailored courses.

The Embassy's Ministry of Electricity engagement team is focusing current efforts to help the ministry increase its focus on Operations and Maintenance, technical training, and budgeting practices. The success of USG efforts are already being realized, as productivity from *existing generation assets* has yielded a more than 15 percent increase in electricity output in the last four months compared to the same period a year ago. The USG advisors are assisting in the creation of a tariff department with a substantial training component to develop professional rate development methods. The engagement team is also advising in the development of an integrated Energy Plan predicated on the recovery, treatment, and delivery of flare gas to power.

PRTs enhance the capacity of provincial leaders to provide essential services. They have assisted provincial governments in completing their Provincial Development Strategies, by providing a framework for budget planning and economic development over the next two to five years. These strategies will serve as a foundation for the national and provincial governments to coordinate joint projects, de-conflict existing activities, and align future priorities. Unofficial data collected by PRTs indicate that, through December 11, 2007, provincial governments spent an estimated \$2 billion of their combined 2006 and 2007 funds during calendar year 2007. This is a significant accomplishment, given that prior to 2006, provincial governments were not allocated a budget and had no spending authority.

(D) Accelerating the delivery of basic services;

Daily electricity supply since September 2007 has been 10,000 to 20,000 megawatt hours (MWh) above the 2006 level. Generating units scheduled to be added over the next year could add a further 10,000 to 20,000 MWh, but only if the units are provided with fuel. A project to supply new generating plants with natural gas produced within the KRG territory reportedly is nearing completion, but elsewhere in Iraq much of the near-term additions to fuel supply will have to come from imported diesel.

A topping plant that is under construction may supply domestic diesel for combustion turbines being installed at Mussayib, but crude oil for the plant may have to be diverted from the Doura refinery.

(E) Securing the delivery of pledged economic assistance from the international community and additional pledges of assistance;

The ICI, launched on May 3, 2007, is a framework for coordinating donor assistance in support of Iraq's efforts to reform and improve its economy. The UN and Iraq jointly lead the Compact, which is supported by more than 70 countries. Since the ICI's launch, Iraq has progressed in securing pledged international donor assistance, reaching debt reduction agreements with official creditors, and developing its working relationships with the UN, the World Bank, the IMF, and European Commission (EC).

Since November 2007, Iraq has made progress in establishing a fully functioning ICI Secretariat to oversee implementation of the Compact. The UN provides experts to support Iraqi officials in this capacity under a contract funded by the EC. The World Bank and the United Kingdom's Department for International Development also provide technical assistance.

Individual donor country pledges for Iraq have reached \$15.9 billion, including \$13.6 billion in foreign assistance and soft loans at the Madrid pledging conference in October 2003 and an additional \$2.3 billion since the ICI was launched. Included in this total is Iran's \$1 billion pledge for soft loans for economic projects in Iraq.

The IRFFI is the principal multi-lateral mechanism for delivering donor assistance to Iraq. Through the end of March 2008, the IRFFI had received \$1.83 billion in donor deposits – up by more than \$300 million since the ICI launch. In addition to their deposits with the IRFFI, individual international donors have provided or made project-specific commitments to provide approximately \$6.2 billion in bilateral assistance and soft loans. Thus, the total of assistance from international donors to Iraq that has been provided or is in the pipeline amounts to about \$8.0 billion.

The EU/EC and a number of individual donor countries have substantially exceeded their Madrid pledges. The EU/EC has given more than 800 million euros, or nearly \$1.2 billion at current exchange rates, for Iraqi reconstruction and humanitarian assistance. This surpasses its Madrid pledge of \$235 million. In December 2007, the EC provided grants of about \$73 million and \$29 million to help refugees and to support a Public Financial Management project, respectively. The EC and Iraq also held their fourth round of negotiations for a new Trade and

Cooperation Agreement. The United Kingdom, Australia, Korea, the Netherlands, Norway, and Finland have also substantially exceeded their pledges.

Japan made substantial progress in providing assistance to Iraq and is preparing to move forward with \$2.1 billion in soft loans for major infrastructure projects all around Iraq. Japan also gave \$5 million for urgent humanitarian assistance. This brings the total amount of assistance that Japan has given or currently has in the pipeline to about \$3.5 billion of its Madrid Pledge of \$5 billion. With improvements in the security situation, Japan is working with the Iraqis to identify projects including in some previously inaccessible areas. These would be supported by the remaining \$1.5 billion in soft loan facilities.

