



# ADVANCING THE PRESIDENT'S NATIONAL STRATEGY FOR VICTORY IN IRAQ

FUNDING IRAQ'S TRANSITION TO SELF-RELIANCE IN 2006 AND 2007 AND SUPPORT FOR THE COUNTERINSURGENCY CAMPAIGN



UNITED STATES DEPARTMENT OF STATE  
FEBRUARY 2006

# ADVANCING THE PRESIDENT'S NATIONAL STRATEGY FOR VICTORY IN IRAQ:

## FUNDING IRAQ'S TRANSITION TO SELF-RELIANCE IN 2006 AND 2007



### TWO FUNDAMENTAL PRINCIPLES

Success in Iraq requires progress on all three tracks — political, security, and economic — of the President's National Strategy for Victory in Iraq. The three tracks are fundamental to our counter-insurgency, counterterrorism campaign and our effort to help Iraqis build a democratic, stable and prosperous country that is a partner in the war against terrorism. The Departments of State, Defense, Justice, Homeland Security, Treasury, and USAID coordinate closely to carry out their respective roles in each track.

As the strategy states, "progress along one of the political, security and economic tracks reinforces progress along the other tracks."

■ The first fundamental operating principle is that transition to Iraqi responsibility *cannot be sustained* without integrated progress on all three tracks. For instance, the ability of Iraqi Security Forces to maintain stability and security in an area relates not only to their capabilities, but also to the capabilities of the local and provincial governments, as well as the economic climate and the willingness of local leaders to engage in politics and not violence. Because success in the political, security, and

economic realms are intertwined, foreign assistance funding must be seen as an important tool in our overall effort to defeat the terrorists and neutralize the insurgency. Funding just one element of our strategy will produce lopsided effects in what must ultimately be an integrated effort for Iraqis to succeed, and for us to complete our mission in Iraq.

■ A second principle is that 2006 will be a critically important year: it is the year of *transition to greater Iraqi self-reliance*, which requires helping Iraqis sustain their infrastructure, and build greater Iraqi civilian capacity at the national, provincial and municipal levels for better, more responsive and more transparent governance.

Accordingly, the State Department's portion of the Administration's request for Iraq constitutes \$3.252B in the FY 2006 Supplemental (\$1.610B for foreign assistance and \$1.642B for State and AID operating expenses), and \$771M in the FY 2007 foreign assistance budget for Iraq for a total of \$4.023B.

## TRANSITION FROM THE IRAQ RELIEF AND RECONSTRUCTION FUND 1 AND 2

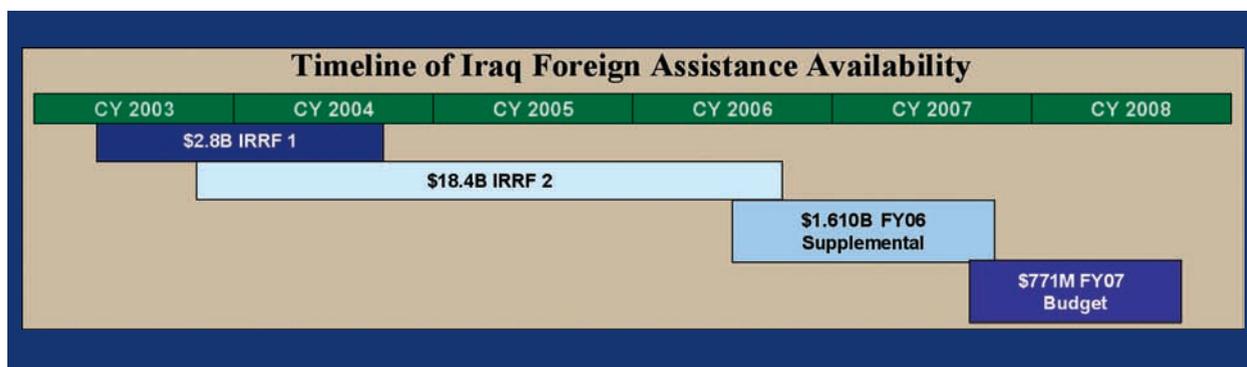
Congress provided \$20.9B in Iraq Relief and Reconstruction Fund (IRRF) 1 and 2 funds in 2003 and 2004, as documented in the Department of State's report: *U.S. Achievements Through the Iraq Relief and Reconstruction Fund*, February 2006 (<http://www.state.gov/documents/organization/60952.pdf>). While our overarching policy goals in Iraq have remained constant, we strategically re-allocated funds with the approval of Congress, and refined our programs in order to respond to evolving events on the ground, lessons learned, and emerging Iraqi priorities. Furthermore, this flexible approach will enable the Administration and Congress to carefully examine the 2006-2007 foreign assistance requirements supporting Iraq's transition to self-reliance.

