
Measuring Stability and Security in Iraq

**March 2009
Report to Congress
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Department of Defense Supplemental Appropriations Act 2008
(Section 9204, Public Law 110-252)**

Table of Contents

Executive Summary	iii
1. Stability and Security	1
1.1. Political Stability	1
National Reconciliation	1
Political Commitments	1
Government Reform	4
International Issues	6
1.2. Economic Activity	9
Budget Execution.....	9
IMF Stand-By Arrangement and Debt Relief.....	10
Indicators of Economic Activity.....	10
Oil Industry	12
Agriculture	14
Essential Services	15
1.3. Security Environment	19
Overall Assessment of the Security Environment	19
Attack Trends and Violence	21
Insurgent and Militant Groups.....	23
Security Assessments by Region.....	25
Public Perceptions of Security.....	28
1.4. Transferring Security Responsibility	31
2. Iraqi Security Forces Training and Performance	32
2.1. Assessed Capabilities of the Iraqi Forces	33
2.2. Ministry of Interior	37
Operations.....	38
Iraqi Police Services	40
National Police.....	41
Directorate of Border Enforcement and Ports of Entry Directorate	41
Oil Police	42
Facilities Protection Services.....	42
2.3. Ministry of Defense	43
Ministry of Defense and Joint Headquarters	43
Iraqi Army.....	47
Iraqi Air Force.....	50
Iraqi Navy	52
2.4. Iraqi National Counter-Terrorism Force.....	53
Annex A List of Acronyms	56

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Executive Summary

This report to Congress, Measuring Stability and Security in Iraq, is submitted pursuant to Section 9204 of the Supplemental Appropriations Act for 2008, Public Law 110-252.¹ This report is also submitted pursuant to Section 1508(c) of the Department of Defense Authorization Act for 2009, Public Law 110-417. The report includes specific performance indicators and measures of progress toward political, economic, and security stability in Iraq, as directed by legislation. This is the fifteenth report in this series of quarterly reports. The most recent report was submitted in January 2009. The report complements other reports and information about Iraq provided to Congress and is not intended as a single source of all information about the combined efforts or the future strategy of the United States, its Coalition partners, or Iraq.

The United States seeks an Iraq that is sovereign, stable, and self-reliant; an Iraqi Government that is just, representative, and accountable; neither a safe haven for, nor sponsor of, terrorism; integrated into the global economy; and a long-term partner contributing to regional peace and security. The United States is pursuing this goal along political, security, economic, diplomatic, and rule of law lines of operation. This report indicates progress along these lines from December 2008 through February 2009 and highlights the challenges in achieving both Coalition and Iraqi objectives.²

With the entry into force and implementation of the Strategic Framework Agreement (SFA) and Security Agreement (SA), this reporting period witnessed a historic transition in the nature of the relationship between the United States and Iraq. A comprehensive agreement, the SFA begins to normalize U.S.-Iraq relations through economic, diplomatic, cultural, and security ties, and it will serve as a foundation for a long-term bilateral relationship based on common goals and interests. The SA governs U.S. forces' presence in Iraq, provides Iraqi authority for combat operations and detention activities, and provided the time frame for withdrawal from Iraq. The successful transfer of security authority from Coalition forces to the Government of Iraq (GoI), conducted on January 1, 2009, marked an important milestone in the development of this relationship. There have been no major issues to date in the coordination of detention operations. Multi-

National Forces-Iraq (MNF-I) continues to release security detainees captured prior to December 31, 2008, in a safe and orderly manner in consultation with the GoI.

On February 27, 2009, the President of the United States announced a plan to commence a phased drawdown of U.S. combat brigades from Iraq by August 31, 2010. By this time, U.S. forces will have completed the transition from combat and counterinsurgency activities to a more limited mission set that focuses on training and assisting the Iraqi Security Forces (ISF), providing force protection for U.S. military and civilian personnel and facilities, conducting targeted counter-terrorism operations, and supporting civilian agencies and international organizations in their capacity-building efforts. Further drawdowns will occur in accordance with the U.S.-Iraq SA. The pace of the drawdown takes into consideration Iraq's improved, yet fragile, security gains and provides U.S. commanders sufficient flexibility to assist the Iraqis with emerging challenges. As combat brigades are responsibly redeployed, the United States will also continue to pursue other aspects of its strategy, including sustained diplomacy with a more peaceful and prosperous Iraq.

Iraq continues to make progress, as Iraqis increasingly choose the political process over violence. On January 31, 2009, the people of Iraq demonstrated their confidence in both the political process and the improved security environment through active participation in

provincial elections. Although the first provincial elections in 2005 marked an important step in Iraq's transition to democracy and representative governance, this year's provincial elections were the first to draw broad-based participation by all religious and ethnic groups. The Independent High Electoral Commission (IHEC), with significant support from the United Nations Assistance Mission for Iraq (UNAMI), organized, conducted, and monitored the process. The elections were deemed credible and legitimate by international monitors and observers, taking place with minimal violence or complaints of voter fraud or intimidation. The process of forming governing provincial coalitions is underway.

Despite these positive developments, national reconciliation and accommodation continue to be hindered by the pursuit of ethno-sectarian agendas and disagreements over the distribution of power and resources at all levels. This is underscored by significant distrust between partisan national leaders. Arab-Kurd tensions continue to grow, surrounding the debate over the centralization versus decentralization of power, the resolution of disputed internal boundaries, property rights and restitution, the status of the Kurdistan Regional Government's (KRG) Peshmerga, the status of Kirkuk, and the resolution of hydrocarbon policy. Tensions between the Iraqi Army (IA) and the Peshmerga in and around disputed territories continue to be a flashpoint for potential violence. In addition, longstanding Sunni-Shi'a discord remains, with some Sunnis suspicious of the extent of the Shi'a political parties' ties to Iran and doubtful of the GoI's long-term commitment to the Sons of Iraq (SoI) transition program and the implementation of the Amnesty and Accountability and Justice Laws. Intra-sectarian political tensions also continue, as evidenced by the defection of some members of Tawafuq to other same-sect parties competing for voter support during the provincial elections. Furthermore, there is growing opposition between those favoring a strong central government versus a highly

decentralized government. The GoI will also have to address the issue of resettling refugees and internally displaced persons. These issues will require Iraq's political blocs to overcome their fears and build coalitions that reach across ethnic lines to compromise on sensitive political issues. Additional efforts toward dispute resolution will be required for the development of a secure and stable Iraq.

The overall security situation continues to slowly improve, with security incidents remaining at the same low levels as experienced in early 2004. In much of the country, a sense of normalcy is returning to everyday life, and citizens are increasingly focused on economic issues and the delivery of essential services. With more Iraqis now describing their neighborhoods as calm, the environment is slowly growing more conducive to economic and infrastructure development. Numerous factors have contributed to improved security, including effective Coalition and Iraqi counter-terror operations, increasing capabilities of the ISF, and the rejection of violence and extremism by the Iraqi people. Insurgent-initiated attacks have decreased from an average of 22 per day during the previous reporting period to 12 per day during this reporting period, but insurgents still have the capacity to conduct high-profile attacks. Although these security achievements are increasingly positive, they remain fragile in some places, most notably in Ninewa and Diyala Provinces, as well as in some parts of Baghdad.

Several threat groups remain dangerous and require continued focus to prevent their resurgence. The long-term threat remains Iranian-sponsored Shi'a militant groups, Asa'ib Al-Haq (AAH), Ketaib Hezbollah (KH), and unaligned Shi'a extremists, including the newly-formed Promised Day Brigade. In addition, violent Sunni insurgent groups and Al Qaeda in Iraq (AQI) are still a major security concern.

Iran continues to pose a significant challenge to Iraq's long-term stability and political independence. Despite repeated promises to the contrary, Iran attempted to derail the negotiation of a security agreement between the United States and the GoI, but ultimately achieved little success in affecting the SFA or the SA. Iran continues to host, train, fund, arm, and guide militant groups that seek to bleed the U.S. in Iraq, and Tehran remains opposed to a long-term partnership between the GoI and the United States. Tehran's overarching policy goal for Iraq is to prevent the emergence of a threat to Iran from Iraqi territory, either from the GoI or the United States. Iran seeks a Shi'a-led government in which Tehran's Shi'a allies—such as the Islamic Supreme Council in Iraq (ISCI) and the Da'wa party—hold the majority of political, economic, and security power. Tehran would prefer the GoI remain stable but relatively weak, providing Iran with opportunities to exert political and economic influence in Iraq and preventing the emergence of a regional competitor. Tehran remains determined to build influence in Iraq as part of a strategy to attain a preeminent role in the region, but Iraqi nationalism may act as a check on Iran's ambitions.

Despite these challenges, Iraqi forces continue to steadily improve their ability to provide basic security to the Iraqi people and, with Coalition support, extend security toward Iraq's borders. During this reporting period, the number of ISF battalions capable of taking the lead in counterinsurgency (COIN) operations has increased, and ISF leadership has improved its ability to command and control multiple brigade-sized elements from both the Iraqi Army and the National Police. With decreased Coalition support, Iraqi forces are beginning to take the lead in eliminating terrorist safe havens and reducing the flow of foreign fighters into Iraq. Tactical successes in ongoing joint Coalition and ISF operations against AAH, KH, Special Groups (SG), and AQI in Baghdad, Basrah, Diyala, Maysan, and Ninewa Provinces have demonstrated ISF's slow, but steady, improvement in their capability to

combat extremists. A good demonstration of this continued progress was the planning and execution of a well-crafted security plan in support of the provincial elections held in late January 2009 with limited Coalition assistance. The ISF continues to gain the trust, confidence, and support of the Iraqi populace.

While making significant gains, the ISF continue to rely on the Coalition for logistics, fire support, close air support, communications, planning assistance, and intelligence, surveillance, and reconnaissance capabilities, particularly in northern Iraq. The leadership of the Ministries of Defense (MoD) and Interior (MoI) are making improvements in these areas and have prioritized efforts to expand infrastructure and improve budget execution. However, the global economic downturn and steep drop in oil prices could curtail the rate at which Iraqi forces can become fully modernized, self sufficient, and COIN capable, particularly in the near term. Finally, the Coalition remains a moderating force in the sometimes tense areas near disputed internal boundaries.

In addition to the SFA and SA, the GoI has negotiated Memoranda of Understanding with the United Kingdom, Australia, and Romania for military forces from those countries to continue supporting operations in Iraq through July 31, 2009. The size of the U.S. and Coalition footprint in Iraq continues to be steadily reduced and reshaped. Since January 1, 2009, five U.S. military units have redeployed from Iraq without replacement to include military police, engineers, logistics, and explosive ordnance disposal units, varying in size from detachment to battalion headquarters. Similarly, Coalition forces from Albania, Armenia, Azerbaijan, Bosnia, Bulgaria, Czech Republic, Denmark, El Salvador, Estonia, Georgia, Japan, Kazakhstan, Korea, Latvia, Lithuania, Macedonia, Moldova, Mongolia, Poland, Tonga, and Ukraine successfully completed their missions and departed Iraq since the last report. The GoI and NATO have negotiated an arrangement to enable the NATO

Training Mission – Iraq (NTM-I) to continue specified missions until July 2009; follow-on negotiations to extend this training program beyond July 2009 are ongoing.

Turnover of the SoI program to the GoI has proceeded smoothly thus far. On October 1, 2008, the GoI assumed responsibility for nearly 51,000 SoI in the Baghdad area. Since then, the GoI has taken control of SoI programs in Diyala, Babil, Wasit, Qadisiyah, and Anbar Provinces, marking an important step toward national reconciliation. As of January 31, 2009, 77% of Iraq's SoI members have been transferred to GoI responsibility, and by April 1, 2009, SoI from Ninewa, Salah ad Din, and Tamim Provinces are scheduled to be transferred. Of the 94,000 SoI members remaining as of October 1, 2008, the GoI has pledged that 20% will be transitioned to the ISF, with the rest to be vetted for other civil servant positions or provided training or other support for transitioning into private-sector employment. Since October 2008, more than 5,000 of these have transitioned to the ISF, other ministries, or other non-security education, training, and support jobs programs. Long-term plans include increased education, training, and private sector employment opportunities. Although these steps have been encouraging, successfully transitioning SoI to permanent employment remains a long-term challenge for the GoI, particularly in light of recent budget concerns.

The decline in world oil prices has presented a number of challenges forcing the GoI to adopt a more conservative fiscal approach and seek additional efficiencies. Revenue from oil production comprises over 90% of the GoI's revenues, making the economy highly vulnerable to changes in the market price of oil. This situation has alerted Iraqi leaders of the need to heavily invest in oil infrastructure capacity to ensure stable production levels in the short term and to increase non-oil sector growth in the long term. The GoI currently faces a budget deficit of \$20 billion in 2009 based on a price of \$50 per barrel and an export rate of 2.0

million barrels per day. Current oil prices and export levels fall short of these estimates and will increase the budget deficit if the price of oil remains at its current levels. These shortfalls forced several revisions of the 2009 Iraqi Budget, passed by the Council of Representatives (CoR) on March 5, 2009. Core inflation remains persistent, although the Central Bank of Iraq continues to appreciate its exchange rate gradually to quell inflationary pressures and stimulate employment.

The GoI continues to show improvement in managing and executing its operations budget and capital projects, though significant challenges remain. From January through the end of November 2008, the GoI had spent a total of \$41.2 billion, significantly more than the \$23 billion spent over the same period in 2007. The Ministry of Finance's (MoF) special report on capital funds indicates that through the end of September 2008, a total of \$7.6 billion had been spent or committed. GoI ministries and provinces spent or committed \$1.5 billion in September 2008 alone, a 20% share of the 2008 total. Additionally, Iraq continues to reduce its external debt burden. Following three years of satisfactory performance under International Monetary Fund Stand-By Arrangements, the GoI received its final tranche of Paris Club debt relief.

Improvement continues, albeit slowly, in the provision of essential services. Recent electricity production has reached record highs, and although the overall average generation for 2008 was 14% higher than 2007, demand for electricity continues to increase and exceed supply. Similarly, many Iraqis continue to have limited access to clean water, and challenges continue with respect to sewage services and water treatment plant operations, maintenance, and sustainment. Also, the Ministry of Health (MoH) continues to face a severe shortage of healthcare professionals, though the much improved security environment and concerted efforts by the MoH have resulted in more than 1,000 Iraqi physicians

being repatriated and returned to serve in Iraq during 2008.

The GoI continues to strengthen its bilateral diplomatic relationships with regional partners and the international community. Iraqi Ambassadors have been dispatched to Syria, Lebanon, Turkey, and Qatar; and in recent months, the Arab League, Bahrain, Jordan, Kuwait, Syria, and the United Arab Emirates appointed ambassadors to Iraq. Also, Egypt has pledged to re-establish its diplomatic mission. In addition, trilateral talks with Turkey and the United States are encouraging and are a positive step toward improving security conditions in northern Iraq. UNAMI and NTM-I are engaged in a broad range of ongoing efforts and are committing their support for Iraq. Iraq's diplomatic relations with its regional neighbors will become increasingly important for security and stability as the GoI and the United States transition to a long-term strategic relationship.

Establishing a foundation for the rule of law in Iraq continues to face a number of challenges, and helping the GoI to bolster programs for judicial security has become one of the highest priorities. To counter intimidation of judicial officials, the Higher Judicial Council currently provides transportation for judges who try cases away from their home districts as a temporary measure. Until the GoI can provide adequate security to allow the full-time posting of judges within all judicial districts, the exercise of a fair criminal justice system in Iraq remains at risk. Additionally, the court system faces severe capacity challenges, leaving courts that handle the most serious violent crimes overwhelmed. Despite these challenges, Iraq's judicial security and rule of law capacity continues to mature with the assistance of the U.S. Embassy and Provincial Reconstruction Teams throughout Iraq.

In summary, the political, security, economic, diplomatic, and rule of law trends in Iraq remain generally positive, though key challenges remain. With the conclusion and the implementation of the SFA and SA, this reporting period witnessed significant steps toward the development of a U.S.-Iraq strategic relationship, setting the stage for long-term cooperative efforts as Iraq continues to develop as a stable partner in the region. At the same time, continued reductions in violence have afforded Iraqis an environment in which political and economic development can occur, and the peaceful conduct of provincial elections in January 2009 was an indicator of progress. In accordance with the SA, the ISF have assumed primary security responsibility for Iraq and continue to improve their operational and tactical capabilities, although still relying on U.S. combat support enablers.

Despite the continued progress, these gains remain fragile and uneven throughout the country, and their durability has not been seriously tested. Iraq remains fragile, primarily because the underlying sources of instability have yet to be resolved—the nation's major power brokers do not share a unified national vision, they disagree on the nature of the state, and they are reluctant to share power and resources. As security has improved, underlying political disputes have risen to the forefront, and political tension remains a problem. The world witnessed issue-based provincial elections in Iraq in January 2009, signaling the emergence of unresolved problems, such as delivery of essential services and infrastructure improvement, as important to the Iraqi people. To institutionalize and sustain its sovereignty and stability, the GoI must build its legitimacy through the provision of basic services and improved security for the Iraqi people, as well as the continued resolution of political, ethnic, and sectarian divisions.

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Section 1—Stability and Security

1.1 Political Stability

Iraq continued to make political and legislative progress, including through the intensive activity culminating in the approval of the Strategic Framework Agreement (SFA) and the Security Agreement (SA), and despite the resignation of the Speaker of the Council of Representatives (CoR), Mahmud al-Mashhadani, in December 2008. The most significant accomplishments this reporting period were the Government of Iraq's (GoI) ratification of the SFA and a SA with the United States on December 4, 2008, the successful transfer of security authority from Coalition forces to the GoI on January 1, 2009, as the Chapter VII mandate for the Multi-National Forces-Iraq (MNF-I), contained in UN Security Council Resolution (UNSCR) 1790, expired, the successful conduct of provincial elections in 14 of Iraq's 18 provinces on January 31, 2009, and the passage of the 2009 Iraqi Budget on March 5, 2009. Ongoing operations by Iraqi Security Forces (ISF) against Jaysh al-Mahdi (JAM), Special Groups (SG) and other Shi'a militant splinter groups, and Al Qaeda in Iraq (AQI) in Baghdad, Basrah, Diyala, and Ninewa Provinces have demonstrated the GoI's commitment to combating extremists, as well as its ability to plan and lead security operations. However, there still remains significant tension within the CoR and between the CoR and the Prime Minister.

National Reconciliation

National reconciliation efforts continue positive development with a decline in violence and increased participation in the political process by all political actors. The transfer of the Sons of Iraq (SoI) program from Coalition to GoI control has proceeded smoothly, despite initial misgivings by the Sunni community. The GoI's goal is the transition of 20% of the SoI into the ISF and the reintegration of the remaining 80% into public or private employment. The GoI and Coalition are jointly

implementing a number of employment and training programs to support this goal.

Within Iraq, political and sectarian tensions are increasingly being resolved within the democratic political framework instead of through violence. Although Kurd-Arab tensions over the status of Kirkuk and disputed internal boundary regions remain high, these are being discussed between Kurdish leaders and Prime Minister Maliki with U.S. mediation. Intra-Shi'a tensions rose leading up to provincial elections; however, parties pledged to accept the outcome of the democratic vote. Similarly, Sunni-Shi'a tensions over the integration of the SoI program continue, as do Sunni concerns over the extent of Shi'a political parties' ties to Iran, but these issues remain as discussions within the political arena. These tensions have been further exacerbated through corruption and sectarian behavior, and Kurds, Shi'a, and Sunnis have all accused Prime Minister Maliki of over-centralizing power under his authority and, in some cases, using extra-legal entities to bypass legal or constitutional processes. Nonetheless, there has not been a regression into the ethnic violence seen in past years, and parties remain willing to work within the political and legal systems.

Political Commitments

The dispute over the Provincial Elections Law (PEL), the debates on the SFA and the SA, and the Article 140 debate dominated the legislative agenda through the end of 2008. Additionally, the resignation of Speaker Mashhadani in December 2008 and the lack of a replacement speaker affected the CoR's ability to pass outstanding legislation from the 2008 legislative calendar, specifically the 2009 Iraqi Budget, which was passed on March 5, 2009. Legislative priorities this period include setting a date for the district and sub-district elections and concluding the report on provincial elections in Kirkuk based on recommendations

from a CoR-appointed commission (Article 23 Committee). Additionally, Article 140 of the Iraqi Constitution regarding internally disputed boundaries, along with the Hydrocarbon Laws and a Census Law, remain under discussion. The passage of a Census Law and conduct of an actual census could have profound implications on the division of power and resources within Iraq. During 2009, the CoR will need to pass a National Election Law to establish the rules for CoR elections in late 2009 or early 2010. These legislative priorities highlight the progress of the political system as Iraqis continue to resolve core contentious issues through the legislative process.