Since the launching of the ICI, Kuwait has taken the lead among Iraq's Gulf neighbors to provide \$60 million in humanitarian assistance, bringing its total contributions to \$125 million in comparison to its Madrid pledge of \$500 million. No new assistance has been forthcoming from the other Gulf donor countries (Saudi Arabia, the United Arab Emirates, Qatar, and Oman), which remain about \$650 million short of meeting their combined Madrid assistance pledges of \$815 million (excluding Saudi Arabia's additional offer of \$500 million in trade credits). The Gulf countries say that Iraq needs to do more to identify where their assistance would be needed. They are looking at opening embassies in Baghdad, which will help the process when finalized.

At Madrid, the World Bank and the IMF indicated that Iraq could potentially make use of their facilities in amounts as large as \$3 billion and \$2.55 billion, respectively. The World Bank is currently working to place its initial assistance of \$399 million in International Development Assistance loans for four major projects. In December 2007, Iraq fully repaid, ahead of schedule, a \$470 million loan drawn when it reached its Emergency Post Conflict Agreement with the IMF in 2004. It also signed a new SBA with the IMF. The new SBA has a credit facility of about \$740 million, but Iraq currently has a strong financial reserve position and has not drawn on this facility.

The IRFFI is composed of two Iraq Trust Funds, one managed by the UN Development Group (UNDG) for \$1.33 billion and the other by the World Bank for \$497 million. As of the end of March 2008, the UNDG had approved and funded 180 projects worth about \$1.11 billion and had disbursed \$737 million. As of November 2007, the World Bank had 16 projects (including two completed projects) valued at \$437 million, of which \$132 million has been disbursed. Both the UNDG and World Bank have been asked to review their priorities to determine

how any as-yet uncommitted funds can be allocated in support of Iraq achieving its goals under the ICI. Along these lines, there is a growing consensus among donors that Iraq needs help building the capabilities of its ministries and provincial governments and should move rapidly to modern Public Financial Management practices in order to do a better job at spending its own considerable financial resources.

Since the launching of the ICI, Iraq has reached bilateral debt reduction agreements with three large official creditors. In return for a one-time payment of about \$350 million, Bulgaria cancelled \$3.5 billion in debt. For a one-time payment of about \$250 million, the former Yugoslav republics of Slovenia, Serbia, and Bosnia cancelled \$2.5 billion in debt. Finally, Russia, the last Paris Club member to settle with Iraq, agreed to a \$12.0 billion reduction in debt from \$12.9 billion down to \$900 million.

(F) Training Iraqi security forces and transferring additional security responsibilities to those forces and the government of Iraq;

The current authorizations for MoD, MoI, and Counterterrorism Bureau (CTB) personnel equates to 572,844. As of February 29, 2008, Iraqi MoD, MoI, and CTB forces numbered over 544,000 personnel. As a result of limited basic recruiting training facilities, a proportion of the police forces await formalized training. The planned expansion of the police training base is expected to mitigate this problem.

The MoD continues its focus on counterinsurgency (COIN) force generation and sustainment. This COIN force will include 13 Army divisions (twelve infantry, one armor) along with supporting forces, a Navy of nearly 2,500 personnel, an Air Force of 4,000 personnel, and a 5,400-man Iraqi National Counter-Terror Force. The final IA division will be added by the end of 2008 and is currently in generation.

Provincial governments continue to request an increase in police authorizations, which have driven significant growth in several provinces. The MoI is predicted to grow to a total force of approximately 420,000 employees – comprising Iraqi Police Service (IPS), NP, and Directorate of Border Enforcement – by the end of 2008; this reflects the impact of the changing security situation on the ground.

II. Whether the Iraqis have made the compromises necessary to achieve the broad-based and sustainable political settlement that is essential for defeating the insurgency in Iraq.

(A) Enacting a broadly-accepted hydrocarbon law that equitably shares revenue among all Iraqis;

The majority of the GOI's national budget funds are provided by oil revenue (84 percent based on the 2008 budget). Funds are allocated to provincial governments to provide for improved essential services and capital investment based on provincial population densities. During 2008, the provincial allocation, excluding KRG provinces, amounted to \$3.3 billion. As a result, oil revenues are currently being distributed to provinces on an equitable basis and distributed among all Iraqis.