Almost all of the large infrastructure projects funded under IRRF 2 will be completed within the new Iraqi government's first year and many by the end of summer 2006. IRRF 2 will be fully obligated by the close of FY 2006, and will not be available to fund the critical requirements in the FY 2006 Supplemental and FY 2007 request. Of the \$18.4B IRRF, we have obligated \$15.810B and disbursed \$10.875B as of February 22, 2006. We have an FY 2006 obligation plan for the remaining \$2.629B that is managed daily, and updated monthly, which indicates we could

have less than \$1.5B to obligate by April 2006. Approximately 60% is for water and electricity projects, vital for the government to retain civilian support for the counter-insurgency effort; and approximately 40% is for oil, security, justice and other programs.

These remaining IRRF funds serve as the principal tool the United States has to improve the Iraqi civilian authorities' ability to form and run the government, sustain political support for the counterinsurgency effort, and bolster Iraqi self-reliance, thereby showing America's commitment to the new government and the people of Iraq.

IRRF, FY 2006 Supplemental and FY 2007 budget request can be seen as phases in U.S. foreign assistance for Iraq, which is strategically calibrated to the changing needs in Iraq. The IRRF was used to *kick-start reconstruction*. The FY 2006 Supplemental and the FY 2007 budget request will *support the counterinsurgency (COIN) campaign and develop the capacity to sustain Iraqi self-reliance*. To start, we re-positioned \$288M of the IRRF to programs and activities that in 2006 support the COIN campaign and the transition to Iraqi self-reliance through the Security, Economic, and Political Tracks.<sup>1</sup> We need follow-on FY 2006 Supplemental and FY 2007 funding for these programs and activities to be successful.



## *\$2.381B IN FY 2006 SUPPLEMENTAL AND FY 2007 FOREIGN ASSISTANCE REQUESTS*

In addition to conventional foreign assistance and post conflict programs funded under the IRRF, critical activities that support the counter-insurgency efforts and transition to Iraq's self-reliance will need funding through 2006 and 2007. This foreign assistance funding complements the funds DoD is seeking in its FY 2006 Supplemental.<sup>2</sup> With the exception of prison construction, no other request is being made for large construction projects.

- The \$1.610B FY 2006 Supplemental funds emergency programs *Support the COIN Campaign*. Spending these monies is timed to begin in June, as IRRF funding becomes exhausted, and may carry us through the first six months of FY 2007.
- The FY 2007 budget of \$771M funds other high-priority foreign assistance programs to sustain the transition to Iraqi self-reliance for the remainder of FY 2007.

### *Security Track*

#### **Focused Stabilization, Provincial Reconstruction Team (PRT)/Provincial Reconstruction Development Councils (PRDC)<sup>3</sup> and Infrastructure Security (\$962M Supplemental)**

We are continuing to transfer control of more territory to Iraqi Security Forces and are seeking to exploit fissures in the insurgency. We are adjusting our military posture to emphasize focused operations on terrorists, and making a concerted effort to improve the Iraqi police, to fight corruption, to disband militias, and to protect the infrastructure. With an ongoing insurgency, targeted community-level relief is needed in the aftermath of military operations, and for some other volatile areas. We also will focus on upgrading provincial governments, including through joint State-DoD PRT operations, directly supporting local civilian authorities important to coalition military forces. Our request is keyed to the following critical economic-security programs:

- **\$325M (Supplemental)** for focused stabilization of strategic cities and PRTs/PRDCs projects. Embassy Baghdad's will coordinate with PRTs, PRDCs and Multi-National Force-Iraq (MNF-I) the programming of \$325 million in the provinces. This part of the Focused Stabilization of Strategic Cities (FSSC) program will be coordinated with local officials,

religious and business leaders, and affected communities to meet local short-term essential service needs, build the trust of Iraqis in their government, and engage Iraqi citizens in the decision-making process. The FSSC program will help stabilize communities following military operations through restoring critical infrastructure to foster economic recovery, growth and community stabilization. In some communities, these funds will be used proactively to foster stability.