Strategic Framework Agreement and Security Agreement

A significant achievement during this reporting period was the ratification of the U.S.-Iraq SFA and SA. The SFA formalizes the U.S.-Iraqi relationship with strong economic, diplomatic, cultural, and security ties and serves as the foundation for a long-term cooperative relationship based on mutual goals. The SA governs U.S. forces' presence in Iraq, provides Iraqi authority for combat operations and detention activities, and provides the time frame for withdrawal from Iraq. It ensures vital protections for U.S. forces and provides operational authorities for U.S. forces to sustain the positive security trends in Iraq as they transition to a supporting role—SA implementation arrangements between the United States and Iraq are ongoing. The SA may be submitted for a nationwide referendum no later than July 2009. The President's 19-month drawdown plan for U.S. combat brigades is compatible with the SA, which requires U.S. combat forces to withdraw from Iraqi cities and localities by June 2009 and for a complete withdrawal of all U.S. forces by December 31, 2011. The initial transitional force to be put in place by August 31, 2010 to execute a more limited mission set (training and assisting the ISF, providing force protection for U.S. military and civilian personnel and facilities, conducting targeted counter-terrorism operations, and supporting civilian agencies

and international organizations in their capacity-building efforts) is a step further in the process of the U.S. drawdown out of Iraq in accordance with the terms of the SA. In addition to the SFA and SA reached with the United States, the GoI has negotiated Memoranda of Understanding with the United Kingdom, Australia, and Romania for military forces from those countries to continue supporting Iraqi security efforts through July 31, 2009. The GoI and NATO have negotiated an agreement to enable the NATO Training Mission – Iraq (NTM-I) to continue specified training missions until July 2009; follow-on negotiations to extend this training package beyond July 2009 are ongoing.

Accountability and Justice Law (De-Ba'athification Reform Law)

Despite the January 2008 passage of the Accountability and Justice Law, the GoI has not begun implementation. The Council of Ministers (CoM) has yet to nominate the individuals to head the new De-Ba'athification Commission, leaving the original Coalition Provisional Authority-appointed commission in place, but with no authority. Even with universal agreement that the law needs to be amended, neither the CoM nor the CoR has made any effort to introduce the necessary legislation. Without this legislative attention, some Sunni groups have accused the Shi'a-dominated government of appointing former Ba'athists who are deemed politically reliable, while denying positions to those who are eligible but not politically acceptable.

Provincial Powers Law

The Provincial Powers Law (PPL), approved by the CoR in February 2008, will take effect with the seating of new provincial councils in March, following the January 31, 2009 provincial elections. Implementation of the PPL will transfer additional authority from the central government to the provincial councils. Provincial councils will be granted specific powers over the approval of provincial budgets, the nomination and dismissal of senior provincial officials, authority over non-federal

security forces, and a formal means to remove corrupt officials. Additionally, the PPL grants local and sub-district councils oversight of administration, budget, and other issues within their jurisdiction. However, the PPL mandates the creation of a Higher Board for the Provinces to coordinate administration across Iraqi provinces. The board will be chaired by the Prime Minister and includes the provincial governors and heads of the provincial councils. The critical tests of the federal governance model in Iraq will be the relationships between the provinces and the central government, as seen with the implementation of the PPL.

Provincial Elections

Provincial elections were held on January 31, 2009, in 14 out of Iraq's 18 provinces. Approximately 51% of registered voters voted. The elections were deemed legitimate and credible by local and international observers and UN monitors. The relative order and calm under which the Iraqi-planned and managed elections took place demonstrated the improved competence of the GoI and ISF, who took the lead in establishing a secure environment for credible and legitimate provincial elections.

Preliminary reporting suggests that large, well-organized and well-funded incumbent parties and secular parties performed strongly. Mixed ethno-sectarian provinces experienced the highest registered voter turnout (Ninewa, Salah ad Din, and Diyala Provinces), while Anbar and Baghdad Provinces experienced the lowest registered voter turnout. Although the leading vote-getters in some provinces won strong pluralities, no party won the majority of votes in any province. As a result, most of the 14 provinces where elections were held will face a period of complex coalition-building before they can form governments. Long-term challenges include a smooth handover of authority to the new provincial councils and lack of governing experience of victorious candidates.

Constitutional Review

Constitutional reform is the responsibility of the 29-member Constitutional Review Committee (CRC). The original deadline for the completion of the CRC's work was March 2007, but it did not issue its final report until August 2008. The CRC's final report left all of the major constitutional issues, including revenue distribution, federalism, and the status of Kirkuk, entirely unresolved.

Disputed Internal Boundaries (Article 140)

There has been little progress on implementation of Article 140 of the Iraqi Constitution. Most stakeholders objected to UNAMI's first set of recommendations, released in June 2008. The second set of recommendations on the remaining disputed areas in northern Iraq, including recommendations for the status of oil-rich and highly-contested Kirkuk, is expected to be released in mid-April 2009.

Amnesty Law

As of January 2009, the amnesty review committees have considered over 152,000 amnesty petitions and have granted amnesty for more than 121,000 of them (80%). However, the large number of petitions granted is misleading because it reflects the number of petitions granted amnesty rather than the number of individuals requesting amnesty (in many cases, individuals filed multiple petitions). A large number of Iraqis who were granted amnesty were on bail, parole, or facing warrants. The total number of Iraqis granted amnesty reached 23,500; approximately 6,300 of these have been released from detention.

A Package of Hydrocarbon Laws

Negotiations between the GoI and the Kurdistan Regional Government (KRG) continue in an attempt to resolve the deadlock over the hydrocarbon legislation package. Although negotiations on this package, introduced to the CoR in 2007, continue to be stalled, Iraqi politicians are working on this issue through alternate dialogue mechanisms. It is unlikely negotiations will result in a legislative breakthrough before the end of the

winter legislative term, as fundamental differences remain over federal and regional authorities in contracting and management of the oil and gas sector. In the absence of unified hydrocarbons legislation, both the KRG and the GoI have pursued development contracts with international oil companies, although the GoI has stated that contracts signed by the KRG are not valid.

Government Reform

Ministerial Capacity Development

The GoI continues to develop its capacity to govern at the national, provincial, and local levels. The U.S. Embassy supports Iraqi ministerial development through technical assistance to 12 ministries and several Executive Offices with senior advisors and attachés. The U.S. Agency for International Development (USAID) assists with public administration and management capacity building, as well as governance support at the national, municipal, and provincial levels through the *Tatweer* program, the Community Action Program, and the Local Governance Program, respectively.

To support legislative capacity building, the Embassy's Constitutional and Legislative Affairs (CLA) office has received permission from the CoR to work directly with members of parliament and their staffs and committees. CLA provides training to the CoR on drafting legislation, improving legislative procedures, and executing legislative oversight of the GoI's executive branch. Beginning in fiscal year (FY) 2009, USAID launched a \$24 million program to support capacity building of priority CoR functions, including budgetary review, executive oversight, and internal management systems. The highlight of the program will be a parliamentary center to provide research and technical assistance support to CoR members and committees.

Provincial Reconstruction Teams

The Provincial Reconstruction Team (PRT) program is a key element in an integrated approach to developing an Iraq that is

sovereign, stable, and self-reliant with a government that is just, representative, and accountable and that provides neither support nor safe-haven to terrorists. PRTs improve governance at the provincial level by mentoring, advising, and providing training for the legislative branch of the provinces (provincial councils) and executive branch officials (governors, deputy governors, etc.), as well as Directors General (DG) from the central ministries. The past year has seen an increased focus on provincial and local capacity-building efforts, with particular attention to budget execution and project implementation and facilitating the transition of reconstruction funding from the U.S. Government to the GoI. Other PRT contributions include helping improve the understanding and mastery of democratic processes and promoting investment and business opportunities, micro-financing, and agricultural development.

There are currently 12 U.S.-led PRTs, two Coalition-led PRTs, and four provincial support teams. Additionally, there are 10 embedded PRTs (ePRT), which work alongside brigade combat teams and focus on local capacity building as part of Counterinsurgency (COIN) operations. PRTs have also been enhanced, in some instances, with the addition of UN staff members that provide governance support to provincial governments, particularly in relation to elections.

Rule of Law and Criminal Justice Development

Iraq's criminal justice system continues to face serious challenges. Judicial intimidation significantly hinders administration of the criminal justice system and has impeded rule of law in Iraq. Judicial intimidation has led to an overwhelming backlog of pre-trial cases—three years in some districts—and unfair criminal justice procedures in many parts of Iraq. To reduce judicial intimidation and accelerate case reviews, the Higher Judicial Council (HJC) has hired additional guards to increase protection for individual judges. Additionally, with Coalition assistance, the Ministry of Interior (MoI) and HJC have negotiated a comprehen-

sive plan for establishing the Judicial Protection Unit within the MoI's Directorate of Dignitary Protection. The plan will be presented to the Minister of Interior for his approval and implementation. In the meantime, representatives from the U.S. Departments of Justice (DoJ) and Treasury are assisting in creating a draft budget to be presented to the Minister of Finance.

Representatives from Multi-National Security Transition Command – Iraq (MNSTC-I) and DoJ are also developing a curriculum to train the judicial protection officers. The Coalition has established a Community of Interest working group to address the issue of judicial assassinations. This resource allows for the sharing of information regarding possible targets among the judiciary. Additionally, the U.S. Marshal Service continues to provide judges and their security details with handguns and assist them in obtaining MoI weapons cards.

In addition to protection officers, the Coalition assists with securing courthouses and protecting judges and their families by locating judges in secure complexes throughout Iraq. Judges living in the first Rule of Law Complex (ROLC) in Rusafa are enthusiastic about this arrangement, and Chief Justice Medhat supports the ROLC program. Another initiative intended to overcome judicial intimidation is the Traveling Judge Program. Chief Justice Medhat continues to support travel for judges from Baghdad to local areas with significant case backlog. Recently, the Coalition assisted in transporting judges to Diyala to reduce the case load and relieve severe overcrowding at the 5th Iraqi Army Division pre-trial detention facility. The Coalition will continue to provide such assistance when requested by the HJC.

Courts hearing the most serious insurgent crimes continue to be overwhelmed, particularly in Baghdad. Approximately 9,000 pre-trial detainees in Baghdad detention facilities are awaiting trial. The courts' ability

to process cases in a fair and timely manner is hampered by the sheer number of criminal cases, the lack of timely and complete investigations, insufficient detainee files, poor court administration, and judicial intimidation. However, the Central Criminal Court of Iraq (CCCI) offices located at Karkh and Rusafa are beginning to show improvement in case processing time.

MNF-I's Task Force 134 and the U.S. Embassy's justice attachés work closely with the judiciary and the GoI to improve the quality of the Iraqi juvenile justice system and the treatment of convicted women in Ministry of Justice (MoJ) prisons. Recent progress includes expanded vocational programs at juvenile detention facilities, access to defense services, and expedited review of languishing cases. Although the quality of Iraqi post-trial detention facilities and detainee treatment varies, nearly all still require improvements. Many MoJ facilities, particularly post-trial facilities, are overcrowded and understaffed. The GoI reopened the Abu Ghraib detention facility—renamed Baghdad Central Prison—in January 2009, providing much needed holding capacity. Five new USG-funded prisons are scheduled to open over the next six months, increasing prison capacity by more than 6,500 beds, bringing the total capacity to 43,119 beds by April 2009. Further, the GoI is in the preliminary stages of planning four new prisons for an additional 12,500 beds. These new prisons should help alleviate post-trial overcrowding by the summer of 2009, accommodate additional convicted detainee growth, and facilitate the closure of the GoI's most neglected facilities.

Anti-Corruption Efforts

Corruption in Iraq continues to be a significant problem. From January 4-8, 2009, the UN Development Program held its first workshop in Amman as part of its 2008-2010 Anti-Corruption Program for Iraq. The workshop included instruction on how to conduct self-assessments of Iraq's compliance with the UN Convention Against Corruption.

The MoI's Major Crimes Task Force (MCTF) seeks to build capacity in investigating complex, high-profile crimes such as public corruption, assassinations, and attacks upon government officials. The GoI has assigned 12 experienced Iraqi investigators drawn from MoI's Internal Affairs, the Inspector General's Office, and the National Information and Investigations Agency. The GoI is also working to establish an MCTF-dedicated tactical team to support the work of the task force. U.S. federal agents serve as mentors, trainers, and advisors. The GoI is taking an increasingly active role in the MCTF, committing high-quality personnel and financial resources to create a sustainable, capacity-building training program.

International Issues

Arab Neighbors and Diplomatic Engagements

Iraq continues to develop and strengthen ties with other countries in the region. Arab countries with a diplomatic presence in Iraq now include Egypt, Bahrain, Jordan, Kuwait, Lebanon, Syria, Tunisia, the United Arab Emirates (UAE), and Yemen. Saudi Arabia, Qatar, and Oman have also indicated a willingness to reopen embassies in Baghdad when they assess the security situation has sufficiently improved.

The GoI has taken steps to match the efforts of its neighbors to strengthen diplomatic relations. On September 28, 2008, the GoI announced that it had named ambassadors to Syria, Saudi Arabia, Qatar, Bahrain, Lebanon, and Turkey. Although Iraq has previously posted ambassadors in Bahrain, Lebanon, and Turkey, the naming of ambassadors to Saudi Arabia, Qatar, and Syria represents an additional strengthening of ties. The new ambassador to Syria arrived in Damascus on January 29, 2009. Although the naming of these ambassadors is an important step forward for Iraq, a number of key Iraqi ambassadorships remain vacant and subject to internal GoI disagreement, including those for Egypt, the UAE, and Kuwait.

International Compact with Iraq

The International Compact with Iraq (ICI) remains the framework for coordinating international donor support for Iraq's development and reform process. Since the launching of the ICI, Iraq has made progress in reducing and rescheduling debts from the Saddam era. As reflected in the October 23, 2008 ICI progress report, Iraq continues to strengthen its economy through internal reforms and increased regional and international economic ties and assistance. Recently, the ICI Secretariat moved to the Prime Minister's office, and an annual ICI meeting is tentatively scheduled for mid-summer 2009 in Baghdad. Additionally, increased international attention, as evidenced by visits from trade missions and foreign investors, demonstrates promise for future integration within the global economy.

Iranian Influence

Since 2003, Tehran has invested to gain and sustain political and economic influence in Iraq. Iran's close ties with Iraq's Shi'a parties have helped facilitate this effort. The strength of ties between Tehran and pro-Iranian elements has also enabled Iran to survive strained relationships with Iraqi officials caused by Iran's sponsorship of militia groups targeting Iraqi and Coalition forces. Iranian officials have therefore made tactical adjustments to their Iraq strategy, following complaints by Iraqi officials of Iranian interference. Although continuing to support JAM leader Muqtada al-Sadr's religious studies in Qom, Tehran has selectively reduced the number of militants it supports. However, Tehran has also simultaneously improved the training and weapon systems received by the proxy militants. These groups are now returning to Iraq and remain a potential threat to Iraqis, the Coalition, and others. Some of these groups may also be involved in criminal activity.

Tehran sought to perpetuate its influence over Iraq by identifying and supporting pro-Iranian individuals and parties in their bid to win

elections. Tehran has attempted to pressure government officials privately, through media campaigns and through largesse, to adopt pro-Iranian positions on such matters as the U.S.-Iraq SA, provincial elections, and the disposition of the Mujahidin-e Khalq (MeK). The large number of visits exchanged by Iraqi and Iranian officials testifies to the degree of Iranian influence in Iraq, but also highlights Iraq's efforts to channel this influence into mutually beneficial cultural and economic ties. A recent example of this cooperation is the award by the GoI of a billion dollar plus contract to an Iranian firm to perform major reconstruction in Basrah, as well as the repair of ancient Persian historical sites in the South.

Syrian Influence

In September 2008, Syria appointed its first ambassador to Iraq in nearly three decades; the new Iraqi ambassador arrived in Damascus on January 29, 2009. Syria likely hopes these steps toward better diplomatic relations will help promote Syrian economic interests in Iraq, especially expanding energy cooperation, trade, and investment. The Syrians recently voiced their willingness to cooperate with Iraq on the rehabilitation of the Iraq-Syria oil pipeline to Baniyas, an effort that would improve the economic situation of both countries and provide another outlet for Iraqi oil.

The Government of Syria must do more to address border security and its alliance with Iran. Syria's continued tolerance of AQI facilitation activity obstructs further progress on joint economic or political fronts with Iraq. Although Syria has detained AQI facilitators and operatives for domestic security reasons, Syria remains the primary gateway for Iraq-bound foreign fighters. In a recent visit to Syria by Iraq's Vice President Hashimi, the GoI insisted upon more meaningful security cooperation prior to enhancing economic relations between the two governments.

Furthermore, both governments desire to facilitate the return of nearly 1.5 million Iraqi refugees in Syria who are straining Syria's

weak economy. The GoI provides transportation assistance on a case-by-case basis for Iraqis interested in returning. In November 2008, the Iraqi Embassy in Damascus announced that it would offer money and flights to Iraqi refugees willing to return. The vast majority of refugees, however, are not currently returning to Iraq due to housing, employment, or security concerns. In the meantime, the social and economic burdens of refugees impede improvements in diplomatic, security, and economic relations between the two countries.

Tensions on the Border with Turkey

Cooperation among the GoI, the KRG, and Turkey to combat the Kongra Gel (KGK) improved during this reporting period. In November 2008, the Governments of Turkey, the United States, and Iraq initiated regular trilateral meetings to exchange intelligence and to coordinate security measures to combat the KGK. KRG officials participated in these discussions as integral members of the GoI delegation and have also made efforts within the KRG to erode support for the KGK. In addition to the trilateral dialogue, the GoI has increased its diplomatic and economic contacts with the Government of Turkey to bolster bilateral ties beyond border security. Iraqi Foreign Minister Zebari traveled to Ankara on January 23, 2009, to discuss recently-concluded trade and economic agreements. Turkish President Gul intends to visit Iraq in the near term, and both governments plan to convene a Turkish-Iraqi Ministers Council Meeting in the spring of 2009.

Internally Displaced Persons and Refugees

The steady return of internally displaced persons (IDP) continued through the end of 2008. The office of the UN High Commissioner for Refugees (UNHCR) estimated that 208,000 Iraqis returned in 2008: 185,000 IDPs and 23,000 refugees. The return of IDPs and refugees is a critical step toward reversing the loss of human capital and re-establishing Iraq's intellectual class.

Despite these returns, a significant number of Iraqis remain internally displaced. The International Organization for Migration (IOM) estimates that there are more than 1.6 million post-February 2006 IDPs and more than 1.2 million pre-February 2006 IDPs. Increases in IDP returns coincide with improved security and GoI-led property restitution initiatives, specifically the implementation of the Prime Minister's Order 101 and Decree 262. Order 101 directs the eviction of squatters from private residences and the establishment of two Returns Assistance Centers in Baghdad. These centers assist returnees to register and to resolve property issues they may encounter upon returning. Decree 262 authorizes a one-time grant to returnees and a six-month rental subsidy for squatters secondarily displaced by returning homeowners in Baghdad. However, returnees have reported little success accessing these benefits.

United Nations Assistance Mission – Iraq

The United States and the UN extended their standing support agreement for Iraq in January 2009. The agreement stipulates that the United States will continue to facilitate United Nations Assistance Mission for Iraq (UNAMI) operations with security and logistical support at the request of the GoI until December 31, 2011. UNAMI advised the IHEC and Iraqi political leaders in preparations for the January 2009 provincial elections that were deemed credible and legitimate. The UN continues to state its commitment to expanding its presence and activities outside Baghdad and is looking at enhancing staffing in Basrah and several other Iraqi cities.

Conclusion

During this reporting period, Iraq has made significant progress in the political and diplomatic arenas, the most significant being successful provincial elections, conclusion of the SFA and SA, increased assertion of its co-equal authority by the CoR, and the bilateral agreements with the non-U.S. Coalition partners and NTM-I. On the political front, the various political blocs in the CoR continue negotiations to find a suitable replacement for Speaker Mashhadani. Provincial elections occurred successfully on January 31, 2009, in 14 of Iraq's 18 provinces. On the diplomatic front, Iraq's engagements with neighbors and the international community continue to strengthen through increased debt relief, greater economic support, and mutual cooperation. More nations have established a diplomatic presence in Baghdad.

However, numerous challenges remain. Despite efforts to increase coordination between the GoI and KRG, political tensions remain elevated, and key legislation, such as the Hydrocarbon Law, remains stalled. Intra-sectarian tension is also on the rise in some areas following elections, as former allies, competing with each other for votes during the provincial elections, now reveal sectarian or divisive agendas. Iraqi political leaders must continue to manage lingering sectarianism, work to improve nascent institutions, engage with neighbors (some of whom are not yet fully committed to the GoI's success), and stay committed to resolving the complex task of constructing a democratic state.

1.2 Economic Activity

Iraq's near-term economic development depends largely on its success in managing the oil and gas sector. Although the rapid rise in oil prices and projected revenues led to the expansive 2008 supplemental budget, the collapse of oil prices in the last quarter of 2008 has caused an equally rapid GoI shift to a more conservative posture. Falling oil prices undermine the International Monetary Fund's (IMF) projected 9.8% GDP growth in 2008 and have created a serious fiscal crisis for Iraqi leaders. Positive real growth in 2009 remains possible, as the effects of substantial increases in government spending stimulate the economy.