In an effort to come to consensus, Iraqi officials continue to discuss outstanding issues regarding a national hydrocarbon framework law, which would, among other things, set forth procedures for international investment. However, in the absence of a signed hydrocarbon law, Iraqis are still benefiting from expanded oil revenue created through increased production volumes and prices.

(B) Adopting laws necessary for the conduct of provincial and local elections, taking steps to implement such laws, and setting a schedule to conduct provincial and local elections;

The Provincial Powers Law, which has been passed by the CoR but awaits publication in the Official Gazette, requires that provincial elections be held by October 1, 2008. The Presidency Council continues publicly to support elections by that date, and all major parties have announced their support for elections. An accompanying election law must also be passed before provincial elections can be held. The election law will set the legal basis and structure of provincial and national elections. By the end of the reporting period, the Prime Minister's office had submitted a draft elections law to the CoR.

Although an election law is necessary for provincial elections to take place, Iraqis have already begun the technical preparations for those elections. The Iraqi Independent Higher Electoral Commission (IHEC) is currently updating the voter registry and nominating the Governorate Electoral Officers who will manage the elections locally. UNAMI and programs through USAID's partner IFES have also provided technical assistance to help IHEC prepare for new elections.

(C) Reforming current laws governing the de-Baathification process in a manner that encourages national reconciliation;

On February 3, the Presidency Council ratified the Law on Accountability and Justice (also known as de-Baathification reform); it was subsequently published in the Official Gazette. Iraq's leaders have pledged to pursue implementation that would bolster reconciliation efforts. The law would allow an estimated 36,000 former members to return to government employment.

In 2003, Coalition Provisional Authority Order 1 abolished the Baath Party and removed the top four levels of Baath Party members from government positions; the order also banned them from future government service. Although the implementation procedures for the Accountability and Justice Law have yet to be determined, the law allows former fourth level (firqa) Baath Party members to return to government employment, with some exceptions. The law also creates a limited appeals process by creating a committee of judges to adjudicate de-Baathification cases.

In addition to the Accountability and Justice Law, the recent amendments to the Unified Pension Law restore pension rights to former civil servants and military officials without regard to former party affiliation.

(D) Amending the Constitution of Iraq in a manner that encourages national reconciliation;

The Constitutional Review Committee has requested an extension until July 2008 to complete their recommendations. The committee has been tasked with analyzing the current constitution and suggesting necessary amendments. Although the committee has not yet completed its recommendations, passage of the Provincial Powers Law will remove some constitutional issues from its purview, which will likely speed up the process.

(E) Allocating and beginning expenditure of \$10 billion in Iraqi revenues for reconstruction projects, including delivery of essential services, and implementing such reconstruction projects on an equitable basis;

GOI ministries and provincial governments have improved their ability to meet the needs of the Iraqi people by working to develop and spend their own

capital reconstruction budgets. Both ministries and provincial governments made significant progress in executing their budgets in 2007, although there is room for further improvement in 2008. The most recently available unofficial Ministry of Finance special report on capital expenditures indicates that, through November 30, 2007, the Iraqis had contributed \$4.7 billion of their own money to capital projects and reconstruction at the national, regional, and provincial levels in 2007.

(F) Making significant efforts to plan and implement disarmament, demobilization, and reintegration programs relating to Iraqi militias;

The Coalition is teaming with the GOI to implement a new technical training and employment program entitled the Joint Technical Education and Reintegration Program (JTERP). This program consists of vocational training, on-the-job training, and job placement for Iraqis with priority going to former Sons of Iraq members and recently released detainees. JTERP is a collaboration of efforts among multiple ministries, including the Ministry of Labor and Social Affairs, the Ministry of Industry and Minerals, and the Ministries of Higher Education and Education, as well as the Disarmament, Demobilization and Reintegration (DDR) Committee. The program is currently funded with \$35.5 million in U.S. Iraq Security Forces Funds allocated for DDR programs and \$196 million allocated by the GOI. Two pilot programs have been implemented in Tikrit and Mahmudiya, with the program placing approximately 500 former Sons of Iraq into vocational training with the GOI funding the \$240 per month life support stipend.

