

**Executive Summary**  
**Section 2207 Report to Congress**  
**July 2008**

Over the past quarter, from April 1 through June 30, continuing security gains have fostered political and economic growth in Iraq. The Government of Iraq (GOI) continues to assume greater responsibility for the country’s reconstruction. The GOI’s capital expenditures are increasing and the Ministry of Finance (MOF) has submitted a supplemental budget exceeding \$20 billion to fund pressing capital and operational requirements. U.S. assistance efforts have decidedly shifted away from building major infrastructure to providing technical expertise to the GOI in key areas at the national and provincial levels.

**Iraq Relief and Reconstruction Fund (IRRF) Summary**

With the end of the de-obligation and re-obligation authority under the Iraq Relief and Reconstruction Fund (IRRF) on September 30, the Embassy’s Iraq Transition Assistance Office (ITAO) in Baghdad is working closely with its implementing partners to complete the final few existing projects, to obligate remaining funds, and to ensure the full transfer of U.S.-funded capital assets to the GOI. Forty construction and two non-construction projects were completed this quarter using IRRF funding. Highlights of projects this quarter include the completion of work on three 11-kilovolt electrical distribution lines in Baghdad Province, a \$36 million electrical substation in Maysan Province, and equipment purchases to restore a laboratory in the Oil Exploration Company, part of the Ministry of Oil (MoO).

Ninety-six percent of the funds appropriated to IRRF have been obligated to specific projects, with the remainder available only for claims and adjustments related to existing contracts. As of June 30, 93% of IRRF-allocated funds have been disbursed. Of the remaining obligated but undisbursed funds, the majority are obligated to the electricity sector (\$327 million remaining) and the water sector (\$242 million).

**Key metrics in Iraq this quarter:**

<b>Sector</b>	<b>Key Metrics</b>
<b>Oil</b>	<ul style="list-style-type: none"> <li>▪ Oil production averaged 2.48 million barrels per day, up from 2.36 million last quarter</li> <li>▪ Oil exports averaged 1.90 million barrels per day, down from 1.93 last quarter</li> </ul>
<b>Electricity</b>	<ul style="list-style-type: none"> <li>▪ Average daily hours of power after meeting demand from essential services: <ul style="list-style-type: none"> <li>• Nationwide: 10.9 hours, up from 10.3 hours last quarter</li> <li>• Baghdad: 9.1 hours, up from 8.3 hours last quarter</li> <li>• Basrah: 17.7 hours, up from 16.6 hours last quarter</li> </ul> </li> <li>▪ Average daily electricity supply reached 103,000 megawatt</li> </ul>

	<p>hours (MWH)</p> <ul style="list-style-type: none"> <li>▪ Average daily peak supply reached 4470 MW, a post-war record</li> </ul>
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**Key IRRF accomplishments this quarter include:**

- **Oil:** Equipment was purchased to restore a laboratory in the MoO’s Oil Exploration Company. IRRF-funded reconstruction projects in the oil sector were all physically completed in December 2007. Program efforts in the first half of 2008 have concentrated on contract close-out actions, final material delivery, and demobilization. The last of the design-build contractors left Iraq in December 2007; the remaining procurement orders were delivered in April.
- **Electricity:** Work was completed on three 11-kilovolt electrical distribution lines in Baghdad Province and on a \$36 million substation in Maysan Province.
- **Health:** This quarter marked the completion of 10 primary healthcare centers (PHC), including the construction of the Al Kifil PHC in Babil Province and the modernization of the Maternity and Pediatric Hospital, the Al-Karkh Maternity Hospital, and the Alwaiya Children’s Hospital. These projects will provide basic medical treatment for the surrounding communities. U.S. efforts will continue to focus on transferring USG-funded facilities to the Ministry of Health, delivering key supplies and medicines to medical facilities, and training core health staff.
- **Security and Justice:** Construction was completed on three courthouses in Baladrooz (Diyala) and Mosul (Ninewa). Construction was also completed on a police station in Al-Chibayish and a prison in Nassriya, both in Dhi Qar Province.

**Economic Support Funds (ESF) Summary**

The U.S. Mission in Iraq continued implementation of ESF programs under the administration of ITAO, the Embassy’s Office of Provincial Affairs, and the U.S. Agency for International Development (USAID). These programs continue to focus on promoting institutional reforms, increasing the capacity of Iraqi institutions, and providing education to improve the Iraqi workforce. The Provincial Reconstruction Teams (PRTs) continued to work closely with Iraqi Provincial Reconstruction Development Councils (PRDC) to improve local capacity to respond to local needs. The PRTs now have micro purchase programs that provide a flexible mechanism to meet immediate, critical needs at the local level. Employment generation programs have expanded throughout the country and focus on providing Iraqis with the tools necessary for a sustainable workforce.