The collapse in oil prices prompted several revisions to the recently-passed 2009 Iraqi Budget. Volatile oil prices have refocused the attention of Iraqi leaders on oil infrastructure, although the results of major improvements will not be felt for several years. The GoI continues to seek reductions in spending that can still generate positive economic growth and diversify Iraq's economy beyond oil revenues.

The GoI has improved national and provincial budget execution and the distribution of essential services, although spending on capital projects continues to fall short of needed investment. Investments in electrical generation have led to a stable national grid, improved reliability, and recent all-time highs in generation. Although private generation has helped to fill the supply-demand gap, providing up to 30% of Baghdad's supply, insufficient electricity from the national grid remains a source of dissatisfaction.

Iraq's non-oil commercial sector has expanded, with the IMF projecting 5% growth over 2008. Iraq's Central Organization for Statistics and Information Technology (COSIT) reports a significant fall in underemployment over 2008, despite a slight increase in unemployment, with significant improvement in the private sector. Agriculture, Iraq's second most important resource and about 10% of Iraqi GDP, is likely to show growth as Iraq recovers from the 2008

drought. Even with economic progress, Iraq's banking system continues to be a source of weakness. The USG continues to engage on banking sector reform issues along with the World Bank. Rafidain and Rasheed, the two large state-owned banks, are in the process of implementing a large restructuring program.

Budget Execution

The GoI has improved budget execution across the ministries and provinces, although improved spending of capital funds is still needed. In 2008, Iraq averaged \$3.7 billion in monthly expenditures, compared to \$2.2 billion in 2007. Although most improvement has come from increased operational spending, particularly higher wages, execution of capital investment funds has also increased significantly over 2007 spending. The unexpected collapse in oil revenue required several revisions to the 2009 Iraqi Budget, which the CoR passed on March 5, 2009.

Although spending units in Iraq show improvement in managing and executing capital projects, they continue to face difficulties with conducting feasibility studies, negotiating contracts that follow Iraqi laws, and ensuring that letters of credit match approved contracts. Moreover, the one-year budgeting process makes it difficult for spending units to plan and execute multi-year capital projects.

The Public Financial Management Action Group (PFMAG) is expanding technical assistance to ministries and provinces and provides training to Iraqi officials and members of the CoR's Finance Committee to improve Iraqi budget execution and comprehension of budget processes and reforms. Embassy Baghdad created the PFMAG in June 2008 to better coordinate civilian and military assistance on budget execution. Other initiatives, including USAID's Iraq Financial Management Information System and the Governorates Accounting and Project Tracking Information System, will provide an improvement from the manual systems currently in use.

2008 Budget Execution

The 2008 GoI baseline budget is \$49.9 billion, an \$8.8 billion (21%) increase over the 2007 budget of \$41.1 billion. This includes \$3.3 billion for provincial capital budgets and \$9 billion for security budgets (\$3.9 billion for MoI and \$5.1 billion for MoD).

Through the end of November 2008, the GoI spent a total of \$41.2 billion (83% of the base budget), significantly more than the \$23 billion spent through November 2007 (56% of the budget). The Ministry of Finance's (MoF) special report on capital funds indicated that through the end of September 2008, a total of \$7.6 billion (58% of the capital budget) had been spent or committed. GoI ministries and provinces spent or committed \$1.5 billion in September 2008 alone, a 20% share of the 2008 total.

2008 Supplemental Budget

In August 2008, in response to the increase in projected revenue related to world oil prices, the GoI passed a \$22.3 billion budget supplemental, adding \$14.3 billion for operations and \$8 billion for capital funds. Since mid-2008, however, the rapid decline of oil prices coupled with falling exports have returned actual revenues to near the original 2008 projections. Although the supplemental allowed for an increase in public sector salaries, most of this supplemental capital funding proved too large for ministries to execute, particularly given the late approval of the supplemental. Only two ministries, Education and Higher Education, have spent or committed portions of their 2008 supplemental budgets. To shore up the 2009 Iraqi Budget, the MoF has prohibited ministries from rolling over unspent funds.

2009 Budget

Falling oil prices prompted the GoI to lower the expenditures in the 2009 Iraqi Budget. After extended debate and another round of spending cuts, the CoR passed the 2009 Iraqi Budget on March 5, 2009. The budget, based on \$42.5 billion in projected revenues, includes roughly \$60 billion in expenditures. Although lower

than initial drafts, the new budget continues the trend of an overall increase of approximately 19% in expenditures over the previous year. Approximately 17% of the 2009 Iraqi Budget is marked for the Ministries of Defense and Interior.

IMF Stand-By Arrangement and Debt Relief

In December 2008, the IMF completed a review of Iraq's economy under the current 15-month Stand-By Arrangement (SBA). The successful completion triggered the final 20% tranche of Paris Club debt relief, totaling nearly \$42.3 billion (80% of total Paris Club debt). The GoI has expressed interest in discussing future engagement with the IMF beyond the end of the current SBA in March 2009.

Iraq has also continued to obtain debt relief outside of the Paris Club agreements. To date, Iraq has received roughly \$11.8 billion in debt relief from non-Paris Club countries and \$20.9 billion in commercial debt relief. Iraq's neighbors and China are its largest remaining creditors. The UAE committed to complete relief of nearly \$7 billion with an agreement expected to be finalized in early 2009. Saudi Arabia has publically committed to debt relief comparable to Paris Club levels (80%), although owed interest remains a point of contention. The U.S. Treasury estimates that Iraq's remaining bilateral debt outstanding (including that owed to the Paris Club) is between \$48.9 billion and \$76.9 billion. Iraq is studying options to deal with claims of bilateral creditors that do not sign debt relief agreements by the end of 2009.

Indicators of Economic Activity

IMF projections made before the fall in oil prices estimate real GDP growth as high as 9.8% over 2008, including a 5% expansion in the non-oil economy. Although benefitting from improved security, Iraq's private sector remains highly dependent on government outlays. Corruption remains a constraint to reconstruction and economic development.

Inflation

In December 2008, year-on-year core inflation fell to 11.8%, slightly below the 2007 average of 12% and significantly lower than the inflation rate of 26% in 2006.³ Core inflation was trending up slightly at the beginning of the 2008, but has leveled off and is beginning to trend downward. Stabilization of inflation is attributable to improved security conditions, steady appreciation of the dinar, and global inflation trends. From November 2006 through December 2008, the dinar appreciated against the U.S. dollar by more than 24%. Lower inflation rates and an appreciating dinar improved Iraqi purchasing power for basic needs and provided a more stable environment in which the private sector could grow.

Unemployment

GoI data released in December 2008 revealed strong gains in employment. COSIT reports that underemployment (less than 35 hours of work per week) fell to 29.4% (from 37.8% in 2007), while unemployment increased slightly to 18.3% (from 17.6% in 2007). Most notably, the data revealed that over a third of the full-time work force was employed in the private sector, an increase from only 24% in 2007. Based on population demographics, Iraq's labor pool is growing at a rate of more than 200,000 people per year. The resultant growth in jobs has roughly kept pace with the expanding labor pool. Additionally, Iraqis continue to be challenged by underemployment, as many are overqualified for the positions they hold or can only find part time employment. Unemployment may be exacerbated by the return of displaced persons to Iraq as security conditions improve, as well as by the release of detainees who will seek to re-enter the work force. Continued economic progress is vital, as the employed populace greatly adds to Iraq's economic stability and simultaneously decreases the ranks of disenfranchised citizens potentially willing to embrace violence.

Business Development

The National Investment Commission and the Provincial Investment Commission programs, established to develop the investment capabilities of national and provincial governments, are operational and promoting foreign investment in Iraq. The "Southern Opportunity" Basrah Investment Commission business seminar in Istanbul and the Dialogue on Business and Investment Conference (DBIC) in Baghdad reflect the Iraqi pursuit to improve the investment dialogue internationally and promote private investment and economic development. The DBIC led to another surge of international investment, with 13 new investment licenses signed after the conference. The Provincial Investment Commissions of Baghdad, Najaf, Karbala, Muthanna, Diwaniyah, Babil, and Dhi Qar have each contributed to the overall \$2.4 billion private-sector development progress that started in 2008 and, to date, has resulted in a total of 39 investment licenses signed.

In November 2008, the Ministry of State for Tourism and Antiquities hosted World Tourism Week. This event opened with a ceremony and tours in Baghdad and continued with visits to tourist sites in Babylon, Karbala, and Najaf. Of the 200 participants, more than 100 of them were international tourism investors and professionals. This event was significant because it was planned, coordinated, and executed by the Minister's staff and showed the level of international interest in the Iraqi tourism industry. To date, there have been 13 investment licenses signed for a total of \$497 million in the Iraqi tourism and hospitality industries, accounting for 20% of foreign direct investment tracked by the National Investment Commission.

The Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) continues to assist Iraq's transition to a free market economy through the Iraqi First Program. Beginning in 2006, the Iraqi First Program has executed over 35,000 contract actions, totaling \$6.6 billion, with host nation vendors. With over 8,000

Iraqi vendors registered and vetted by the Iraqi Central Contract Registry, the program supports Iraq's ongoing economic expansion, entrepreneurship, and business development.

The Department of Defense Task Force to Improve Business and Stability Operations (TFBSO) aids in the revitalization of Iraq's economy and in creating jobs. This organization includes business leaders, engineers, subject-matter experts, and accountants working alongside Iraqi business and engineering professionals nationwide. Through its established effective working relationships with the GoI, the TFBSO continues to develop business and economic opportunities in Iraq. In the last year, the TFBSO has helped 66 state-owned factories either restart or increase production, and an additional 30 factory revitalization projects are currently being executed, focusing on the recently-secured areas of Basrah, Kirkuk, and Mosul.

In recent months, TFBSO has facilitated the completion of seven joint ventures between state-owned factories and multinational private investment consortiums. Two more large joint ventures are ongoing, and the TFBSO anticipates completion of these undertakings in the next few months. These completed contracts represent \$910 million in private investment that helped jumpstart idled factories in Iraq. Also, the TFBSO was instrumental in bringing together international investors and GoI participants, which resulted in the license award by the GoI to build a five-star luxury 300-room hotel in Baghdad's International Zone (IZ). Groundbreaking took place in August 2008, and construction is now underway. The hotel will be managed by a luxury hotel chain from the UAE. This privately-financed hotel, 750-person conference center, and seven-restaurant complex will serve as a world-class meeting place for business leaders, government officials, and tourists.

Banking Sector

The Iraqi banking sector consists of 40 banks with over 700 branches. According to the Central Bank of Iraq, there are seven state-owned banks and 33 privately-owned banks conducting business in Iraq. Of the 33 privately-owned banks, six are considered foreign-owned (having more than 50% foreign ownership). The Banking Law of 2004 limited the number of foreign-owned banks to six until December 31, 2008. Currently, the two largest state-owned banks, Rafidain and Rasheed, are undergoing a comprehensive restructuring with World Bank and Treasury guidance. The effort consists of two focus areas—a financial restructuring of the two banks and a complete operational restructuring.

While state-owned banks continue with restructuring efforts, privately-owned banks have established a retail payments consortium with support from the TFBSO, which will allow for domestic and international use of debit cards and credit cards through ATMs and points-of-sale terminals. Almost 200 private bank branches have been automated and linked to international financial systems. State-owned banks are issuing, and have already begun paying, pensions through new biometric smart cards that will permit automatic deposits into individual accounts on the cards, ATM uses, and points-of-sale capabilities. Also driving the conversion to electronic banking is the JCC-I/A requirement to pay Iraqi contractors using electronic funds transfer in accounts they establish in Iraqi banks.

Oil Industry

Iraq's oil industry has shown continued progress in increasing the internal production of refined products, repairing critical infrastructure, and, stimulated by the fall in oil prices, investigating ways to increase crude oil production. Despite higher crude oil production and exports in 2008, technical issues relating to wellhead equipment, field infrastructure, and field management—complicated by poor maintenance—will likely

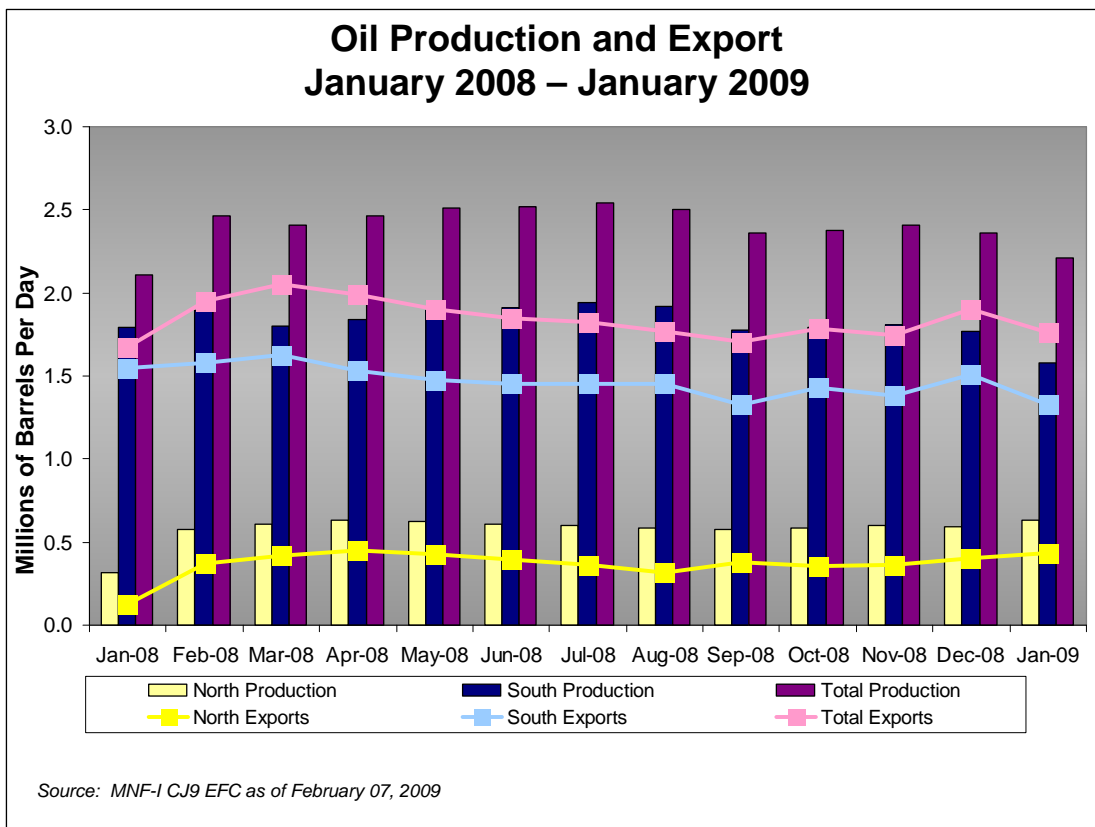
cause reductions in production throughout 2009.

Overall, crude oil production peaked at 2.54 million barrels per day (mbpd) in July 2008 and leveled off at approximately 2.36 mbpd in the later months of the year. Iraq earned an estimated \$41 billion from crude oil exports in 2007, an increase of about \$10 billion over 2006. Oil revenues increased significantly to an estimated \$61.6 billion in 2008, primarily because of high world oil prices in the first half of the year.

Security improvements have contributed to maintaining production, exports, and increased domestic distribution. Although there have been several minor pipeline interdiction over the last six months, none have impacted the production, export, or refining of crude oil. On the Bayji-to-Baghdad pipeline corridor, two repair teams of Iraqi technicians have conducted more than 2,100 repairs since May 2008, and in December 2008, decommissioned the 16-inch natural gas line, which has provided fuel to power plants in North Baghdad

since May 2008. An Oil Pipeline Company (OPC) repair team is currently repairing the 16-inch refined product line from Bayji to the Hammam Al Aleel depot near Mosul, and another team has begun repairs on the 12-inch Naft Khana crude line. These repairs will increase the supply of crude to the Doura Refinery in Baghdad and greatly increase the Ministry of Oil's (MoO) ability to distribute fuel to the largest city in the North. The Pipeline Exclusion Zone (PEZ) projects are on track but incomplete due to MoD and MoI disagreements over contracts for guard towers along the PEZs. The Bayji-to-Baghdad PEZ program, currently 95% complete, remains on track. The USG-funded construction on the Doura-to-Hillah PEZ is 99% complete. However, both PEZs currently have less than 25% of the towers and barracks built.

Despite improvements, much of Iraq's crude oil infrastructure remains outdated, poorly maintained, and under-resourced. The MoO is initiating a series of project proposals that aim to modernize and expand production, specifically in the refining sector. The CoM has



approved renewal of a previously-signed \$3 billion technical service contract with the China National Petroleum Corporation to jointly develop the Ahdab Oil Field in Wasit. In September 2008, the GoI signed a Heads of Agreement with Shell to implement a 25-year project to capture flared gas and provide it both domestically and for export. Moreover, the GoI has also launched two rounds of bidding on contracts to develop major oil fields; the second round was announced on December 31, 2008. Bids from international companies are due in mid-2009, after which the MoO will review and select. Given the length of the contract process, it is unlikely that there will be any significant foreign involvement in Iraqi oil infrastructure before mid 2010.

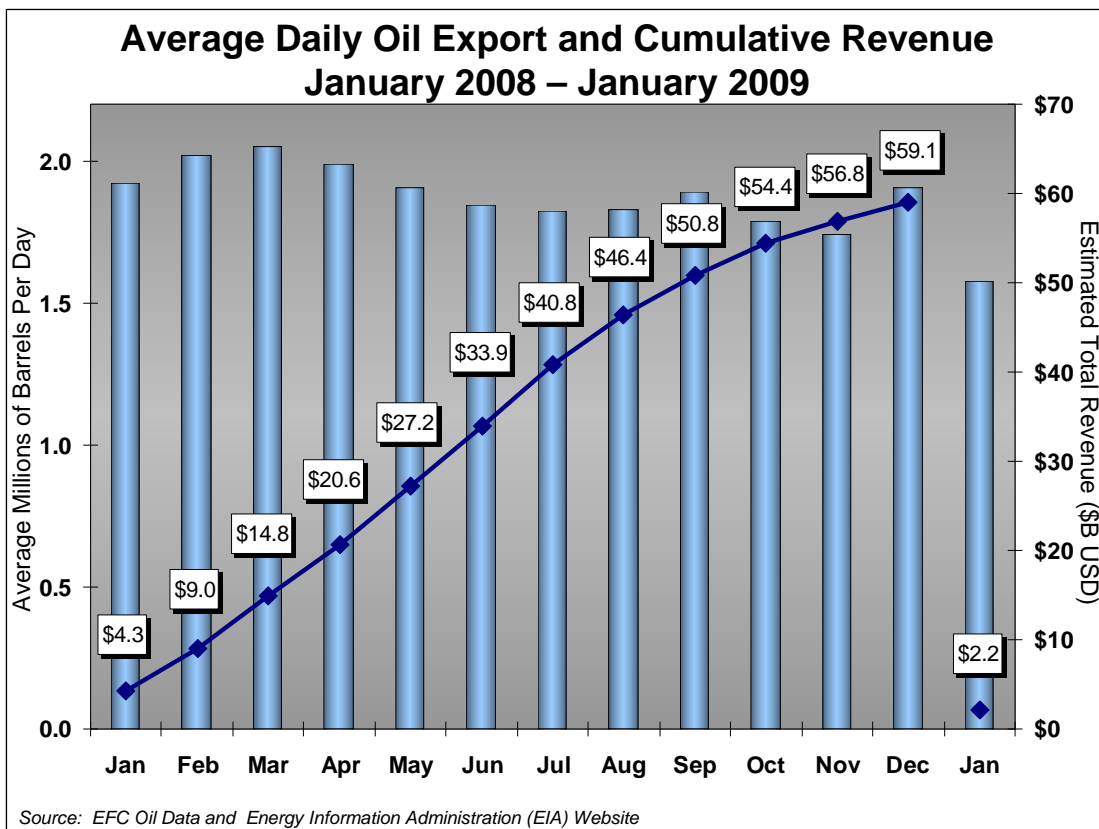
After long delays, Iraq has taken initial steps to bolster its southern oil export infrastructure. The Southern Export Redundancy Project will provide redundancy and expansion of the Basrah and Khor Al-Amaya Oil Terminals, rehabilitate undersea pipelines, and eventually increase export capacity from 1.6 mbpd to 4.5 mbpd. The front-end engineering design

contract was signed on December 21, 2008, and surveys of geotechnical conditions and unexploded ordnance in the northern Gulf will begin in mid-February 2009.