III. A detailed description of the Joint Campaign Plan, or any subsequent revisions, updates, or documents that replace or supersede the Joint Campaign Plan, including goals, phases, or other milestones contained in the Joint Campaign Plan.

Coalition Forces and Embassy Baghdad are committed to helping to set the conditions for the Iraqis to achieve sustainable security, advance reconciliation, and secure political and economic development. The current Joint Campaign Plan is regularly reviewed and continues to be refined by experts on the ground in response to changing conditions. While the overarching strategic goals remain firmly in place, the tasks are adjusted as conditions on the ground warrant.

The plan recognizes the imperative of enhancing security and protecting the Iraqi population, and it underscores the importance of advancing the political line of operation to help the Iraqis establish legitimate, representative governance in their country at both the national and provincial levels. All other lines of operation

are in support of this end. The current plan places a renewed emphasis on diplomatic initiatives in the region designed to create a secure international and regional environment in which Iraq can succeed.

The plan introduces a major cross-cutting initiative to engage with disenfranchised but reconcilable actors, moving them away from violence and reintegrating them into Iraqi political, economic, and social development.

(A) An explanation of conditions required to move through phases of the Joint Campaign Plan, in particular those conditions that must be met in order to provide for the transition of additional security responsibility to the Iraqi Security Forces, and the measurements used to determine progress;

The Joint Campaign Plan supports the implementation of four lines of operation encompassing political, security, economic, and diplomatic efforts. The plan outlines efforts to build government capacity, promote good governance, communicate strategically, develop the rule of law, and bring about reconciliation among Iraq's competing actors. Integrated efforts along these lines of operation will foster the Iraqi political accommodation necessary for Iraq to achieve sustainable security while advancing political and economic development.

Regarding transition of security responsibility, the Prime Minister of Iraq and the MNF-I Commander, based upon the recommendation of the respective Provincial Governor and the Commander, MNF-I, determine when a province is ready to transition to Provincial Iraqi Control (PIC). The criteria used to determine a province's readiness extend well beyond the security portfolio and focus on the province's governance capacity and ability to deliver a wide range of services to the population.

(B) An assessment of which conditions in the Joint Campaign Plan have been achieved and which conditions have not been achieved. The assessment of those conditions that have not been achieved shall include a discussion of the factors that have precluded progress;

The U.S. Ambassador in Iraq and the MNF-I Commander oversee a process of continuous review and assessment of their Joint Campaign Plan and have the latitude to revise the document as often as they deem necessary. While the overarching strategic goals remain firmly in place, the tasks are adjusted as conditions on the ground warrant. The Joint Campaign Plan provides a solid

roadmap for the way ahead. Unity of effort, joint initiative, and focused and tenacious commitment that remain grounded in strategic flexibility are essential ingredients for success. The plan acknowledges that efforts must be harmonized in partnership with the GOI and that transition of security responsibility to the GOI must take place at a responsible rate, based upon existing security threats and conditions and the GOI's capacity to assume further responsibility and protect its population.

(C) A description of any companion or equivalent plan of the Government of Iraq used to measure progress for Iraqi Security Forces undertaking joint operations with Coalition Forces;

The Iraqi MoD and Multi-National Corps-Iraq jointly conduct a thorough assessment of the ISF to determine a unit's readiness to transition into the lead. There is no stand-alone ISF readiness measurement system. The compilation of Operational Readiness Assessment (ORA) data is a combined effort. ORA data is submitted separately to Congress on a quarterly basis pursuant to Section 3303 of Public Law 110-28.

IV. To the extent that these conditions are not covered under paragraph III, the following should also be addressed:

(A) The number of battalions of the Iraqi Armed Forces that must be able to operate independently or to take the lead in counter-insurgency operations and the defense of Iraq's territory;

The ISF are gradually assuming responsibility for maintaining law and order and promoting stability. Constantly changing conditions on the ground will dictate the appropriate force level and mix. The USG continues to work with the GOI to ensure the appropriate size, capability, and leadership of Iraqi security forces such that they can assume additional security responsibility from Coalition forces.

There is no set requirement that identifies the minimum number of IA battalions assessed as operating without Coalition assistance or leading operations for counter-insurgency missions required for the defense of Iraq's territory.