- \$275M will be programmed as PRDC projects with \$50M going to Baghdad, and approximately \$15M each for the remaining 14 provinces and the Kurdish region. Some of these monies may also be used for FSSC program.
- \$50M will be programmed in local community service infrastructure for the FSSC program of approximately ten strategic cities.
- **\$165M (Supplemental)** for PRTs to implement a Local Governance Program (LGP), to assist Iraq's provincial government and local leaders in developing a transparent and sustained capability to govern, providing increased security

and rule of law, promoting political and economical development to meet the needs of the local population. These programs will also aid overall anti-corruption efforts.

- **\$165M (Supplemental)** for Jobs Corps programs to generate employment and develop skills, and create informal educational opportunities for youth in strategic cities.

- **\$20M (Supplemental)** for local business development in strategic cities to expand small to medium size enterprises and to create micro-enterprise organizations.
- **\$287M (Supplemental)** for infrastructure security for oil, electricity and water and other key facilities and nodes which have been targeted as a part of insurgent and criminal activity.

## ***Economic Track***

### **Infrastructure Sustainment and Agriculture and Private Sector Development (\$631.5M=\$276.5M FY 2007 Budget + \$355M Supplemental)**

We seek to economically sustain the security forces in their COIN effort through helping Iraq develop and maintain functioning essential services and the agriculture and private sector, thereby transitioning the economy from a centralized Stalinist model to a market-based transparent model.

- **\$509M (\$154M FY 2007 Budget and \$355M Supplemental) for Infrastructure Sustainment**
  - **\$80M (\$20M FY 2007 Budget + \$60M Supplemental)** for capacity development training and technical-level management to increase the Iraqis' abilities to operate and maintain Iraq's essential service infrastructure; and management tools and skills for USG-funded projects in six sectors (oil, electricity, health, water, communications, and transportation).
  - **\$429M (\$134M FY 2007 Budget + \$295M Supplemental)** for operations and maintenance of USG-funded infrastructure in key sectors.
- **\$122.5M (Budget) for Agriculture and Private Sector Development**
  - **\$84M (FY 2007 Budget)** to promote agriculture sector development. This program will use an enterprise-driven approach to create value chains from the farm (both crops and livestock) to the

market, particularly for higher value cash crops. The intent is to develop small and medium-scale private agro-food enterprises to produce, process, package, market, and distribute agro-food goods and services. This program will establish rural financial services, improving their ability to survive as enterprises.

- **\$18.5M (FY 2007 Budget)** to provide technical training to banks, complete automation of the stock exchange, assist the securities commission and association of securities dealers; increase the network of micro-finance institutions and public education campaigns on business creation; and increase education of and access to capital for small and medium enterprises.
- **\$20M (FY 2007 Budget)** technical advisory support for ministries and Iraqi government institutions that regulate commerce, promote privatization and provide lending. Funding will also support Iraq's business civil society organizations, and non-bank financial institutions to ensure a broad diversification of financial services to meet the needs of the private sector. The business community will also be trained on information technology through resources and equipment provided to universities.

## *Political Track*

### National Capacity Building/Reforms

(\$787.39M=\$494.69M FY 2007 Budget + \$292.7M Supplemental)

To be economically and politically sustainable, the security forces require the support of a more effective, transparent and democratic civilian government. Accordingly, the US will provide specialized training programs to help new ministers and their staffs grow the management and administrative capabilities of their ministries. We will continue supporting the creation of democratic institutions, particularly the formation of effective national and provincial governments. In the December elections, Iraqis voted mostly along ethnic and sectarian lines. For Iraq to succeed politically we are funding programs for inter-communal and cross-sectarian cooperation and reconciliation, and rule of law to help Iraq reach a national compact to unify Iraq's communities. This includes economic policy reforms to stimulate private sector growth that carry significant political costs. To reach these goals, our critical political programs include:

- **\$105M for Ministerial Capacity Building (MCB)**
  - *\$75M (Supplemental)* for emergency ministerial capacity building to improve the core functions of and skill sets in key ministries (e.g., fiscal and personnel management, strategic planning and policy development, leadership, information technology, communication and technical skills). MCB also supports fiscal accountability and anti-corruption efforts.
  - *\$30M (Supplemental)* to re-equip and modernize Iraqi institutes of public administration such as the National Center for Consultations and Administrative Development to provide modern training to Iraqi government officials in a range of core functions cited above, which the US will transition to the Government of Iraq in 2007.
- **\$58M (\$25M FY 2007 Budget + \$33M Supplemental)** of emergency and longer term

funding to help the government adjust more quickly to pressures from corruption, the insurgency, and a transition from a cash economy, which are increasing security and other expenditures. Accordingly, we will support the Ministry of Finance and Central Bank to strengthen the economic system by increasing fiscal and budgetary discipline and government transparency, and assisting Iraq to meet the requirements of its IMF program, including increasing capacity for macroeconomic and monetary policy-making, budget formulation and execution, and supervision of commercial banks; and implementation of subsidy reforms, banking sector reforms and a national inter-bank payments system. These programs will substantially aid anti-corruption efforts.

- **\$90M (FY 2007 Budget)** for policy, subsidy, legal, regulatory and transparency reforms vital to re-shaping the economy from a centralized authoritarian model to a market-based, transparent system integrated into the global economy.
- **\$73.27M (\$63.27M FY 2007 Budget + \$10M Supplemental)** to promote democracy through training and support for the development of political parties and civil society groups that support the development of democracy, free trade unions, free enterprise, anti-corruption, and open media; to establish a National Institutions Fund to assist with priority projects that include parliamentary capacity building, and seed money for associations, minority groups, and think tanks that promote democracy; and continue programs for women, human rights issues, polling, and peace-building and reconciliation activities.
- **\$423.3M Rule of Law**
  - *\$362.3M (\$254.6M FY 2007 Budget + \$107.7M Supplemental)* for Rule of Law

programs, including training provincial public prosecutors and corrections officers, human rights in the criminal justice system, anti-corruption, criminal justice integration, Rule of Law outreach, increased prison capacity, and judges' protection.

- **\$61M** (*\$24M FY 2007 Budget + \$37M Supplemental*) for the Regime Crimes Liaison Office (RCLO) to support the Iraqi High

Tribunal, operation of current and upcoming trials, and related programs.

- **\$17.82M** (*FY 2007 Budget*) to continue non-proliferation programs, anti-terrorism assistance, counterterrorism finance programs, the terrorist interdiction program and IMET programs.
- **\$20M** (*FY 2007 Budget*) for migration and refugee assistance.

## ***\$1.707B OPERATING EXPENSES BUDGET IN FY 2006 SUPPLEMENTAL AND FY2007 BUDGET***

\$1.707B (\$1.642B in the Supplemental and \$65M in the FY 2007 budget) supports the Department of State and AID operating expenses along with a State Department carryover of \$633M. It provides:

- **\$997.5M** (*Supplemental*) for logistical, security and other costs associated with United States Mission operations in Iraq.
- **\$100M** (*Supplemental*) for the provision of overhead cover in Baghdad and at four regional sites. The funding will provide protection from indirect fire attacks at mission housing

and common-use facilities.

- **\$400M** (*Supplemental*) for Provincial Reconstruction Team (PRT) personal security details (PSDs), and security and site infrastructure.
- **\$25.3M** (*Supplemental*) \$1.3M for State Inspector General and \$24M for SIGIR oversight activities for Iraq programs and operations.
- **\$119.6M** (*Supplemental*) for USAID operating expenses.
- **\$65M** (*FY 2007 Budget*) for core Embassy functions.



<sup>1</sup> Security Track: \$152M for PRT/PRDC projects, local government capacity development, and employment generation and local business development in strategic cities; Economic Track: \$5M for agriculture; and Political Track: \$131M for capacity development, rule of law, refugee assistance, demining, and border security programs.