Agriculture

Iraq's agricultural industry, which accounts for 10% of the GDP and 25% of employment, is now rebounding in areas where security has improved, and access to working irrigation systems has counteracted the effects of the 2008 drought. Although agricultural output has increased, domestic food production remains below potential due to restrictive government policies, outdated technology, unstable electric power, and a breakdown of the long-standing irrigation water-management system. Traditional GoI farmer support programs will likely be limited in 2009 due to budget shortfalls. Still, Iraqi farmers have made gains in production, particularly those with access to private financing. In January 2009, for example, 87% of Iraqis have reported that they have enough to eat at least some of the time.⁴

U.S. Government efforts have focused on



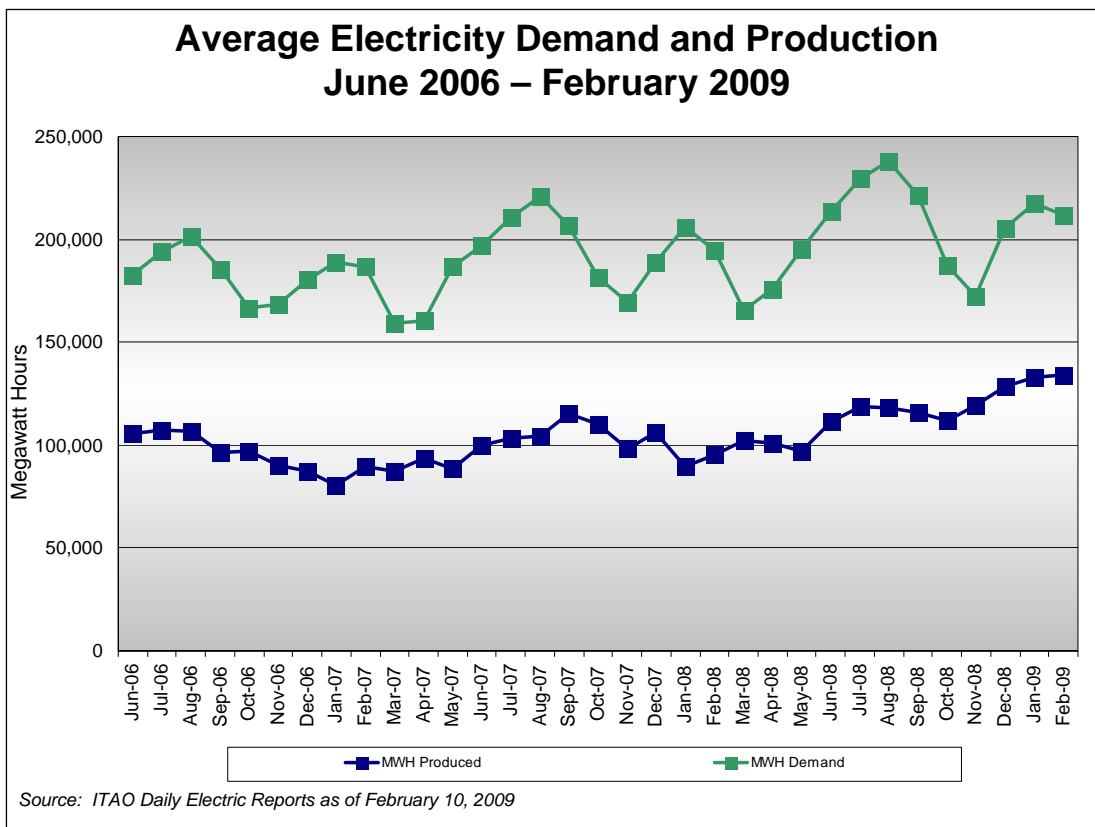
building sustainable Iraqi agriculture through training, locally-owned farmer credit programs, and agriculture educational capabilities. The U.S. Department of Agriculture (USDA) is creating partnerships with universities and coordinating farmer association education with local PRTs. *Inma*, a \$92.9 million USAID project launched in 2007, focuses on developing agribusiness and agricultural markets.⁵ Now in its third year, this program has demonstrated the capability to rapidly grow the agriculture industry as security improves and electricity and water become more readily available. Since the beginning of the program, approximately 3,700 new agribusiness jobs have been created. In the Abu Ghraib area, *Inma* facilitated a 300% increase in vegetable yields by introducing improved seeds. Additionally, the TFBSO's agricultural initiative has partnered U.S. Land Grant University professors with Iraqi farmers. More than 30 faculty and staff are working on farms surrounding Baghdad and in western and northern Iraq. This relationship enables Iraqi farmers to increase production levels and teaches them new farming techniques.

Essential Services

The GoI has made mixed gains in delivering essential services, such as electricity, water, and healthcare, although progress varies by locale. Demand for electricity still outstrips supply; however, GoI investments in electrical generation have led to a stable national grid, improved reliability, and recent all-time highs in generation. Although many Iraqis still report limited access to potable water, 35 major new water supply and treatment plants are under construction. Improvements have been made to Iraq's telecommunications infrastructure, and initial steps are being taken to restore and expand the country's limited transportation infrastructure. The provision of essential services remains a key component of national reconciliation and a significant factor in building popular support for the GoI.

Electricity

The Iraqi Government continues to manage the electricity sector with increased effectiveness, as evidenced by the absence of blackouts in the national grid since May 2008. With the completion of hardening projects at key transmis-



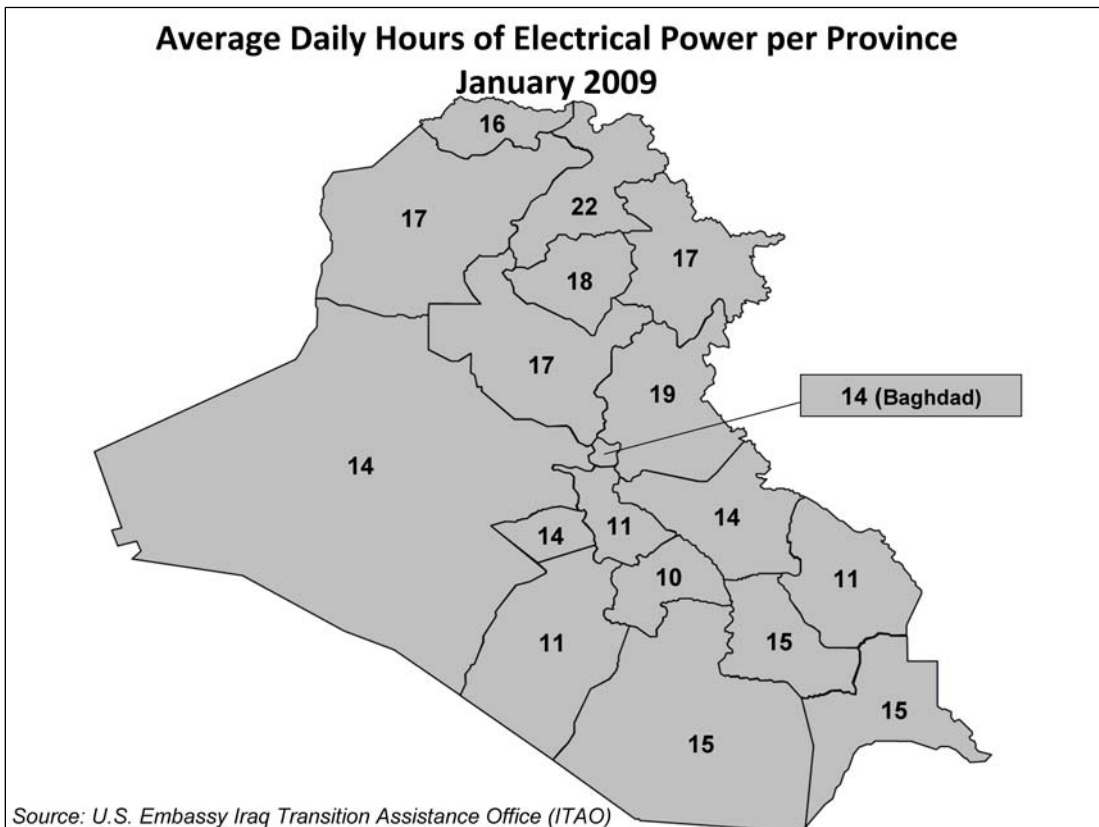
sion towers, there have been no interdictions over the last six months. All transmission tower protection projects have either been completed or deemed infeasible and subsequently canceled. Progress continues on important transmission lines that will improve distribution and increase imports.

Despite gradual and steady increases in electricity generation, years of neglect and lack of maintenance continue to hamper electricity generation and distribution in Iraq. An average of 100 megawatts (MW) per day in capacity is lost due to the lack of fuel and the need for improvements in transmission. Only 43% of Iraqis feel they have been able to get the electricity they need at least some of the time, twelve percentage points less than the previous ten-month average.⁶ Only 18% of Iraqis are somewhat or very satisfied by the amount of electricity they receive, down from 34% who felt satisfied in November 2007.⁷

Earlier investment by the GoI, the KRG, and the United States has added new generation to the grid. Average generation in 2008 was 14%

higher than in 2007. Despite a 6% increase in average demand since 2007, improvements in the electrical sector led to a 17% increase in the average percentage of demand being met nationwide and increased the average national hours of power (HoP) a day from 12 HoP to 14 HoP, but this still translates into only a few hours of electricity per day for the average domestic consumer. A 41% increase in average gas turbine generation since 2007 (460 MW) more than offset the loss in hydroelectric power (250 MW) due to the 2008 drought.

Iraq is taking long-term steps to close the electricity supply-demand gap, recently signing contracts for new gas turbine generation totalling more than 10,000 MW. The first set of units, from General Electric (GE), is expected to begin shipping in mid-2009. Although the purchase of these generators is a major step toward meeting the supply goal, the Ministry of Electricity (MoE) has yet to contract for the purchase of the balance of plant equipment or for the design and construction of the facilities. It is not known whether the budget will be able to support this volume of



construction. Moreover, the full potential of these units depends on the availability of fuel, as well as proper operations and maintenance. Assuming all of this occurs, new generation should be online between 2012 and 2016. The MoE previously contracted Parsons Brinkerhoff to provide operations and maintenance services support, as well as training at several gas turbine plants. The six-month contract is expected to be renewed in the next few months. The MoE is also negotiating with GE and Siemens to provide maintenance and parts support for their respective units currently installed in power plants.

Water and Sewer

Poor water treatment plant operations, maintenance, and sustainment continue to stymie efforts to provide potable water to the Iraqi population. Poorly maintained water distribution systems are susceptible to contamination, increasing the potential for disease. Nearly 67% of Iraqis report being able to get safe, clean drinking water at least some of the time, down four percentage points from November 2007.⁸ Although the majority of Iraqis can get safe drinking water, only 32% are satisfied with the availability of drinking water, a two-point reduction from November 2007.⁹ Only 46% of Iraqis state that they have a working sewage disposal system at least some of the time, down two percentage points from November 2007.¹⁰ The percentage of Iraqis satisfied with sewage disposal services is 26%, a one-point increase from November 2007.¹¹

Several important projects enhancing water and sewer capability are underway. The Sadr R3 Water Treatment Plant has been operating at full capacity since mid-September 2008, and the Baghdad Water Authority has been operating the plant since the end of January 2009. In Najaf, the Mishkab Water Supply project, being executed under a \$23 million grant to the Ministry of Municipalities and Public Works, is 45% complete and is due to be operational in 2009.

Healthcare

The Ministry of Health (MoH) faces serious human resource challenges across the spectrum of healthcare professionals and ancillary staff. With Iraq's improved security environment, the MoH has worked diligently to encourage the return of expatriate physicians; the Minister estimates that more than 1,000 physicians returned to Iraq in 2008. To increase skills, the MoH has sent 75 Iraqi medical specialists and subspecialists to various U.S. hospitals and clinics for month-long clinical rotations. Jointly, the MNF-I surgeon and the MoH are finalizing plans to rotate Iraqi healthcare providers through Coalition force hospitals and clinics throughout Iraq. The U.S. Army Corps of Engineers has transitioned 133 new Public Health Clinics to the MoH, although full potential remains limited by poor staffing and the lack of adequate essential services (i.e., electricity, water, and sewage) in some provinces.

Health awareness initiatives and responses to disease outbreaks have been very effective this year, reducing cholera cases by 80%, from 4,700 cases in 2007 to 925 cases in 2008. The MoH is also increasingly able to identify, diagnose, and treat diseases independently. Despite this initial progress, national polling indicates that only 26% of Iraqis are either somewhat or very satisfied with health services, 11 percentage points lower than in November 2007.¹²

Transportation

All airspace in Iraq at 24,000 feet and above was returned to Iraqi control on January 1, 2009. To facilitate a smooth transition, Iraq has asked the United States to assist with providing air traffic control services until it is fully capable of controlling all of its airspace. Planning and training for the next section of airspace that will be transferred to Iraqi control has already begun. Operations will continue to be assisted by the U.S. Air Force and U.S. contract controllers until there are enough qualified Iraqi controllers to assume responsibility.

Rehabilitation and expansion of Iraqi railroad track and station infrastructure continues. In addition, efforts to develop a state-of-the-art train control system for the railroad are nearing completion. This system will provide a positive means of communication with trains as they operate throughout the country. This technology is capable of preventing train-to-train collisions, over-speed derailments, and casualties to railroad workers when operating within the limits of their authority and will greatly add to the level of safety along the rail network.

Revitalizing the Port of Umm Qasr has continued with the support of MNF-I and Embassy Baghdad's Office of the Transportation Attaché (OTA). The GoI is employing port tender agreements to develop modern container-port facilities in Umm Qasr's South Port. The OTA is completing the last phase of the U.S.-funded repair of two container cranes in South Port to provide a major increase in capacity. The OTA and MNF-I, in conjunction with the U.S. Coast Guard, are also supporting offers by the GoI to

achieve compliance for the Port of Umm Qasr with the International Ship and Port Facility Security Code of the International Maritime Organization.

Conclusion

It is expected that 2009 will be a pivotal year for economic development. The GoI will be challenged to create conditions for increased private-sector growth and job creation, while balancing the demands of capital investment, social spending, and security programs, amid shrinking oil revenue projections. Iraq's ability to develop its oil sector and reduce its vulnerability to oil-price changes simultaneously will be a critical test. Opportunities for foreign investment should increase, as security continues to improve. Iraq must take steps to develop a banking sector and a modern legal/regulatory framework to take advantage of new opportunities for investment and growth. In spite of falling revenue and increasing payroll costs, Iraq will need to continue its investment program to develop all sectors of its economy.

1.3 Security Environment

The security environment in Iraq continues to improve, as violence has dropped dramatically in the last two years, and normal life continues to return to the country. Many residents now express greater hope for the future and are demanding a better standard of living. The elections were an indicator of ISF progress since 2005, when Coalition forces played the primary role securing elections. However, for the January 31, 2009 provincial elections, the ISF were in the lead, with Coalition support, deploying outside polling centers in 14 of 18 provinces to ensure a safe and secure electoral process for Iraqi citizens. While progress has been significant, much work remains to be done.

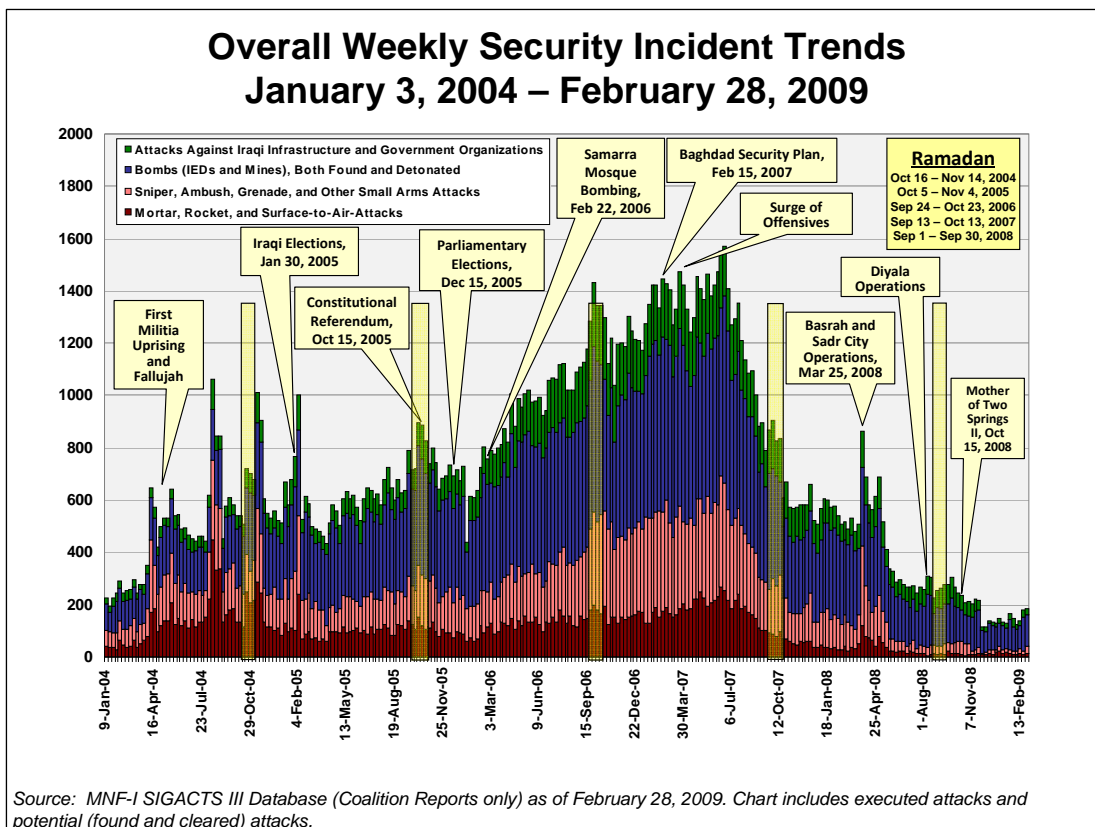
The year 2009 will be a year of enormous opportunity for Iraq, and the GoI must capitalize on recent security gains and work to foster cooperation between political factions, resolve long-standing disputes, and improve the standard of living for its citizens. The events of 2009, which may culminate in national elections, are critical in consolidating the

fragile security gains of the past two years and building the foundation for sustainable stability in Iraq.

Overall Assessment of the Security Environment

The insurgency in Iraq continues to decline but remains dangerous. Of primary concern are various Shi'a militia groups, including Asa'ib Al-Haq (AAH) and Ketaib Hezbollah (KH), Sunni resistance groups, and AQI. Coalition and ISF operations continue to impede AQI's and other insurgents' and militants' freedom of movement and re-supply capabilities. Security gains in Baghdad are allowing residents to enjoy an improved sense of personal freedom. Cafés remain open after dark and families now frequent public parks, in marked contrast to 2006 and 2007. ISF are taking the lead in operations in northern Iraq, and U.S. forces now carry out fewer missions in the lead, and instead, assist the ISF in supporting roles.

Security operations in Basrah, Baghdad, Ninewa, Maysan, and Diyala have produced encouraging results that further degraded the



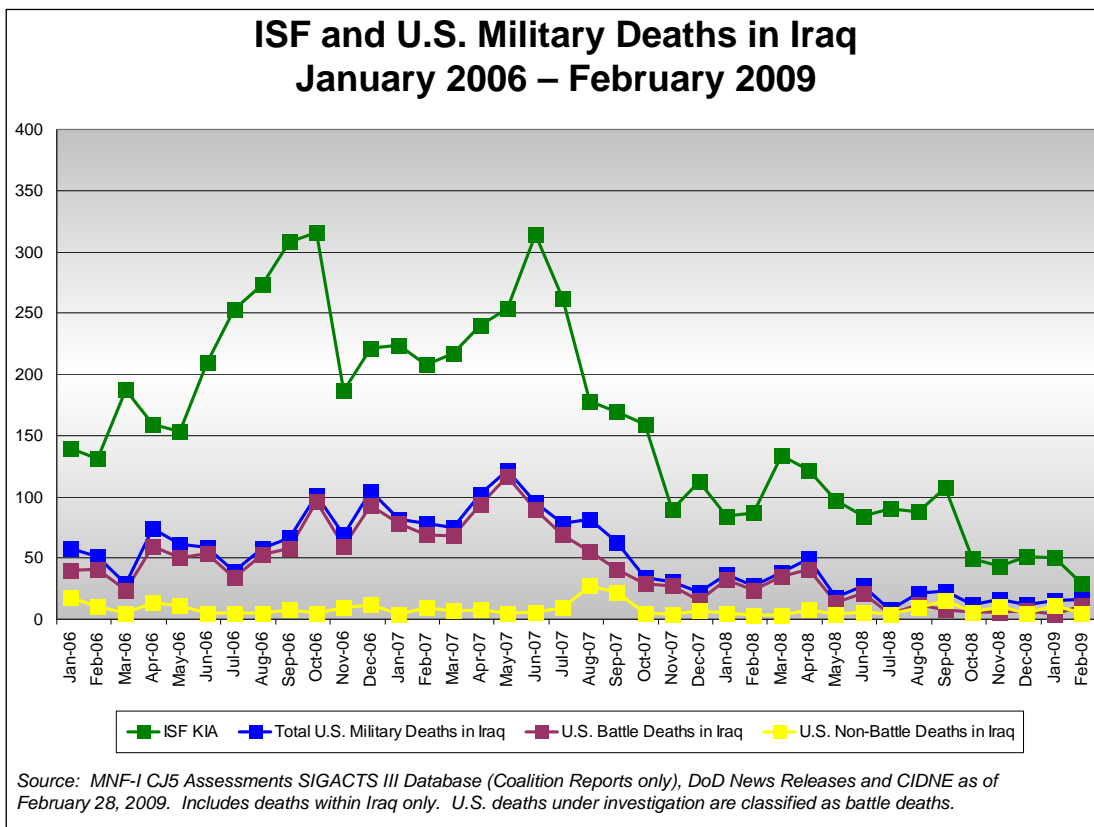
capabilities of AQI and reduced the activities of militias. Iraqi and Coalition forces have significantly extended control in more areas of Iraq, and ongoing operations have severely degraded AQI activities, finances, and supply networks, leading to the capture of several high-value individuals. Although Iraq has achieved progress, AQI retains limited capability to conduct high-profile attacks targeting civilians and ISF, mostly in the North.