As of March 7, 2008, 133 army combat battalions are conducting operations. Four Special Operations Battalions are capable of conducting operations with minimal Coalition support. Of the 17 infrastructure battalions scheduled for re-designation as infantry units, seven are already capable of conducting operations

with varying levels of Coalition support, six others are complete and beginning to conduct operations, one is currently undergoing transition training, and three await scheduling for transition training. Of all formed IA units, over 70 percent are rated as being able to plan, execute, and sustain operations with minimal or no assistance from Coalition forces. Since December 2007, nine additional units have improved their proficiency and can now conduct COIN operations with Coalition support.

(B) The number of Iraqi special police units that must be able to operate independently or to take the lead in maintaining law and order in fighting the insurgency;

The Iraqi NP, which consists primarily of two divisions stationed in Baghdad, continue to increase their proficiency. Of the 44 authorized operational NP battalions (including the National Emergency Response Unit), there are 11 battalions capable of planning, executing, and sustaining operations with Coalition support.

The Coalition continues to support the MoI's four-phased NP Transformation Program intended to address the previously high degree of sectarian behavior in the NP. Phase II of the NP Transformation Program is complete. The first class of Phase III training concluded in late December 2007, with 430 graduates completing the seven-week curriculum taught by the Italian Carabinieri. This training incorporates transitional policing skills that are not currently available in the NP. This training supports the efforts of the NP in becoming a multi-skilled, well-trained professional organization. A second battalion completed its training in mid-February 2008, and a third battalion is due to graduate in April, with battalion-sized unit training rotations continuing through the spring of 2009. The majority of the NP forces are based in Baghdad but they have conducted more than 15 operational deployments beyond Baghdad in response to security concerns, most recently in Basrah. The increased effectiveness and deployability marks the beginning of a transition of the NP from a static, Baghdad-centric force to a rapid response security force for the GOI. Phase IV of the NP transformation involves basing NP units in areas-of-operation outside Baghdad. Over time, as NP unit requirements diminish in Baghdad, the NP will "regionalize" within Iraq and establish permanent bases in select provinces. The Prime Minister has directed formation of a third NP division that will be based in Salah ad Din Province.

(C) The number of regular police that must be trained and equipped to maintain law and order;

The IPS consists of over 280,000 patrol, station, and traffic personnel; there is no set number of Iraqi police necessary to maintain law and order. The mission of the IPS is to enforce the rule of law, safeguard the public, and provide local security. As noted in prior reports, the IPS challenges in executing this mission relate to militia and criminal influence, as well as combat loss, normal wear, attrition, maintenance, and theft of equipment. These factors, as well as growth of police authorization levels, will require improvements in equipment, which underline the continuing need to build MoI institutional materiel acquisition capacity. In order to increase its number of trained personnel, the MoI decentralized the authority to conduct Baghdad Basic Recruit Training to the Provincial Director of Police.

The Baghdad IPS expansion plan is meeting goals for recruitment, hiring, and equipping. However, limited basic recruit training capability at Baghdad Police College represents a continuing limitation on program execution. Expanded training bases are both under construction and planned to mitigate this limitation. The GOI is increasing its financial contributions in this effort.

(D) The ability of Iraq's Federal ministries and provincial and local governments to independently sustain, direct, and coordinate Iraq's security forces;

MoI and MoD basic combat and police training facilities continue to operate at or near capacity. Even with programmed training base expansion, the shortage of leaders will take years to close.

There are currently 17 MoI training institutions throughout Iraq. Sixteen of the 17 are under full control of the MoI. Multi-National Security Transition Command-Iraq (MNSTC-I) advisors and International Police Advisors are present at all training institutions to provide over-watch, mentoring, and quality control checks. In addition, the MoI continues to maximize officer generation by recalling select former IA and police officers into the force. These recalled personnel become officers after completing a three-week Officer Transition Integration Program. In addition to officer and basic enlisted recruit training, specialized training is ongoing in fields such as leadership and technical skills. MoI is implementing a plan to increase its training capacity to approximately 117,000 enlisted and 5,000 officers per year, with a training facility in each province.

At the end of 2007, MoD approved plans to develop and build fixed-site Location Commands (formerly called Base Support Units) for each division. Eight of the planned 13 logistics bases are now operational. Construction of the remaining five bases is expected to be completed by the end of 2008. Construction of national-level maintenance and warehousing facilities at the Taji National Maintenance and Supply Depots will come on line sequentially beginning in Spring 2008. Once complete, the Taji National Maintenance and Supply Depots – coupled with Location Commands and deployable logistics battalions – will provide the MoD with a nationwide operational supply and distribution system.