**Key ESF program accomplishments this quarter include:**

- **Ambassador’s Targeted Development Program (TDP):** Administered by ITAO, TDP provides the U.S. Embassy and the Ambassador with a valuable tool

for supporting economic and social initiatives in areas of conflict in Iraq. This quarter, the Ambassador approved 14 grants totaling more than \$19.4 million to non-governmental organizations (NGOs) active in Iraq. This brings the program total to 21 approved grants with a total value of \$25.8 million. Approved grants this quarter covered a variety of initiatives, including a microcredit program, an employment center, and a health and environmental awareness program in school. The program has \$24 million remaining and a third call for proposals has been issued.

- **PRT Quick Response Fund (QRF):** Administered by PRT staff, QRF promotes economic and social development at the provincial level through short-term, small-scale projects. PRT staff work with Iraqis in their communities to identify worthy local projects that build the capacity of neighborhood and local government officials to deliver services transparently, to empower women and youth, and to support civil society and small businesses. To date, 146 grants and 937 procurement proposals have been approved, with a total value of more than \$37.9 million. These projects include the provision of supplies and computer equipment for schools, wheelchairs for the disabled, capacity-building projects to promote the health and welfare of children, protection shelters for women, and training for female attorneys and self-employed workers.
- **Infrastructure Security Program (ISP):** ISP is a \$217 million ITAO-managed initiative responsible for planning and execution of programs to provide security for oil, water, and electricity infrastructure. These projects, executed by the U.S. Army Corps of Engineers' Gulf Region Division (USACE/GRD), include the construction of pipeline exclusion zones (PEZ), fencing and other security measures that protect oil pipelines. ISP also improves critical infrastructure to withstand interdiction attempts and supplements existing oil export facilities with additional resources in order to ensure continuity of crude oil exports. Currently 94% of ISP contracts have been awarded or are in the process of being awarded, and 6% are in the feasibility or financial approval phase.
- **Procurement Assistance Center (PAC):** ITAO initiated the PAC program in 2007 to increase the capacity of the GOI and its ministries to spend its oil revenues. A key recent development has been the transition of the Iraqi contingent of the PAC program to private ownership under an Iraqi personnel management firm formed by the lead PAC Iraqis. This company has partnered with a leading western management firm to introduce procurement best practices to Iraqi ministries. The Embassy is evaluating opportunities to further leverage this partnership to assist in capacity development, budget execution, and the capital budget project process.
- **Local Governance Program (LGP):** LGP works closely with Iraqis in all 18 provinces, actively supporting and complementing PRT initiatives to promote diverse and representative citizen participation in provincial, municipal, and local councils. In May, LGP assisted the MoP in convening a conference to coordinate

efforts by provincial governors, provincial strategy committees, and ministry planners to better link public capital expenditure to strategic plans and objectives.

- **Provincial Reconstruction Development Councils (PRDC):** PRDC funds support smaller-scale, provincial-level infrastructure projects. This quarter, 13 projects were completed and the Embassy approved \$42.7 million in funds for future projects in Iraq's 18 provinces. Approved projects are either in the procurement process or have already been awarded.

### **A snapshot of selected sectors:**

#### **National and Provincial: Capacity Development**

Multiple U.S. agencies, led by USAID and the Department of State, are contributing management consultants and advisors to key Iraqi ministries to improve ministerial performance. USAID has provided 80 advisors dedicated to key ministries, including embedded Iraqi professionals. Through their *Tatweer* program, USAID delivered a five-day strategic planning workshop to 27 GOI employees from Anbar Province in April 2008. Ministries represented included Oil, Electricity, Water Public Works, Human Rights, Health, Finance, and Migration, as well as four Provincial Council Members (PCM), including the Deputy Chairman of the Provincial Council.

Iraqi capacity to manage the country's airspace achieved a milestone during this period through the certification of the first Iraqi En Route Radar Air Traffic Controller in the Ministry of Transportation (MoT). This program represents the next step toward increased, self-sustaining operational capability for the MoT. The certification is the result of an intensive 9-month program. The first female Iraqi Air Traffic Controller is expected to finish training in the near future.

#### **Provincial: Provincial Reconstruction Teams (PRTs)**

PRTs serve as a critical element of the U.S. Mission in Iraq and have the flexibility to respond quickly to improved security conditions on the ground by immediately increasing activities. PRTs provide on-the-ground advice and support and create relationships at the local level, which are integral to the goal of rehabilitating Iraq. There are currently 31 PRTs, embedded PRTs (ePRTs), and Provincial Support Teams (PSTs) throughout Iraq, with approximately 800 personnel from Department of State, Department of Defense, USAID, and other agencies.

By providing critical expertise in support of Iraqi needs, PRTs extend the reach of the U.S. Mission, facilitating capacity building programs. PRTs engage provincial and local officials in five key areas: democratic governance, political development, reconciliation, economic growth, and rule of law.

## **International: International Compact with Iraq (ICI)**

During the second annual ICI meeting held in Stockholm in May 2008, more than 90 countries and international organizations met to reaffirm their support for an increasingly stable, forward-looking Iraqi government. Iraq was recognized for marked improvements in meeting its reform commitments under the ICI “pillars”: political reconciliation, economic development, and security. In order to meet existing needs, several countries pledged additional assistance in the areas of humanitarian assistance and infrastructure rehabilitation.