Sons of Iraq

The SoI have helped reduce overall levels of violence across Iraq since the Awakening Movement began in Anbar Province in September 2006. On September 8, 2008, Prime Minister Maliki signed an order that detailed the GoI plan to transition approximately 94,000 SoI from Coalition administration to GoI control. The Iraqi Army and Police will integrate 20% of SoI members, and the remainder will transition into non-security employment in ministries, municipalities, public works, or other employment. The transfer of SoI members to GoI control is complete in Multi-National Division-Baghdad,

Multi-National Division-Center, and Multi-National Force-West areas. As of January 31, 2009, 77% of SoI members have been transferred to GoI responsibility, and by April 1, 2009, the remaining SoI from Ninewa, Salah ad Din, and Tamim Provinces will be transferred.

The SoI transition is complicated by many members' lack of skills and education, making it difficult for the GoI to integrate them into non-security positions or security positions that require literacy. To help mitigate this problem, the Coalition has invested \$134 million into job programs such as vocational training centers, Civil Service Corps (CSC), and Civil Service departments that provide vocational training and apprenticeships for more than 9,000 SoI. Progress is being made with the CSC apprenticeship program, and the Coalition is actively working to ensure that SoI members learn valuable trade skills that will help them enter the job market. Other SoI continue to be wary of the transition process, as they are fearful the GoI will not adhere to its promises of integration. The Coalition is assisting to



mitigate these fears by encouraging the GoI to carry out its commitments, and by facilitating face-to-face meetings with local SoI, and tribal leaders.

A majority of the SoI desire a long-term means to protect and provide for their families, underscoring the importance of the GoI ensuring all of the SoI are properly transitioned into long-term employment. However, this effort will require long-term emphasis and may be further complicated by recent budget concerns. Proper management of SoI groups to ensure their successful reintegration is critical for long-term stability in Iraq.

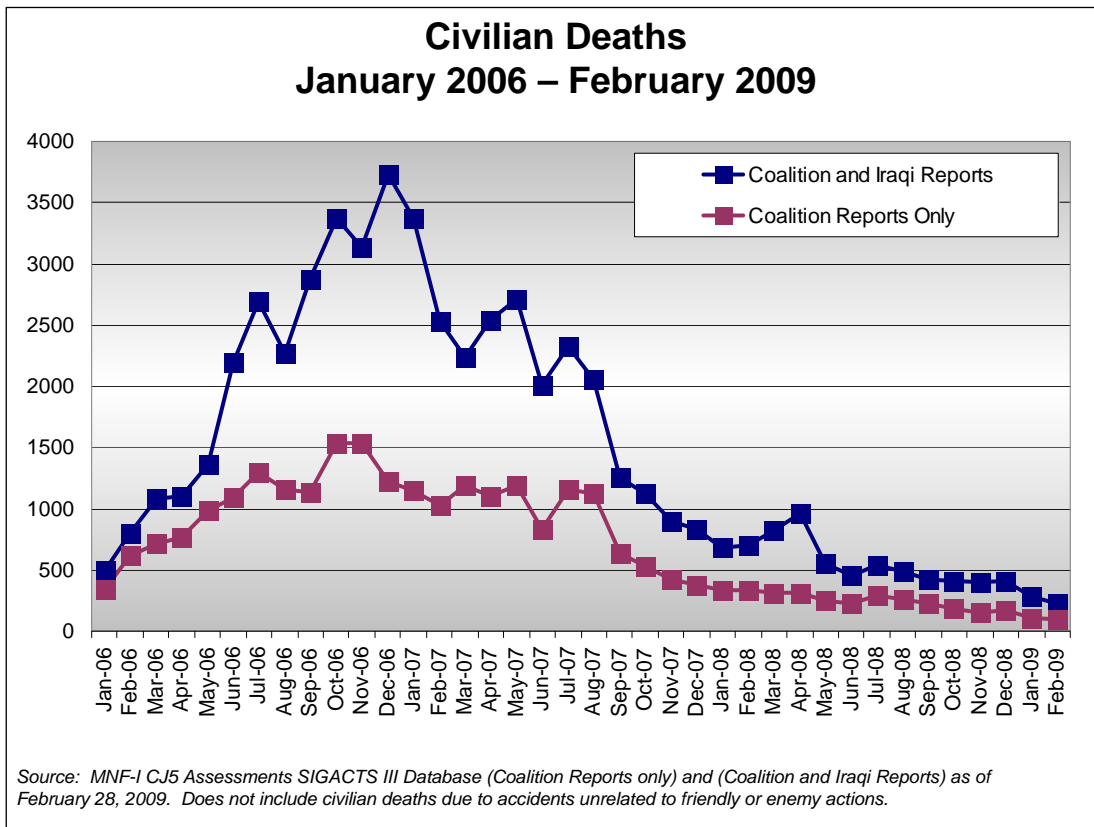
Daughters of Iraq

To mitigate an increasing trend of female suicide bombers in Iraq in 2008, MNF-I and community leaders began calling for women to join the Daughters of Iraq (DoI), a female counterpart to the SoI community policing program largely credited with reducing violence in Iraq. Although the DoI remain a small minority, their non-standard role in Iraqi society has attracted much attention. The GoI

faces increased demand for female security personnel because of the large increase in female suicide bombings—41 women have carried out suicide attacks since this time last year, primarily in Diyala, Baghdad, and Anbar, compared to eight in 2007. The DoI program is specifically designed to fill the security gap that currently allows women to avoid scrutiny at checkpoints. To date, more than 600 women have joined the DoI, partnering with the SoI, to provide an added security capability in Anbar, Diyala, and some areas of Salah ad Din. Since November 2008, there has been a decrease in female suicide attacks. Also, the DoI played a prominent role in the provincial elections, searching large numbers of female voters as they went to the polls. On October 1, 2008, 345 Baghdad DoI transferred from Coalition control to the Baghdad Operations Command, where they continue to perform their important security work.

Attack Trends and Violence

Attacks have decreased dramatically from an average of 29 per day in September 2008 to 13.75 per day in February 2009, a 52%



reduction. Civilian deaths across Iraq have also declined slightly to an average of 20 per week during this reporting period, but even a small surge in high-profile attacks could cause a spike in civilian deaths and potentially destabilize the environment. During this reporting period, there were 35% fewer civilian deaths than during the last reporting period, and Iraq's reported murder rates have dropped below levels that existed before the start of Operation Iraqi Freedom. Although periodic high-profile attacks continued throughout the reporting period, these attacks have not rekindled a cycle of ethno-sectarian violence.

Since the last reporting period, the average number of attacks executed daily has decreased or remained relatively constant in all provinces. Of the 18 total provinces, Baghdad, Diyala, Ninewa, and Salah ad Din contain approximately half of Iraq's population and previously accounted for 78% of all attacks. Daily average attacks in Baghdad Province decreased 37%. The daily average attacks in the northern provinces—Ninewa, Diyala, Tamim, and Salah ad Din—decreased 50%,

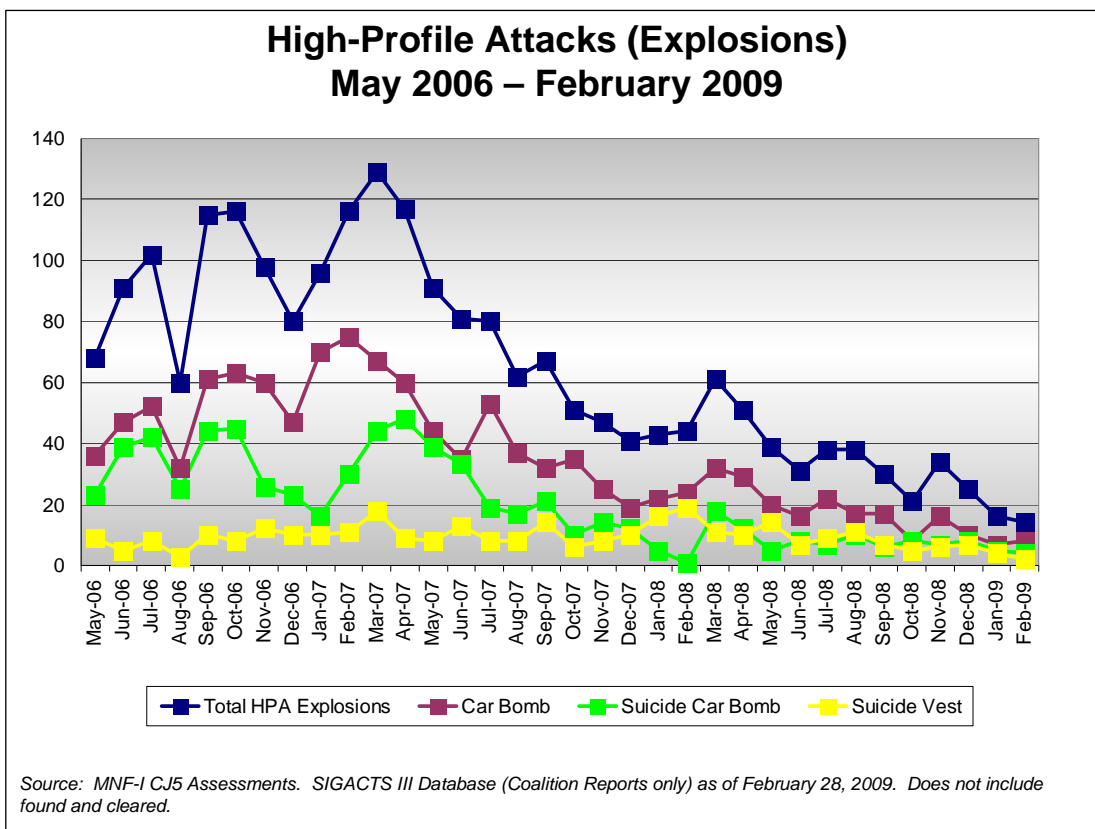
largely due to ISF-led operations.

High-Profile Attacks

During this reporting period, the number of monthly high-profile attacks (HPA), including HPAs found and cleared, decreased 29% nationwide from the previous reporting period. The current level is lower than at any time since the spring of 2004; however, AQI retains the intent and capability to carry out spectacular attacks. During this reporting period, 49% of all casualties were from HPAs. AQI's use of person-borne IED (PBIED) and female suicide bombers remains a key tactic, especially as population security measures and local opposition to AQI in some provinces make effective targeting using suicide vehicle-borne IED (SVBIED) more difficult. PBIEDs continue to be a deadly weapon in the insurgent arsenal and are most commonly associated with AQI, although they are not limited to that group.

Explosively-Formed Penetrator

With the exception of a slight increase in January 2009, explosively-formed penetrator

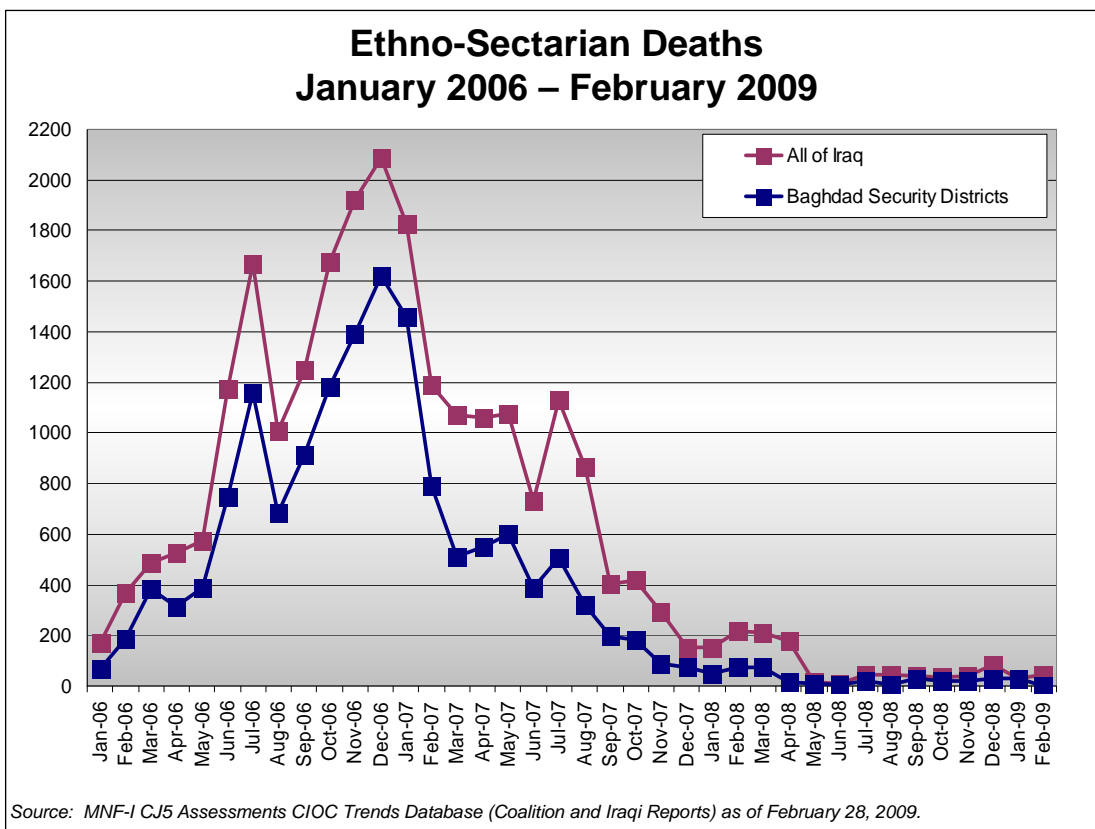


(EFP) incidents have decreased over the past few months to the lowest rate since early 2006. With so many key extremist militant leaders detained, exiled, killed, or reverted to hiding, multiple intelligence reports indicate the remaining lower-level fighters are struggling to obtain and place EFPs to execute attacks. Increased border and clearing operations in south and central Iraq have also combined to disrupt the movement and storage of EFP components to Shi'a militants. Over the past four months, intelligence reports suggest arms and component facilitators are experiencing increasing difficulties in transiting the borders and accessing caches. However, those individuals and munitions that do make it into Iraq from Iran frequently have more sophisticated weapons and better training.

Insurgent and Militant Groups *Shi'a Militias*

Ongoing ISF operations targeting AAH, KH, and Shi'a splinter extremist groups have impeded their operations, despite the return to Iraq of some of leaders in the fall of 2008. One of Muqtada al-Sadr's primary concerns has

been ensuring his control over the Sadrist movement. In his November 14, 2008 statement, Sadr called for members of AAH to return to the Sadrist movement and implied that AAH was abandoning its resistance to the Coalition. Sadr's statement was intended to draw members of AAH back into his movement and undermine AAH as an independent entity. Sadr is continuing to assert his personal control over the direction of the Sadrist movement by attempting to call on AAH members to join his new armed wing, the Promised Day Brigade (PDB), which would continue to violently resist the Coalition. Progress on forming the PDB has been slow; however, the group has conducted some intermittent attacks. Sadrist movements, AAH, and KH continue to experience internal problems, including personal rivalries, disagreements over plans and policy, confusion over orders and operations, and an absence of leadership in Iraq to respond to increased ISF and Coalition operations. Despite these internal problems, Sadr will maintain a focus on the establishment and expansion of *al Mumahiddun*—Sadr's attempt to transform



JAM into a social and cultural movement—and PDB as his top priority.

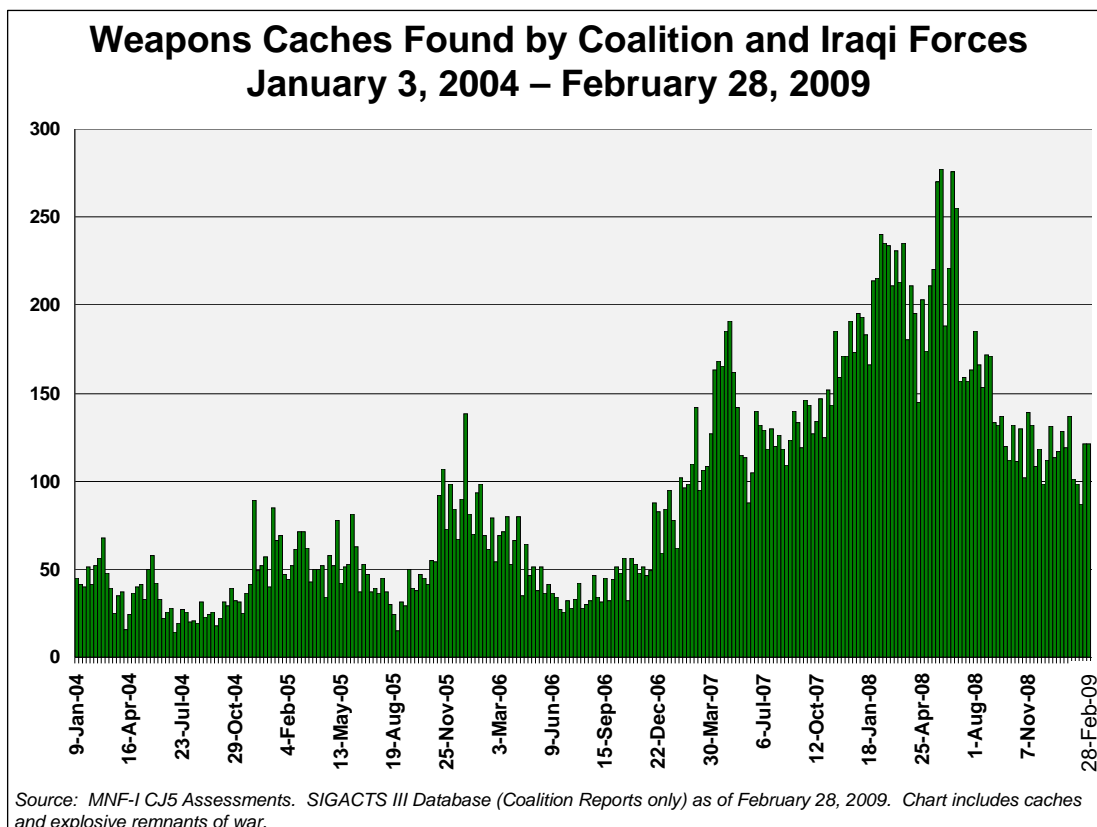
Sunni Insurgents

Sunni insurgent organizations draw much of their motivation for attacks from a few key factors. The largest motivators for Sunni-derived violence in Iraq are economic concerns and the lack of assistance from the GoI for the Sunni community. Due to high unemployment and underemployment rates and an overall suffering economy, many of the low-level Sunni insurgents choose to join or support local insurgent groups in order to earn an income. Regardless of ideologies and overarching objectives, inter-group cooperation at lower levels to achieve mutual goals is common. Frustration over the poor economic situation is directed at the current government and the Coalition for causing these problems. In a society that holds honor and pride in high regard, unemployed Sunni are disenfranchised and have few options to provide for their family. It is these individuals who make up the core fighting ranks of the Sunni insurgency. In addition to money, a small number of hard-line

Sunni insurgents continue to draw motivation from a desire to return to power in Iraq. These individuals will continue to destabilize Iraq with the intent of discrediting the GoI. Secular motivated violence, a driver of instability in Iraq, lingers and is often dependent on local motivations. Personal grudges, ethnically charged incidents, or neighborhood pressure from other sects continue to spur violence. Secular attacks are often youthful reactions to events in their neighborhoods or cities. Religion and nationalism also play a part for a small number of Sunnis who conduct attacks either to expel the “occupiers,” remove perceived Iranian influences, or highlight instances where *Sharia* Law may have been violated. There is also an unknown level of Sunni violence that is attributed to common criminal activities. These acts of violence often have no specific motivation other than greed, interpersonal relationships, and general discontent with the current situation.