The security ministries now pay the salaries of recruits and Iraqi trainers and bear the costs of operations, maintenance, and life support at the training bases. In addition, to an increasing degree, the Iraqi security ministries are funding much of the initial entry training and unit equipment. U.S. funding is shifting its focus to developing logistics and sustainment capacity, equipment replenishment, equipment for enabler units such as aviation, engineer, and transportation units, and construction of facilities including bases for new units.

The Iraqi Joint Headquarters (JHQ) is making progress in its capacity to develop strategic level policies and plans including the National Military Strategy, service plans, contingency plans, and the development of an integrated capabilities list for force generation. The JHQ operations directorate is effective within the limits of the current command and control structures for the Iraqi forces, although significant command and control challenges remain. The GOI is aware of these challenges and is addressing them with Coalition assistance.

V. The criteria to be used to evaluate progress toward meeting such conditions.

As their readiness levels improve, Iraqi forces will be able to secure Iraq with proportionally reduced Coalition support. The conditions established by the Joint Committee to Transfer Security Responsibility provide a framework with which to assess provincial readiness to transition to PIC. The ability of Coalition forces to reinforce the ISF if necessary, the readiness and capabilities of ISF, levels of present and projected insurgent activity, and the readiness and capabilities of relevant government institutions are considered prior to transitioning a province to Iraqi control. Of the required criteria for PIC, Iraqi security self-reliance is the most difficult to attain and is proceeding at a different pace in each province. Currently, nine of 18 provinces have achieved PIC.

VI. A plan for meeting such conditions, an assessment of the extent to which such conditions have been met, information regarding variables that could alter that plan, and the reasons for any subsequent changes to that plan.

There are four near-term areas of special emphasis through 2008. The first is to ensure that Iraqi forces are mostly self-sufficient in logistics, maintenance, and life-support. The second is to ensure the appropriate size, capability, and leadership of the ISF such that they can assume additional areas of responsibility from Coalition forces. The third is to enhance the capabilities of Iraqi special operations forces. Finally, the fourth is to ensure that the growth of the Iraqi Air Force and Navy remains on track.

The GOI is continuously assessing the manning requirements for the IA, IPS, and Iraqi Special Police units. The GOI has assumed responsibility for determination of personnel requirements and accounting; therefore, all authorized and assigned personnel reports now reflect MoD and MoI statistics. Although both ministries track and report the number of personnel trained, they currently focus more on the number of authorized, assigned, and present for duty rather than on the number trained. Previous analyses of future force structure requirements project the total size of the ISF – military, police, and special-operations forces – could grow to between 601,000 and 646,000 in 2010. Ultimately, the GOI will decide force levels based on national security requirements and its fiscal capacity to sustain a significantly expanded force structure.

As Coalition forces turn over responsibility for the security of an area to the ISF, the GOI makes a new assessment on ISF manning requirements. The GOI assessment takes into consideration the following: level of violence in the area, competency of the local ISF to conduct missions with minimal or no Coalition support, leadership challenges, maintenance concerns, and logistical/sustainment challenges.

VII. An assessment of the levels of U.S. Armed Forces required in Iraq for the six-month period following the date of the report, the missions to be undertaken by the Armed Forces in Iraq for such period, and the incremental costs or savings of any proposed changes to such levels or missions.

Per the General Petraeus/Ambassador Crocker April 2008 testimony to Congress, following the redeployment of designated surge Brigade Combat Team (BCT) forces, MNF-I will enter a 45-day period of evaluation and consolidation

with an adjusted force set of 15 BCTs. Combat Support and Combat Service Support forces will adjust accordingly as the force reduces to 15 BCTs. However, the reduction of these support forces will lag behind reduction of BCTs due to enduring support requirements and the fact that much of the support is a function of geography vice force levels.

MNF-I will continue to assess the operational environment to determine if continued conditions-based force adjustments are appropriate. It is impractical and inappropriate to project the disposition of forces and the pace of further reductions beyond this period of evaluation and consolidation. Over the next six months, MNF-I and the U.S. Embassy, in partnership with the GOI, will continue to employ integrated political, security, economic, and diplomatic means to maintain security and transfer responsibility for that security to the Iraqi Armed Forces.