<sup>2</sup> DoD's Supplemental includes: The Commanders' Emergency Relief Program (CERP); Iraq Security Force logistical and other sustainment support; military and police equipment and infrastructure and training; border enforcement support; quick response funds; institutional capacity development of the ministries of defense and interior; and programs to transfer detainee operations.

<sup>3</sup> PRTs are joint civilian-military interagency teams used to coordinate and prioritize U.S. political and economic policy, including foreign assistance and programs in the provinces. They integrate civilian and military efforts in the provinces to strengthen governmental capacity and accelerate the transition to self-reliance. PRDCs are composed of local Iraqi Government and other Iraqi leaders, as well as USG or Coalition representatives to provide a process that gives the people of the provinces the opportunity to participate in reconstruction and development decision making.

صحيح لشره في الترويج في الشوق السياسي لدى حشود و...  
 بشارتي ببرنامج نجر الكية سياسي على العزيمه بوندي بقدار...  
 القدر السياسي في العراق  
 في الكية السياسية في العراق

التقارير على عهد محمد الصدر	٢٢٢
المجلس العراقي الديمقراطي الدستوري	٢٢٣
حزب الطليعة الاسلامي	٢٢٤
محمد رشاد الفضل	٢٢٨
الحزب الاسلامي الديمقراطي	٢٢٩
الاتلاف الوطني الديمقراطي	٢٥٠
التجمع القومي الديمقراطي	٢٥٢
عراقيون	٢٥٥
التحالف الوطني الديمقراطي	٢٥٨
حزب العمل الديمقراطي الكردي الذي يترأسه رشاد كوراني كوردستان	٢٦٠
تجمع البيان العراقي المستقل	٢٦١
محمد كامل مبرور الهندي	٢٦٥
كتلة ائتلافية العراق الشعبية لعام ١٩٩١	٢٦٦
حركة الوفاق الاسلامي	٢٧٢
حركة نهضة العراق الجديد	٢٧٣
عامر علي حسين عويذ المرشدي	٢٧٦
محمد محسن علي الزبيدي	٢٨٠
القائمة المستقلة	٢٨٢
الجماعة الاسلامية الكردستانية/ العراق	٢٨٣
القائمة العراقية	٢٨٥
نزار طالب عبد الكريم	٢٨٦
الجبهة الديمقراطية العربية	٢٨٨
التجمع الوطني العراقي	٢٨٩
حزب الوحدة	٢٩٠
حزب الانقاذ الوطني العراقي	٢٩٤



الحزب الديمقراطي	١٥٩
جبهة العمل المشترك الديمقراطي	١٦٥
الجمية الوطنية لوحدة العراق	١٦٦
المجلس على سلة جاز الله على الديمقراطي	١٦٧
الاتلاف العراقي الموحد	١٦٩
التجمع من اجل الديمقراطية العراقي	١٧٠
جبهة تركمان العراق	١٧٥
الحركة القومية التركمانية	١٧٧
احمد حسن محمود	١٨٠
الحزب الليبرالي الديمقراطي العراقي	١٨١
المجلس العراقي للمنظمات الاسلامية غير الحكومية	١٨٦
مجلس عشائر الموصل الموحد	١٨٨
حركة الدعوة الاسلامية	١٩٢
التجمع العراقي الديمقراطي المستقل للتحرر والبناء	١٩٤
القائمة الرئاسية الوطنية	١٩٧
تجمع وطني	٢٠١
قائمة الزوافين الوطنية	٢٠٤
السيد احمد طه احمد ياسين محمود	٢٠٨
حزب البناء الديمقراطي	٢٠٩
قائمة المستقلين	٢١٢
تجمع مواطني بغداد المستقل	٢١٦
حركة الضباط والعسكريين الأحرار	٢٢٠
منظمة ثار الله الاسلامية المعرف العام في العراق	٢٢٢
حزب الاتحاد الديمقراطي الكردي	٢٢٣
حزب الوطن الديمقراطي الحر برئاسة السيد هيثم الحسني	٢٢٦
د. عبد جاسم الساعدي	٢٢٧
الحركة الاندلسية لادب الاسلامي	٢٢٨
حزب الشعب العراقي الديمقراطي	٢٣٠