Al Qaeda in Iraq

Combined security efforts of Coalition forces and ISF, with SoI assistance, have significantly



degraded AQI and reduced its ability to operate in population centers. Significant leadership losses, lack of public support, and the difficult operating environment have forced AQI from most population centers and limited its freedom of movement. However, AQI retains limited capability to conduct HPAs designed to demonstrate its viability and diminish GoI security advances. Subsequently, AQI has demonstrated its use of female suicide bombers to thwart improved security measures and conduct high-casualty producing attacks, especially against civilians. Further, AQI is targeting ISF to create an environment of instability and increase its freedom of movement.

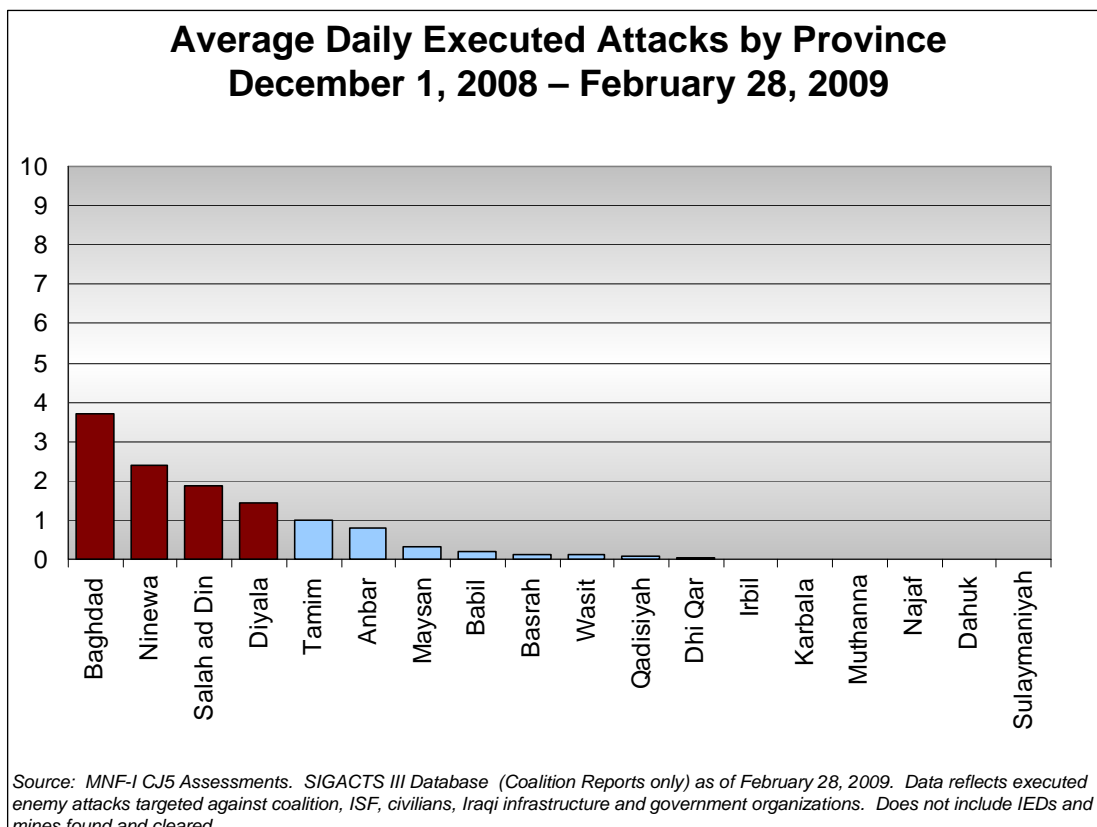
Although northern Iraq remains AQI's main area of activity, ongoing security operations in and around Mosul continue to pressure the group. These operations have also impeded AQI's ability to receive external support, and the influx of foreign fighters into Iraq continues to decline. Concurrently, further reducing exposure for the group, AQI's production of official media, primarily distributed through

jihadist websites, has reduced dramatically.

Security Assessments by Region

Assessment of the Security Environment—*Baghdad*

It is currently assessed that most violent activity within the Baghdad Security Districts is conducted by either AQI or Shi'a militia elements. AAH and KH, among other insurgent and militant groups, continue to maintain cells in Baghdad but have had a difficult time conducting operations. The difficult operating environment has caused many operatives to stay in Iran or discontinue activities in Baghdad. However, neither of these groups has given up on Baghdad, and both continue attempts to reestablish networks despite recent arrests. These and other insurgent and militant groups continue low-level operations, and caches continue to be discovered. Overall, attacks by AAH and KH in Baghdad occur intermittently and mostly target Coalition forces. AAH and KH maintain the capacity for uncoordinated small scale insurgent and terrorist operations in Baghdad.



AQI also maintains cells in and around Baghdad with the intent to re-ignite sectarian violence and undermine the GoI. Baghdad remains AQI's strategic center of gravity, although its ability to operate there has been significantly constrained by GoI security initiatives. Although AQI's presence continues to decline inside the capital, the group seeks to re-establish itself in the surrounding areas and maintains the ability and desire to carry out HPAs designed to cause high levels of casualties through the use of PBIEDs and SVBIEDs. Sunni resistance activity in Baghdad has steadily declined since early 2008, with more activity in the greater Baghdad area than in Baghdad proper.

Assessment of the Security Environment – Western Iraq

Since the previous report, attacks in Anbar Province decreased from an average of 1.5 incidents per day to fewer than one per day. Over the same period, the number of HPAs decreased to about two per month, as did the number of attacks targeting ISF within the city of Fallujah. This may be due to increased focus on the area by AQI or renewed attempts by remaining Sunni insurgents to pressure tribes and groups who have politically reconciled. Many elements of the Sunni insurgency seem to have made a general transition into either the political realm or the SoI, or have ceased attacks on the ISF.

Coalition, Iraqi Army, Iraqi Police, and tribal initiatives continue to make significant progress in the western region of Iraq against the capabilities and operations of AQI. Significant discoveries of caches, combined with key member arrests, have resulted in difficulties for AQI to carry out large-scale operations, as well as regain a foothold in the area. AQI in the West continues infrequent attacks in an effort to discredit ISF and the political process. AQI's attacks in the region focus on destabilizing security gains to intimidate and influence the local populace.

Assessment of the Security Environment – Northern Iraq/Central Iraq

Although trending down in the last few months, violence in northern and central Iraq remains an issue, particularly in Ninewa, where AQI remains focused on retaining an urban foothold and is actively targeting the ISF, local government leaders, and Coalition forces. Consistent with past tactics, techniques, and procedures, AQI continues to employ VBIEDs and suicide attacks to degrade security gains and improve its freedom of movement.

Despite continued activities, AQI has been heavily targeted by the GoI and the Coalition and continues to lose operational capability. AQI members occasionally cooperate with Sunni insurgent groups to maximize resources. The extent of the cooperation is mostly local, as Sunni insurgents make alliances with AQI and other groups often without input from strategic leadership. Both Sunni insurgents and AQI continue their campaign of intimidation of ISF, local government leadership, and local nationals throughout the region. All Sunni armed groups have propaganda campaigns designed to give the impression of strength to their members and future recruits.

Kurdish pressure on the GoI to implement Article 140 of the Iraqi Constitution continues to drive tensions between Kurds and Sunni Arabs in north and central Iraq, as well as bring about tensions with minorities, including Turkomen, Christians, and Yezidis. AQI and Sunni insurgent groups seek to exploit this tension and look for opportunities to increase ethno-sectarian violence. The presence of Kurdish Peshmerga and Kurd-dominated IA units beyond the KRG boundaries exacerbates tensions and fuels the belief that the GoI and the Coalition are allowing the Kurds to act unchecked.

With GoI assumption of responsibility for security across the country under the SA, ISF have moved to bases in areas from which they were long absent. These include areas adjacent to the KRG, such as northern Diyala, northern

Tamim, and eastern Ninewa Provinces. This has created tensions between the newly-arrived ISF brigades and Peshmerga forces that have been providing security since 2003. Coalition forces present in the disputed areas continues to play a key moderating role between Peshmerga and GoI forces.

Attack levels in Ninewa have trended downward in the last few months, which are a good indicator that AQI is suffering losses in a key historical stronghold. As AQI has experienced a loss in operational capacity, Sunni insurgents throughout north and central Iraq have been less active due to Sunni involvement in provincial elections and positive effects from local SoI programs, although the group will likely continue to stage periodic HPAs, particularly against GoI targets.

Assessment of the Security Environment – Eastern Iraq (Diyala)

GoI-led operations from July 2008 through the end of 2008 forced AQI into the sparsely populated areas within the Hamrin Mountains, where AQI still maintains freedom of movement. AQI continues to exploit the province's diverse ethno-sectarian tensions, uneducated populace, and rural areas.

As it has throughout Iraq, Sadr's cease-fire is a contributing factor to the decrease in violence in the province, allowing ISF and Coalition forces to focus on targeting AQI, the Islamic State of Iraq (ISI), Sunni rejectionists, and other predominantly Sunni criminal elements. Although the ISF continues to make progress toward the GoI objective of improving security in the province by eliminating insurgent support and setting the conditions for economic recovery and the return of displaced citizens, the perception of disproportionate targeting of Sunnis has strained sectarian relations.

Despite the intention to remove extremists and militants and facilitate the return of displaced persons, GoI-led operations from late July through October 2008 strained the sectarian tension between Sunni and Shi'a and ethnic

tension between Arabs and Kurds. Sunni leaders in Diyala perceived operations as an attempt to stunt their political development before provincial elections. Despite this perception, Sunnis, in general, remain engaged with the GoI and appear to have claimed a representative voice on several provincial councils following elections. Kurds reacted negatively to GoI operations into and north of the Hamrin Mountains, viewing this as a means for the GoI to exert Arab presence in one of the Article 140 disputed territories. The Kurds had maintained relative stability in Khanaqin district prior to GoI operations.

Assessment of the Security Environment – Southern Iraq

Although AAH and KH have experienced some difficulties in maintaining their networks and conducting operations in southern Iraq, Shi'a militant groups remain a primary threat to southern Iraq. Although members of both AAH and KH are able to return to Iraq from Iran, they face extremely difficult operating conditions. Reporting indicates that the population is supportive of the GoI's security initiatives and does not desire a return to the lawlessness and violence of the recent past. The ISF are in control over the vast majority of the Shi'a South, helping ensure violence maintains a downward trend. There is still low-level residual violence, and Shi'a militant groups are seeking to rebuild their damaged networks. Leading up to the provincial elections, tensions among competing parties increased and sporadic violence against rival political candidates occurred. These rivalries and the low-level violence will likely continue as the various Shi'a parties prepare for the SA referendum and national elections.

ISF assumed security responsibility for Basrah International Airport from UK forces on January 1, 2009. Following the transition of responsibility, commercial service at the airport, which is presently provided by Iraqi Airways, is expected to increase. Iraq's Ministry of Transportation intends to attract

regional airlines and charter flights serving the pilgrim market.

Assessment of the Security Environment – Kurdistan Regional Government Area

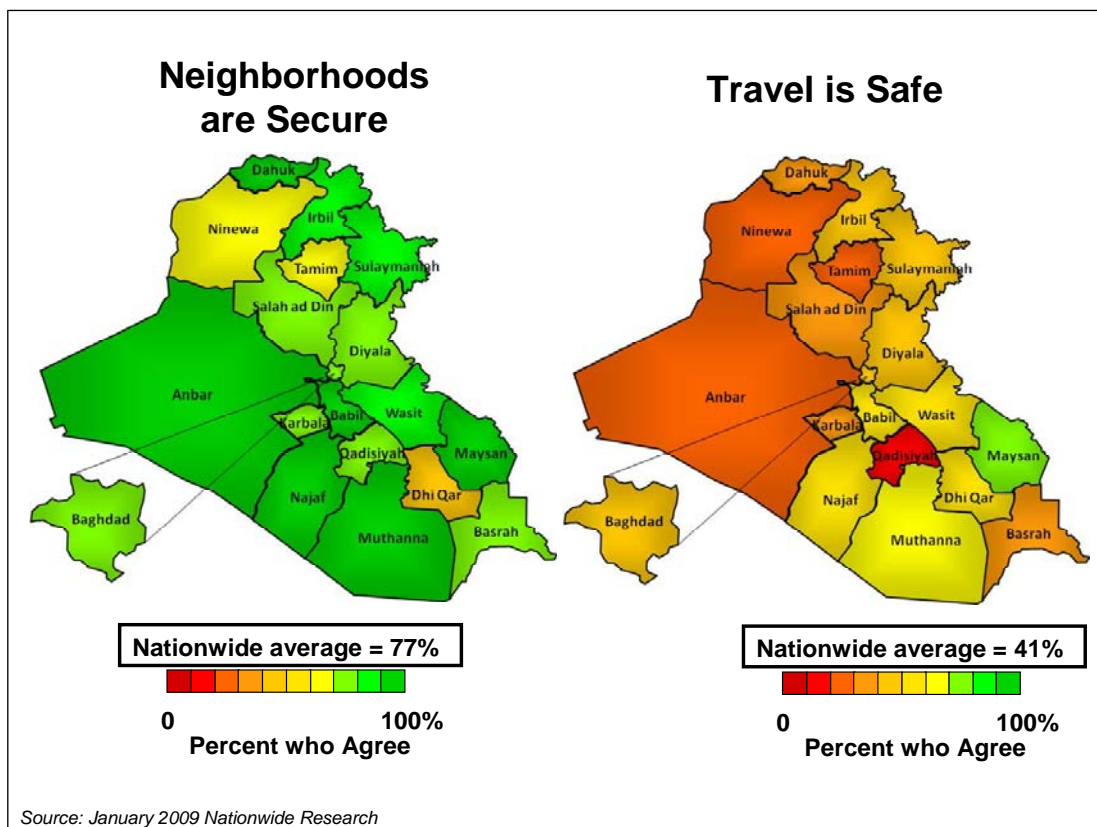
The KRG remains the safest and most stable region of Iraq, although isolated acts of terrorism occasionally occur. The relatively homogenous Kurdish population and the presence of the Kurdish security forces mitigate the threat of AQI or other terrorist attacks in the North and reduce ethnic tensions that plague other cities in Iraq. Turkey and Iran continue to attack Kurdish terrorist groups along their borders with the KRG. These attacks have been conducted against sparsely populated areas in the mountains and have not led to significant numbers of refugees or collateral damage.

In disputed areas adjacent to the KRG in Ninewa, Diyala, and Tamim Provinces, tensions have increased between Kurdish Peshmerga and the ISF. These areas are ethnically mixed and resource-rich, and both the KRG and GoI assert security primacy but

have not worked out a clear political arrangement. As U.S. forces depart and the profile of ISF units such as the 12th IA division rises, opportunities for miscalculation or provocation will be numerous. For now, it appears unlikely that the IA or Peshmerga will intentionally instigate a military confrontation, preferring to see whether negotiations and elections can manage results acceptable to both. However, continued Coalition involvement is critical to help manage the delicate situation.

Public Perceptions of Security

Iraqis generally believe the security situation is better locally than nationally. Research conducted in January 2009 reveals that 77% of Iraqis described the security situation in their neighborhoods as calm, a 15-percentage-point increase from November 2007.¹³ When asked the same question about their province and Iraq as a whole, 57% said the situation was calm in their province, and 29% of Iraqis said the situation was calm nationwide.¹⁴ There has been a five-percentage-point increase in the perception of security at the national level during the same period.

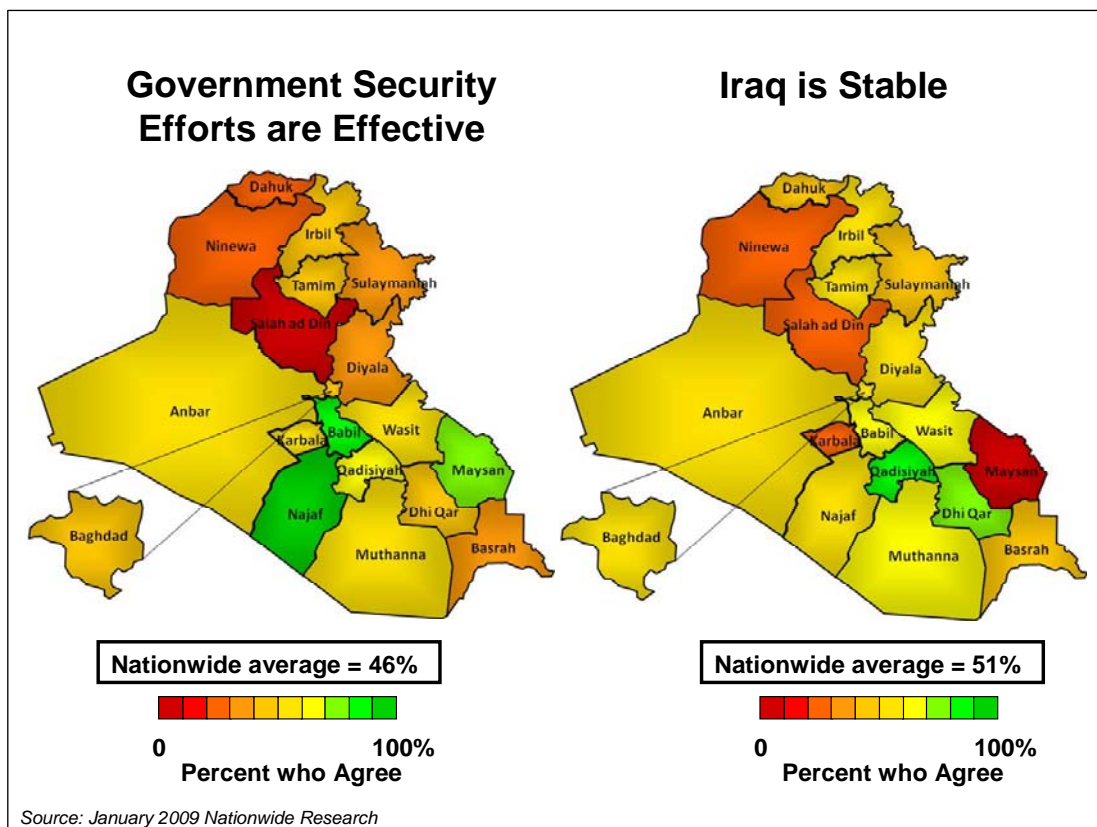


The majority of Iraqis (90%) feels that the security situation has remained constant or improved in their neighborhood over the last six months.¹⁵ This is an eight-percentage-point increase when compared to November 2007. When asked about the security situation in the country as a whole, 85% felt it had either stayed the same or gotten better.¹⁶ This is an increase of three percentage points since November 2007. January 2009 nationwide research indicates that 41% of Iraqis feel safe traveling outside of their neighborhoods.¹⁷ This is a five-percentage-point decrease compared to November 2007.

When asked about their perceptions of the Iraqi Security Forces, 71% of Iraqis said they feel secure when they see the IA in their neighborhoods, and 62% said they feel secure when they see Iraqi Police (IP) in their neighborhoods.¹⁸ This is a 21-percentage-point increase in trust in the IA, and a ten-percentage-point increase in trust of the IP since November 2007. Nationwide perceptions of the IA and the IP are nine percentage points apart from each other.

When asked in January 2009 if they believed the GoI was effective or ineffective at maintaining security, 46% of Iraqis said the GoI was effective; this represents a seven-percentage-point increase from the November 2007 data.¹⁹ When asked to rate the level of peace and stability of the country, 51% of Iraqis said Iraq was stable, a 24-percentage-point increase since November 2007.²⁰ Nationwide research in January 2009 also indicates that 72% of Iraqis believe that the IA is winning the battle against terrorists and that 61% of Iraqis believe the IP is winning the battle against crime.²¹ This is a 20-percentage-point increase in perception for the IA and a 12-percentage-point increase in perception for the IP since November 2007.

When asked who they would go to first to report a serious crime, 39% of Iraqis said the IP, while 30% stated the IA.²² When asked who was most responsible for providing security in their neighborhoods, Iraqis responded that the IA (38%) and the IP (38%) are most responsible for providing security in their neighborhoods.²³ Relatively few Iraqis



said the SoI (6%), people from their tribe (7%), neighbors (3%), militias (1%), religious leaders (2%), or Multi-National Forces (2%) were most responsible for providing security.²⁴

When asked in January 2009 if they had confidence in specific groups to protect them and their families from threats, Iraqis had the highest confidence in the IA (86%).²⁵ When asked about other groups, 82% of Iraqis had confidence in the IP, 70% had confidence in their provincial government, 64% had confidence in their local government, and 71% had confidence in the national government.²⁶ Confidence in the Multi-National Forces, armed groups, and militias was much lower at 26%, 11%, and 12%, respectively.²⁷ In a continuation of trends from November 2007, Iraqis place their highest trust and confidence in the IA, the IP, and the GoI to protect them and to provide security.