VIII. A description of the range of conditions that could prompt changes to the levels of U.S. Armed Forces required in Iraq for the six-month period following the date of the report or the missions to be undertaken by the Armed Forces in Iraq for such period, including the status of planning for such changes to the levels or missions of the Armed Forces in Iraq.

MNF-I will assess continuously a wide range of factors across the security, governance, diplomatic, and economic lines of operation to determine the feasibility of adjusting force levels. Key security conditions include the capabilities and strength of AQI and other extremist groups, the strength and activities of criminal groups, GOI capacity to provide for internal strength as well as secure its borders, and the reintegration of reconcilable individuals and groups into Iraq's political process and society.

Governance progress will consist of the passage and implementation of key legislation, preparations for provincial elections, and continued progress in establishing the Rule of Law. The development of ministerial capacity, and success in budget execution at both the national and provincial levels, are also relevant considerations.

Diplomatic metrics include the support of regional states in stemming the flow of foreign fighters and terrorists, international economic support, foreign trade and investment, and foreign diplomatic representation in Iraq. Finally, relevant economic factors include the status of Iraq's critical infrastructure, sustainable employment opportunities, provision of basic services, and overall economic growth.

UNCLASSIFIED

- 35 -

All of these factors, when viewed collectively, make up the Iraqi Operational Environment. As such, it is the collective assessment and demonstrated progression along all lines of operation that will lead to future force adjustments.

For additional details on ISF training, capability, and progress, please refer to the quarterly report to Congress entitled “Measuring Stability and Security in Iraq,” http://www.defenselink.mil/home/features/Iraq_Reports/index.html.

For additional information on reconstruction, assistance, and the delivery of essential services, please refer to the 2207 Quarterly Report to Congress on The Iraq Relief and Reconstruction Fund (IRRF), <http://www.state.gov/p/nea/rls/rpt/2207>, or for general information on the status of political, economic, and security efforts, the Weekly Status Report, available on the Department of State web site, <http://www.state.gov>.

UNCLASSIFIED

List of Acronyms and Abbreviations

AQI	Al Qaeda in Iraq
BCT	Brigade Combat Team
CBI	Central Bank of Iraq
COIN	Counterinsurgency
CoR	Council of Representatives
CTB	Counterterrorism Bureau
DDR	Disarmament, Demobilization and Reintegration
DEC	Dialogue on Economic Cooperation
EC	European Commission
EMOP	Emergency Appeal
EU	European Union
ePRT	Embedded PRT
FY	Financial Year
GOI	Government of Iraq
IA	Iraqi Army
ICI	International Compact with Iraq
IDP	Internally Displaced Persons
IHEC	Independent Higher Electoral Commission
IMF	International Monetary Fund
IOM	International Organization for Migration
IPS	Iraqi Police Service
IRFFI	International Reconstruction Fund Facility for Iraq
ISF	Iraqi Security Forces
JCG	Joint Consultative Group
JHQ	Joint Headquarters
JTERP	Joint Technical Education and Reintegration Program
KRG	Kurdish Regional Government
MNF-I	Multi-National Forces – Iraq
MNSTC-I	Multi-National Security Transition Command – Iraq
MoD	Ministry of Defense
MoI	Ministry of Interior
MWh	Megawatt Hours
NATO	North Atlantic Treaty Organization
NP	National Police
NTM-I	NATO Training Mission-Iraq
OIC	Organization of Islamic Conference
ORA	Operational Readiness Assessment

UNCLASSIFIED

- 37 -

PDS	Public Distribution System
PIC	Provincial Iraqi Control
PRT	Provincial Reconstruction Team
RTC	Regional Training Centers
SBA	Standby Arrangement
TIFA	U.S.-Iraq Trade and Investment Framework Agreement
TWG	Thematic Work Groups
UN	United Nations
UNAMI	United Nations Assistance Mission to Iraq
UNDG	United Nations Development Group
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNSCR	United Nations Security Council Resolution
USAID	United States Agency for International Development
USG	U.S. Government
USIBD	U.S.-Iraq Business Dialogue
WFP	World Food Program
WTO	World Trade Organization

UNCLASSIFIED