Conclusion

Security trends across Iraq continue to be positive. There has been steady growth in the capacity, capability, and professionalism of the ISF. They are in the lead in operations across Iraq but continue to rely on Coalition forces

for support. Where the security situation permits, Coalition forces have moved out of cities in Anbar Province and most southern Iraqi cities, though they remain visibly present in much of the country, especially in the disputed areas of northern Iraq. Coalition training and advising of the ISF continues, with increased emphasis on the development of the Iraqi Police.

Security incidents and civilian deaths have continued to decline, and joint Coalition and ISF operations have made progress against insurgent groups. Numerous extremist organizations, however, retain the capability and intent to conduct attacks, foment sectarian violence, and undermine the legitimacy of the GoI. In addition, Arab-Kurd tensions, intra-sectarian competition, and a climate of political divisiveness have the potential to destabilize the security situation. Sustainment of security gains will require broad-based political reconciliation, a fair, open, and non-violent political process, and an improved sense of human security and quality of life for the Iraqi people.

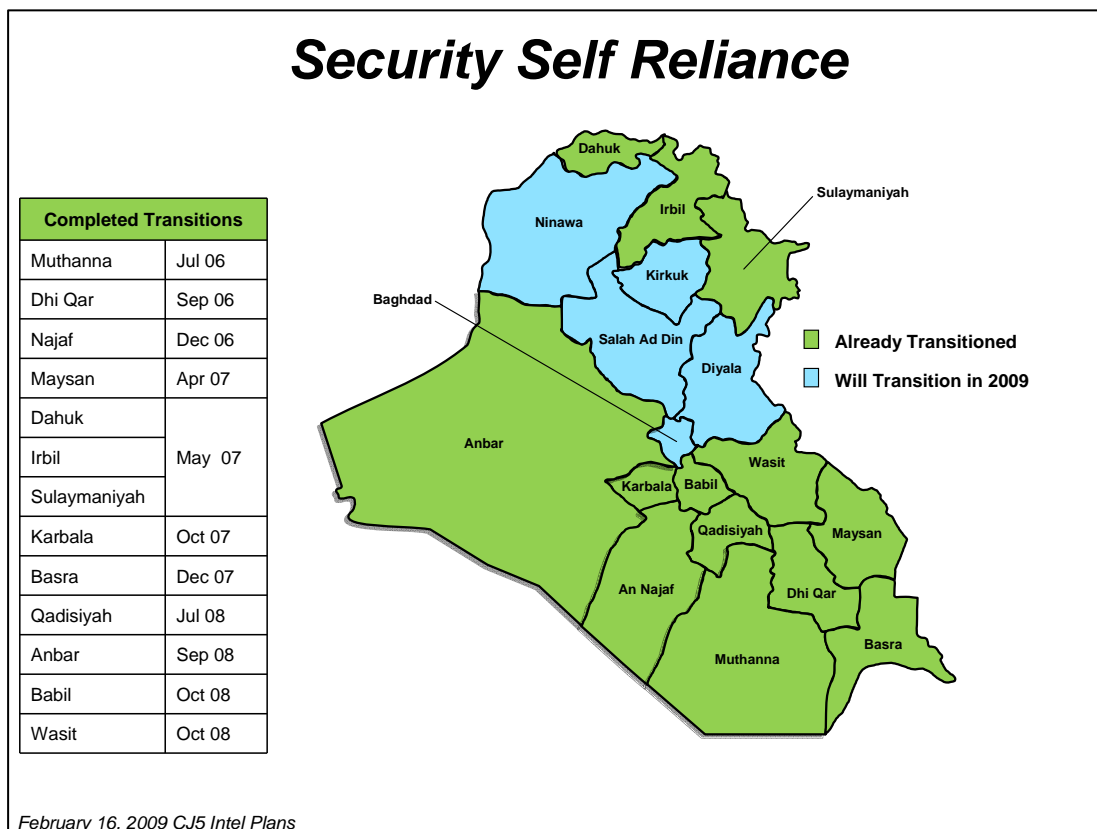
1.4 Transferring Security Responsibility

As of December 31, 2008, 13 of Iraq's 18 provinces had successfully transitioned to Provincial Iraqi Control (PIC). On January 1, 2009, the SA between the U.S. and Iraq went into effect, transferring security responsibility to the GoI, even though not all of the provinces had completed the PIC transition process. At the request of the GoI, however, a new Joint Sub-Committee for Provincial Security was formed under the auspices of the SA to assess conditions in the remaining five Iraqi provinces that did not transition to PIC before January 1, 2009. This sub-committee met for the first time in January 2009.

Contingency Operating Base Turnover Status

MNF-I has delivered a list of all facilities and areas to the GoI that are currently occupied by Coalition forces, and will deliver a second list no later than June 30, 2009, to identify those remaining MNF-I bases after U.S. combat forces are removed from cities, villages, and localities in accordance with the SA. MNF-I will continue to return and close bases as security improves throughout Iraq but will

ensure that sufficient facilities are maintained to support ongoing COIN efforts to ensure security gains are maintained or improved. The methodology for these closures and returns is to seek partial base turnovers with the ISF to maintain the partnership between the Coalition and the ISF. When agreeable, MNF-I will maintain forces as tenants at these locations and will continue transitioning from partnering to enabling and advising. As of February 21, 2009, MNF-I had a total of 50 large bases, including Contingency Operation Bases (COB) and Contingency Operation Sites (COS) and approximately 202 Contingency Operation Locations (COL) and 134 other training facilities and sites. Since July 2008, MNF-I has returned or closed 36 bases in the IZ and across Iraq and is scheduled to return or close 11 COSs, 49 COLs, and four facilities over the next six months. The remaining bases will be returned on a "conditions-based" basis until all bases are returned in accordance with the SA (no later than December 31, 2011).



Section 2—Iraqi Security Forces Training and Performance

Iraq's Security Forces (ISF) currently number approximately 615,000 forces in the Ministry of Interior (MoI), Ministry of Defense (MoD), and the Iraqi National Counter-Terrorism Force (INCTF).²⁸ The MoI desires growth to a total force of more than 400,000 personnel in the Iraqi Police Service (IPS), National Police (NP), and Directorate of Border Enforcement (DBE) by the summer of 2009 depending on additional resources provided by the GoI.²⁹

The MoI continues to make organizational and strength adjustments in its forces, as decreasing violence levels allow an increased focus on community policing, a growing recognition of the right of all Iraqi citizens to the impartial application of Iraqi law, and enforcement of Iraqi laws in concert with the judicial transition to evidentiary-based prosecution. Although there are delays in equipping and basing, the MoI's existing functional systems for procurement, budget, and real estate acquisition will, in time, meet force generation and organizational requirements throughout its forces, which include the NP, Station Police, Traffic Police, River Police, Border Police, Oil Police (OP), Facilities Protection Services (FPS), and other emergency response organizations. However, 2009 budget constraints will affect the ability of the MoI to fund any expansion of security force equipping and sustainment through 2009.

The MoD has approved a force structure for counterinsurgency (COIN) that includes 14 Army divisions (13 infantry and one mechanized) and support forces; a Navy of 2,700 personnel, including two marine battalions; and an Air Force of 6,000 personnel. Additionally, the INCTF, with projected end strength of 5,400, is contributing significantly to the COIN effort. Further modification in the military force structure appears likely, given the need to develop logistics units and enabling capabilities for tactical units, such as engineer, bomb disposal, medical evacuation, signal, and intelligence, surveillance, and reconnaissance (ISR) assets. Total ISF requirements are

expected to grow as large as 646,000 by 2010, but challenges remain.³⁰ The MoI struggles with training throughput due to generally poor facilities and a lack of qualified instructors, while the MoD faces budget constraints. These factors will delay achieving the desired 2009 force levels required for the present planned structure.

The GoI continues to assume broader ownership for and increasing fiscal commitment to its security forces and to MoD and MoI programs. Budget execution, however, remains a significant concern. Although the MoI has demonstrated an improved ability to obligate its budget, the MoD struggles, particularly in the areas of support, sustainment, and infrastructure. Inter-ministerial budget coordination with the Ministry of Finance (MoF) is improving but remains problematic due to cumbersome procedures. In light of the decline in the market price of oil, MoD and MoI funding increases will be constrained by declining Iraqi revenues and large budgeted deficits. Further, the steady-state organizations for both the MoI and MoD beyond the year 2012 are facing significant funding challenges based on current budget projections that fluctuate with the price of oil.

Accelerating the growth of logistics-capable units and pursuing enabling capabilities remains a top priority, as does the effort to expand ministerial capacity within the MoD and MoI. Multi-National Security Transition Command – Iraq (MNSTC-I) advisory teams continue to work closely with both the MoD and MoI to improve the accuracy and frequency of their personnel reporting systems. The number of MoI personnel assigned continues to exceed personnel trained, as rapid hiring in 2007 and 2008 outstripped training center capacity and throughput. Also, as additional missions are transferred to the MoI (e.g., OP, Electricity Police, and FPS), personnel are transferred with limited training

and inadequate equipment, creating a backlog of untrained and certified personnel. Ongoing efforts to expand MoI training throughput (e.g., training instructors, building infrastructure, etc.) will help remedy this training shortfall, while the focus on procurement, distribution, and sustainment will address equipping issues over time.

2.1 Assessed Capabilities of the Iraqi Forces

The Coalition's four areas of focus to develop the MoD, the MoI, and their forces remain unchanged: support force generation and force replenishment; improve the proficiency and professionalism of Iraqi forces; build specific logistic, sustainment, and training capacities; and develop ministerial and institutional capacity. The four near-term areas of emphasis through mid-2009 also remain unchanged: ensure Iraqi forces continue to improve in logistics, maintenance, and life support; ensure the size, capability, professionalism, and leadership of the ISF enable increasing assumption of additional security roles from Coalition forces; enhance the capabilities of Iraqi Special Operations Forces (ISOF) and Counter-Terrorism Forces (CTF); and ensure Iraqi Air Force (IqAF) and Navy (IqN) growth stay on-track.

Current ISF operations in Baghdad, Sadr City, Ninewa, Maysan, and Diyala continue to demonstrate the growth and the improving capabilities of the ISF. In particular, the ISF leadership has improved its command and control (C2) of multiple brigade-size elements from both the Iraqi Army (IA) and NP, while conducting simultaneous COIN operations throughout all regions of the country. IA brigade and division staffs continue to show steady improvement in planning and executing combined and joint operations, intelligence gathering, information operations, civil-military operations and limited post-conflict reconstruction operations. Operations Commands are more capable of planning and executing various types of combat operations, and they played a major role in the C2 of the security effort for the January 2009 provincial elections.

Battalion- and company-level tactical COIN operation execution continues to improve. In New Baghdad, ISF units continue to plan and execute combined, targeted, cordon and knock operations, establish traffic control points, and conduct active patrolling and clearance operations. ISOF and Iraqi Special Weapons and Tactics (SWAT) units continue to conduct operations effectively to disrupt AQI and other foreign fighters. However, there remains a critical reliance on Coalition rotary wing assets and other enablers such as intelligence, close air support, and logistical sustainment during operations.

Ministerial Capacity

Both the MoI and MoD continue to show progress in developing ministerial capacity, albeit slowly and unevenly. To expand institutional capacity, Coalition mentorship and partnership will be necessary for sometime to overcome decades of isolation and stagnation in law enforcement and military education and training. A lack of capacity to train civilian management, a shortage of training staff, deterioration of some facilities, and an inability to fill many positions with trained personnel are challenges that continue to hinder the ministries. Currently, many of the Iraqi civilians working in positions inside the MoD and MoI are not yet fully trained and qualified for their positions. Although training on new processes and procedures with a focus on automation capability is being offered, many are reluctant to pursue technology-focused training.

The most significant difference between the MoD and the MoI budget execution success—and the reason the MoI is realizing greater progress—is that the MoI effectively delegates decision-making authority, including areas of budget execution, contracting, and hiring. In contrast, all management decisions within the MoD (e.g. approving all but very minor facility maintenance and all contracting requirements) must be approved by the Minister of Defense, and in some cases, by the Prime Minister. Until this process is replaced with delegated

decision making, MoD's acquisition, force management, and logistics processes will continue to be hampered. Despite these challenges, both ministries achieved a near 100% budget execution for 2008. However, the increasing public friction between the Minister of Interior and the Prime Minister may produce unintended or unforeseen consequences in MoI functionality.

Operationally, both MoI and MoD forces are proving increasingly capable. In most areas, coordination between the two ministries and their subordinate organizations is improving with the implementation of operations centers in each of the provinces. These centers allow MoI and MoD forces to jointly coordinate operations and share information, which has resulted in the apprehension of suspects and the discovery and destruction of weapons caches, as well as successful security planning and mentoring for the provincial elections. ISF continue to actively cultivate community relationships and develop an environment of trust within their communities by performing humanitarian support and engaging in outreach and public information activities to solicit local help to combat insurgents. The ISF are gaining the acceptance of the Iraqi people by effectively demonstrating that their combined accomplishments against terrorist activities make Iraqi communities safer.

Iraqi Forces Proficiency

IA combat battalions continue to increase in both number and capability.³¹ As of January 2009, there are 175 IA combat battalions conducting operations, with four newly-formed battalions (179 total). Five ISOF battalions are conducting operations, and five IA infrastructure battalions are conducting security support operations. The IqAF continues to expand its operational capability as the Iraqi Air Operations Center (IAOC) now provides scheduling, C2, and execution for over 350 operational and training sorties per week. The IqN continues to strengthen its ability to patrol Iraqi territorial waters and provide point defense for Iraq's two offshore oil platforms

and security for the port and towns of Umm Qasr and Az Zubayr. The IqN will take responsibility of point defense for one of the two major oil platforms in the coming months. The IqN conducts an average of 42 independent patrols and 35 commercial ship boardings per week, and maintains an in-commission capability rate of 80% of the Iraqi fleet.

The NP continues to improve the effectiveness of its units. During this reporting period, 57 of 64 NP units were assessed and seven units were in force generation (these units will be assessed once they complete forming and are assigned areas of responsibility). Based on the improvement in capability and effectiveness of the NP, Coalition advisors have shifted their focus from battalion-level advising to brigade-level and above. The only exception to this approach is advisor assignments to the newly-formed NP battalions, as these battalions require more assistance to develop a capability for operations without Coalition support. Coalition advisors will continue to assess NP unit capabilities to distribute and realign teams more effectively to units requiring additional assistance. The Italian *Carabinieri* continue to train, advise, and assist with the professionalization of the NP, incrementally increasing NP training from 400 to 600, then to 900 police students every six weeks beginning in February 2009.

The long-term, nation-to-nation strategic relationship continues to mature with out-of-country training opportunities in the United States and many European-based NATO countries. The United States and NATO fund courses each year for security ministries to professionally develop their forces. Courses offered include: Basic Officer Leader Courses, Captain Career Courses, War Colleges, periodic security seminars at the National Defense University and the Marshall Center, General Officer Development Courses, and Civil Emergency Response Courses. The U.S. courses and many of the NATO courses require English language proficiency prior to enrollment, which has proven problematic. Consequently, MNSTC-I is working with the

security ministries to establish a standard training framework and curriculum throughout Iraqi educational institutions to facilitate the development of a larger pool of English speaking professionals within the ISF.

ISF Intelligence Developments

The Coalition continues to support GoI development of the Iraqi Intelligence Community (IqIC), created to support senior policy makers and ISF operations. ISF intelligence organizations include the National Information and Investigation Agency (NIIA) in the MoI, the Directorate General for Intelligence and Security (DGIS), and the Joint Headquarters (JHQ) Directorate for Intelligence. They have shown substantial progress in conducting credible intelligence operations and improvements in providing legitimate, uncoerced physical evidence for the Iraqi judicial processes. However, at present, the Intelligence and Military Security School (IMSS), which provides training for ISF intelligence professionals and investigators, suffers from a lack of adequate cadre and sufficient curriculum to meet ISF intelligence specialization needs. The Coalition is working with ISF intelligence partners to address these and other specific shortfalls. Several significant challenges remain for the ISF intelligence organizations, including the absence of an Iraqi Intelligence Law that would delineate roles and responsibilities of organizations with clear legal mandates and C2 mechanisms, limited standardized security and clearance protocols to increase sharing of information among other IqIC members, and a need to standardize intelligence into common databases readily available to support operations.

Training Capacities

Operational since October 2007, the MoD's Ministerial Training and Development Center (MTDC) continues to provide valuable education and training to Iraqi security officials. Initially funded with Iraqi Security Forces Fund (ISFF) dollars, the MTDC has active ties with similar regional and international training and professionalism institutions.

The MTDC offers courses in 11 different departments: Policy and Requirements, Intelligence and Security, Finance and Budgeting, Contracting, Inspector General and Human Rights, General Counsel, English Language, Infrastructure, Information Technology, Personnel and Management, and Media and Communications. To date, the MTDC has conducted 130 classes, trained more than 2,500 GoI officials, developed 54 programs of instruction, and transitioned teaching responsibility for 20 courses to Iraqi instructors. The MTDC trains Iraqi Joint Forces (IJF) personnel, MoD civilians, and officials from the Ministries of Interior, Finance, and National Security, as well as the Counter-Terrorism Command and the Prime Minister's National Operations Center.

Logistics and Sustainment Capacities

Logistical and sustainment capability remains a major area of focus and is essential for enduring ISF self-sufficiency. ISF have become more competent and self-sufficient over time and have made appropriate organizational adjustments during more recent operations. Although this is an encouraging development at the tactical level, much effort must be directed to the sustainment and logistical support capability within the ISF at the operational and strategic levels. The MoD continues to develop a national supply and distribution network, with one Location Command in direct support of each IA division. The MoD will co-locate regional life-support assets at these sites to enhance warehousing and distribution capacity. Eight of these Location Commands are either complete or are being refurbished. The remaining five bases are under construction or pending contract and will be operational by mid-2009.

The MoI began fielding a NP Sustainment Brigade in October 2008 with the purchase of property and Coalition force-contracting for construction of facilities commencing in March 2009. The NP Sustainment Brigade will be a mobile organization providing support to the four NP divisions and separate brigades during

operations. The NP will complete organic support units in each division during 2009.

The Taji National Depot Complex remains the centerpiece for national supply and maintenance services to the ISF. When complete, the complex will maintain line stock across all classes of supply for issue to the 13 Location Commands. Other organizations at the Taji Depot (e.g., engine and transmission repair workshops, repair parts warehouses, wheeled and tracked vehicle maintenance facilities, etc.) will begin operations as construction is completed, currently envisioned by the end of 2009. The theater-capable General Transportation Regiment (GTR) began performing transportation missions from its new base at the Taji National Supply Depot in December 2008. Accelerated fielding of the final Motor Transport Regiment (MTR) has significantly reduced Iraqi dependency on Coalition support to move supplies to Location Commands and training site warehouses.

Acquisition Capabilities

The MoI is increasing its equipment distribution, procurement capability, and service contracting. Additionally, it has executed significant purchases of materiel and services using the foreign military sales (FMS) process. A multimillion-dollar repair parts contract for commercial vehicles was established within the Baghdad Police College warehouse complex. This commercial spare parts contract will significantly affect parts distribution processes and ultimately improve vehicle readiness rates within the MoI.

MNSTC-I continues to use ISFF to supplement GoI logistics sustainment capacity development for the ISF. ISF funding of this critical area, which includes salaries, training, equipping, and sustainment of the ISF, continues to increase in parallel with the development of a detailed transition and sustainment plan. When complete, the plan will establish sustainment logistics and budgetary requirements that are necessary to ensure the long-term health of the ISF. It will also help guide the development of

annual budgetary input for the recurring operations and maintenance (O&M) requirements of the force. As Coalition funding support to ISF O&M reduces to zero, Iraqi funds will be required to maintain the force. This process is deliberately advancing Iraq toward management and funding of its own forces.³²

Foreign Military Sales

As of December 2008, the FMS program included 121 Iraqi-signed cases in execution valued at \$5.8 billion since its inception in 2005. The latter part of 2008 saw a shift toward FMS as the GoI's preferred procurement strategy. An additional 80 FMS cases, valued at over \$8 billion, were either offered or being developed in response to GoI Letters of Request. With assistance from the MNSTC-I Security Assistance Office (SAO), the GoI transferred just over \$1 billion to its FMS account at the end of 2008 to pay for additional equipment and services.

Throughout 2008, many of the initiatives recommended by the FMS Task Force to improve the U.S. process and implementation became a solid foundation for FMS in Iraq. The biggest improvements included the arrival of experienced FMS, acquisition and security cooperation personnel to provide training on the FMS program and processes and to work as the primary interface between the Iraqis and their advisory and training teams and the U.S. Security Assistance and Acquisition Agencies. Additionally, the MNSTC-I SAO grew and improved its performance markedly. Consequently, FMS case processing timelines in the United States improved significantly.

Although room for improvement remains, FMS cargo delivery times have also been reduced. In-transit visibility and delivery dates still need to be improved; however, the U.S. Security Cooperation organizations worked hard during the last two months of 2008 to provide the SAO and the GoI an accurate picture of in-transit visibility of the equipment they purchased. Overall, the common operational picture has

improved as a result of daily communications supported by weekly teleconferences, better coordination, and use of the Defense Transportation System.

Execution of FMS in Iraq continues to be hindered by several factors. These factors include the lack of ministerial capacity in all aspects of defining requirements generation and processing of FMS Letters of Offer and Acceptance, the lack of a budget planning and execution process that allocates funds for needed requirements (leading to insufficient funds for must-pay requirements), and unrealistic accounting expectations of total system ownership costs, including equipment purchase, training, sustainment, and operations costs. These areas are all being addressed through an increased focus on building ministerial capacity through MNSTC-I advisors and increased training from the SAO team.

Marking a new milestone in developing the ISF, in September 2008, the Minister of Defense signed the first force modernization cases for M1A1 Tanks, Armed Scout Helicopters, and C130-J Personnel and Cargo Aircraft, estimated to be valued at over \$1.6 billion in equipment. Along with the F-16s, which are under review, these major end-item cases will provide the Iraqi military with increased mobility, airlift capability, and an enhanced COIN capability, enabling the development of a broader, full-spectrum national defense force. Additional cases in support of these three cases are valued at \$1 billion in initial training, sustainment, and spare parts, and will need to be signed and funded in early 2009. The MoD Force Generation and Modernization plan for 2009 currently exceeds the projected spending authorizations for 2009, requiring the security ministries to either significantly reduce their vision to grow, develop, and equip their forces or to petition the GoI for an additional \$8 to \$10 billion to support desired growth.

2.2 Ministry of Interior

Ministerial Planning Capacity

The MoI's 2009 Strategic Plan represents a substantial improvement over past planning efforts, but it still does not link planning and goals to resource allocation and program management. To remedy this weakness, the MoI's 2010 Strategic Plan developmental team commenced planning in January 2009. The team's work is expected to be a major step forward in both planning and budgeting to better prepare the MoI for future success and autonomy, particularly as funding levels could become tight as the MoF handles other GoI budgetary constraints.

Budget Planning and Execution (Finance and Contracting)

The MoI received \$3.9 billion for its 2008 budget, with approximately \$3.1 billion (80%) allocated for salaries and \$148.3 million (4%) allocated for capital expenditures. MoI budget execution struggles are due to a late budget allocation process (MoF released the budget to the MoI in late April 2008), slow design and contracting procedures, slow starts on construction projects, and a lack of progress on invoice and payment procedures at the provincial and national unit levels. Increased emphasis and active assistance from the Assistant Deputy Minister of Finance has resulted in improved timeliness of monthly financial reporting. According to MoF data, the MoI executed approximately 68% of its combined 2008 base and supplemental budget through November 2008, with increased wage payments approved in the supplemental budget, driving the MoI's higher expenditures.

The MoI continues to be burdened by antiquated Iraqi financial laws that make direct contracting procedures a time consuming process that simply cannot handle the amount of contracts required to obligate the funds for needed equipment and services. Also hampering execution was the late allocation of the 2008 budget supplemental and the refusal of the MoF to accept electronically-generated tracking and reporting data. One immediate

success has been the end-of-year transfer of \$674 million into the FMS account, with \$271 million allocated for operational purchases and \$403 million allocated for investments. This action will ensure these funds will continue to be available for MoI use in 2009.

Acquisition

The Ministry of Planning (MoP) continues to struggle with acquiring land deeds, which causes delays in project planning, design, and contracting phases prior to the start of construction. During this reporting period, the MoP reported initial expenditures on several construction programs, including a national headquarters for the Customs Police, land purchases for Karbala and Kirkuk police stations, construction of five police stations in Dhi Qar, multiple checkpoints in Maysan, Karbala, and Muthanna, and border forts for the Border Police.

Human Resources

As of January 2009, there are approximately 486,000 personnel assigned to MoI forces, of which approximately 382,000 personnel are IPS, NP, and Border and Port Forces. In September 2008, the MoI announced a future authorization of 476,562 personnel, including the IPS, NP, Border and Port Forces, FPS, and ministry staff. Consequently, the MoI has hired 16,231 personnel since September 2008. The hiring process continues to appear to follow fair vetting procedures and special care is taken to ensure comparable demographic representation in the MoI security forces.

Operations

Command Centers

The MoI's National Command Center (NCC) is improving coordination with other national-level command centers, other ministries, and Provincial Joint Coordination Centers (PJCC). A major renovation of the NCC, completed in November 2008, enhanced effectiveness through improved connectivity and coordination capabilities. The present C2 reporting system at the Director General of Police (DGoP)-level begins at the PJCC and flows

through the NCC and on to the Prime Minister's National Operations Center (PMNOC). In addition, the reporting system facilitates information sharing with the MoD Joint Operations Center (JOC) and the Baghdad Operations Command.

MoI capacity to plan, coordinate, conduct, and sustain operations continues to improve, though planning efforts remain highly centralized and not thoroughly integrated with MoD plans. However, joint planning capabilities continue to improve between the MoD, MoI, and other GoI entities and will produce positive dividends in upcoming operations. A recent example of this improvement in planning capability was the successful coordination and movement of more than 31,000 Hajj pilgrims at the beginning of the reporting period. Additionally, the recent provincial election security operations were successfully coordinated and controlled through the Operation Centers network with no significant violence in any of the provinces.

Logistics

The MoI's National Vehicle Maintenance Plan is still under revision. The overall end state of this plan is to provide policy guidance and assistance in maintaining vehicle readiness to support police operations across Iraq. To that end, the MoI is executing a \$48 million FMS case to create a computer-based supply-chain management system. The first step is the \$160,000 FMS vehicle maintenance training case to provide maintenance training on non-tactical vehicles assigned to the MoI. As part of this FMS case, the MoI began delivery of spare parts to subordinate units in January 2009.

The NP Sustainment Brigade, scheduled to be operational by September 2009, will be capable of accomplishing a wide range of missions, including line-haul transportation, deployable maintenance, supply receipt, storage, and issue for NP divisions, combat health treatment, and mobile fuel storage and distribution. The brigade currently consists of a headquarters

(HQ) and medical, transportation, maintenance, and logistics companies.

Training

As the MoI continues to make progress toward increasing training capacity to eliminate the backlog of *Shurta* (non-commissioned entry-level police men and women) requiring completion of Basic Recruit Training (BRT), the focus is moving more toward specialized training. The MoI Training Qualification Institute (TQI) has launched several initiatives to improve professionalization and quality of training, as well as address specific skill sets needed by its operational forces. Specifically, programs are being developed in English language training, criminal investigation techniques, ethics and human rights, forensics and crime scene management, community policing, police information and intelligence, and technology applications.

The MoI training base is currently capable of training more than 88,000 *Shurta* per year. In addition, 5,600 resident and 9,720 non-resident officers can be trained annually, with a total student capacity of nearly 25,000 students at any given time. In early 2009, resident capacity will increase to 8,900 as Phase II of the Baghdad Police College (BPC) expansion is completed on the main campus and branches are opened in Mosul and Basrah. In 2008, 3,430 officers and commissioners attended professional and leadership development courses at the BPC. TQI courses have graduated police in human rights instruction (955), instructor certification (385), basic criminal investigation (193), advanced criminal investigation (439), leadership development (1,389), and internal affairs (69). Since the previous report, the MoI has added additional training facilities, with 17 of 19 training facilities now under its full control. The jointly-funded MoI training-base expansion plan includes building 12 new training centers, as well as expanding six existing training centers. In the meantime, the Coalition and the MoI have collaborated to develop temporary

training facility options to further reduce the training backlog.

The Iraqi BPC instructor cadre train all basic officer and commissioner tasks, provide a basic *Shurta* curriculum for all MoI forces, and continue to take on an increasing proportion of the specialized and advanced course loads. MNSTC-I advisors and International Police Advisors (IPA) continue to assist by providing advice, oversight, and quality control assistance in each of these courses. Coalition advisors assist the MoI TQI in a continuous review of BRT and officer curricula to ensure the course standards are consistent with internationally acceptable practices and that courses meet the dynamic needs of the field.

Ongoing professionalization of the basic police forces is crucial to develop and maintain a credible police force. Coalition IPAs work closely with Iraqi curriculum development committees chaired by members of the BPC faculty. A training program curriculum for basic officer leadership is complete, with a successful pilot class in December 2008 and full program fielding currently underway. In addition, a mid-level officer leadership course and commissioner basic and advanced leadership courses are under development, with fielding anticipated in April 2009. The MoI is also pursuing partnerships with established international police academies for the development of an executive leadership course in 2009. Furthermore, the BPC has established working partnerships with the MoI's Directorate of Human Resources to develop options for embedding leader-training requirements in personnel management policies and recording completed training in personnel files.

The Ethics and Human Rights Center at the BPC already offers six different programs. All curricula integrate lessons on values-based policing, human rights, detainee operations, and principles of community policing. The newly-passed ISF Penal Code standard of conduct for police officers is integrated throughout MoI policing courses. In 2008, the

Ethics Center trained 2,101 officers, commissioners, and *Shurta*. Curricula developed by the Human Rights Center are also used in ethics programs of instruction for all officer, commissioner, and *Shurta* basic accession courses. In 2009, TQI also has plans to expand the center to teach more police students. Recently, the Human Rights Center has begun exploring possible collaboration with the Ministry of Human Rights for a curriculum review and a guest lecture series.

The Minister of Interior is personally taking an active role in training; he directed that more training be focused on ethics and human rights, leadership, management, and administration, as well as core policing skills such as community policing and responsiveness to local citizen concerns. Training in the areas of investigative and forensic skills; intelligence data collection, analysis, and reporting; English language proficiency; and specific investigative training to counter corruption, organized crime, and drug trafficking is a priority. The MoI is actively developing a program designed to expand training and education opportunities abroad for IPS officers to expose them to best practices and techniques in other countries. This will supplement over 750 European-based training courses arranged by Coalition partners, the UK Department for International Development, and the European Union's integrated rule of law and police training mission to Iraq. An example program with select U.S. city police organizations is in development

Health Service Support

The Assistant Deputy Minister of Interior for Social Welfare and Health has the responsibility for providing healthcare to MoI employees, including the NP, IPS, and Border Police. Outpatient health services for MoI employees are provided by two MoI clinics and seven NP clinics in Baghdad and by the MoH in provincial areas. All inpatient care for the MoI is provided by the MoH. The fledgling MoI health system still requires concentrated Coalition support. One of the most challenging

components to further expansion of military medical capabilities and infrastructure is a shortage of healthcare professionals. As of January 2009, the MoI has 6% of physicians authorized and is affected by the same national physician shortage as that experienced in the MoD.

Iraqi Police Services

The IPS mission to enforce the rule of law, safeguard the public, and provide local community security remains unchanged. IPS operational performance has improved with each operation, and the IPS is now becoming a professional force that can, with limited Coalition support, begin to operate and support the rule of law throughout Iraq in conjunction with the court system. The disparate elements that make up the IPS are starting to provide cross-department support to each other, further enhancing their ability to operate.

The IPS consists of all provincial police forces (station, patrol, traffic, and special units) assigned to the 18 Iraqi provinces. The Director General of Police (DGoP) for each province oversees operations and sustainment of more than 1,300 police stations across Iraq. The IPS directs policy and strategic planning and has technical control over the training, vetting, and hiring of *Shurta* and officers. Other significant departments and directorates within the IPS are the Criminal Evidence Directorate, SWAT/Emergency Response Unit, and the General Directorate of Crime Affairs.

The MoI's ability to address basic equipping shortfalls remains a concern. As of January 2009, one IP provincial headquarters and ten IP districts showed improvement in their readiness assessment over the last reporting period. The reason for the improvement is mere effective leadership, in addition to planning, training, and sustained police operations independent of Coalition support. Training challenges, with equipment shortfalls, while improving, also remain a concern. To address training challenges, the Minister of Interior held a training conference on November 29, 2008,

resulting in the creation of a special training commission to determine the best way to utilize MoI human and material resources. The result of this commission was the MoI 2009 training plan, which addresses all untrained IP with improvements expected by December 2009.

National Police

Depending on funding, the NP will expand with the completion of the 3rd Division units in the northern region, and begin generation of the 4th Division HQs and subordinate units in the southern region. Additionally, the NP has assumed three new security force missions. The new special security unit missions are the Central Bank of ISF, Embassy Protection Force, and the Antiquities/Ruins Security Force. With the planned addition of these units, the 2009 authorization for the NP has increased to over 60,000 members. The NP had 43,000 personnel assigned as of January 2009 and will continue to recruit and train to meet the generation of the new 3rd and 4th Division units. Based on projected MoI budget shortfalls for 2009, the NP will likely struggle with hiring, training, and equipping the additional personnel required to reach the desired end strength of approximately 60,000.

The 3rd Division units will expand to provide a presence in Diyala, Mosul (to add to existing units in Salah ad Din), and Anbar. The 4th Division will generate units in Wasit, Maysan, and Dhi Qar in addition to the units already in Basrah. As part of the plan to regionalize the NP and provide direct support to Provincial Directors of Police (PDoP), it is projected that the NP will have a battalion or larger presence in nine of 15 provinces by the end of 2009. The NP continues to have success in recruiting across all of Iraq's ethnic and religious sects in each province, and the NP leadership is dedicated to a diverse ethnic force that represents the Iraqi population.

In Baghdad, the 1st and 2nd NP Divisions, as part of the Rusafa Area Command (RAC) and Karbala Area Command (KAC), continue to assume greater responsibilities as the Coalition

withdraws to an overwatch status. In the KAC, in East and West Rashid, the 5th and 7th NP Brigades have assumed most of the security responsibility from the Coalition and are in the lead. Progress continues in the RAC, with the NP Brigades expected to assume full security responsibility from the Coalition by mid-year 2009.

Continued expansion of the NP into the provinces is supported by a three-year plan to base a brigade-sized NP force into each of the provinces, with a regionally based division HQ and division support battalions controlling these units and providing logistical support. The NP HQ is aggressively seeking available properties in the provinces to base these new units and has had initial success in acquiring properties. However, there remains much work to provide basing locations to all current and planned units. The continued support of the MoI is required to plan the equipping and infrastructure improvements required for the new units, as well as the ongoing need to replenish existing units' equipment and improve their basing locations.

Directorate of Border Enforcement and Ports of Entry Directorate

The DBE and Ports of Entry Directorate (PoED) continue in their respective responsibilities to protect Iraq's 3,650 kilometers of international borders and 28 air, land, and sea ports of entry to prevent smuggling, sabotage, and infiltration activities. These organizations continue to enforce compliance with international treaties and protocols, with respect to international agreements and boundaries. The PoED is responsible for administration and security of 13 land ports of entry throughout Iraq, as well as ports of entry in six international airports and four seaports. There are an additional five ports of entry in the Kurdish Region that are not recognized or managed by the GoI.

The DBE is divided into five regions, 13 brigades, and 52 battalions, as well as the Coastal Border Guard, which is assigned to

Region 4 at Basrah. Seven of the DBE battalions are mobile commando battalions that perform operations based on the orders of the DBE Regional Commander. There is no current plan for additional force generation by the DBE, which is authorized 45,000 personnel with more than 40,000 currently assigned. More than 34,000 have completed BRT. The PoED is authorized 2,500 personnel and is fully staffed at this time. The DBE is a part of the MoI training commission that was recently appointed to seek Iraqi solutions to eliminate the backlog of personnel who had not received BRT by the end of 2009.

To overcome these challenges to progress, the MoI has instituted a training commission to address ineffectiveness issues based on training and leadership shortcomings. The Coalition has placed Logistical Training and Border Transition Teams in all regions to work on solutions to ISF logistical challenges. In addition to leadership and personnel issues, several Iraqi ministerial Directorates, including DBE and the PoED, continue to struggle with claims of corruption. With Coalition support, the GoI is combating this challenge through ongoing ethics training for PoED employees and has responded to corruption allegations with select re-assignments of personnel.

Oil Police

The OP is responsible for protecting all oil production infrastructure, including oil fields, pipelines, refineries, convoys, and retail stations. The OP mission requires forces to be located throughout Iraq along distribution lines in both remote and urban areas. Consequently, there is no standardized unit organization or coverage area. The OP operates 12 Battalions in three districts—south, central, and north. With additional funding, the MoI plans to form (funding permitting) an additional seven battalions over the next year and an additional 13 battalions by 2012 to provide nationwide infrastructure security coverage to this critical national resource. During this reporting period, the OP completed formation of two new battalions. Currently, select units of the IA

guard designated areas of the oil production infrastructure, with the MoI scheduled to resume full responsibility for this mission in late 2010.

The OP lack the basic equipment required to perform its mission. The MoI and the OP are acquiring weapons and uniforms, as well as specialty equipment such as busses, fuel tankers, water tankers, road graders, and tow trucks. Much of the needed equipment was delivered in February 2009, on a cost share basis with the Coalition.

Approximately 78% of the existing force has achieved training certification through the three-week OP course. Discussions are underway to establish a surge training capability to ensure capacity keeps pace with growth projections. Additionally, there is a plan to begin training OP in the 240-hour IPS course to increase professionalism. OP leaders are actively involved in their organizations and are qualified for their positions with most officers trained in a police or military academy. The only significant shortfall in leadership is found in the junior officer and non-commissioned officer (NCO) ranks. This problem must be reviewed and a detailed plan developed in conjunction with the MoI.

Facilities Protection Services

The FPS is responsible for the protection of critical infrastructure throughout Iraq, including government buildings, mosques and religious sites, hospitals, schools and colleges, dams, highways, and bridges. Under CPA Order 27, FPS forces were decentralized within each ministry and province. If the FPS Reform Law is passed by the CoR, the GoI will consolidate all FPS within the MoI except those FPS forces currently detailed to the MoO and MoE, as well as the HJC. The law still lingers between the CoM and the CoR. The FPS Directorate is spread across three divisions providing oversight of 28 ministry facilities and various other facilities in 14 provinces.

The MoI FPS numbers just over 16,000 employees. Another 110,000 FPS employees work in other ministries and approximately 89,000 of these are expected to meet MoI hiring criteria and transfer to the MoI when consolidation occurs. During this quarter, the MoI FPS began signing contracts with the other ministries' FPS, which marks a significant step toward consolidation. The projected end strength of this force is expected to be around 108,000 when consolidation is complete in 2009.

The MoI's FPS is currently trained in the 240-hour IP course. The MoI has also provided training to other ministry FPS personnel in a three-week course, with 1,934 personnel and 83 instructors trained since the beginning of 2008. The FPS plans to continue training in the three-week FPS course once consolidation occurs. The FPS has traditionally been the unit with the lowest priority for equipment issue within the MoI and currently has less than 10% of its authorized equipment on hand.

2.3 Ministry of Defense

The MoD has approximately 203,000 personnel authorized and almost 221,000 assigned as of January 2009. As the ground force nears completion, lack of a sustainment funding plan and a cumbersome centralized decision-making process continue to inhibit MoD forces improvements. The Defense Minister still reviews almost all procurement and maintenance funding decisions and approves most equipment purchases.

From January through November 2008, the MoD executed approximately 97% of its \$5.295 billion budget; the major challenge facing the MoD in 2009 is a limited "proposed" budget, currently projected to be below \$5 billion. The projected 2009 MoD budget is barely sufficient to sustain the current ground force. Exacerbating these difficulties are expanding expenditures from growing employee lists, rising wages, the need to purchase logistics support and enabling unit equipment, and ballooning sustainment costs

that squeeze capital growth programs beyond 2009. In short, the economic downturn and concurrent drop in oil prices will drastically curtail the rate at which the Iraqi military forces can achieve full COIN capabilities and begin to focus on modernization.

Ministry of Defense and Joint Headquarters

The JHQ is developing greater capability to provide operational-level advice to the MoD and is developing its capacity to plan and logistically resource operations. Despite the JHQ's progress, the Iraqi national security C2 architecture continues to be poorly defined and overly centralized, which inhibits planning, decision making, and the ability to execute coordinated operations at all levels. Coalition advisors continue to provide mentorship and partnership to the IJF, working closely with Iraqi staffs to increase their capacity to conduct rudimentary operational and strategic-level planning and execution.

Policy and Plans

The MoD General Directorate for Policy and Requirements has limited capability to generate relevant and applicable defense policies and plans. Although capability exists within some of these staffs to produce their respective policies and plans, there is no institutional process for feedback, approval, and implementation of such guiding documents. Senior Iraqi leadership has resisted publishing formal policy documents, which results in sluggish decision-making practices at all levels. The MoD leadership often disregards the requirements generated by its subordinate staffs and is resistant to tying capability requirements to national security documents.

Acquisition

The MoD's acquisition branches lack the capacity to routinely acquire the goods and services necessary to sustain and modernize the IJF. The MoD faces numerous challenges, including the lack of a multi-year acquisition strategy, weak requirements determination, late release of requirements funding, overly centralized decision making, inadequately

trained and inexperienced staff, and insufficient use of technology to optimize processes. There exists limited ability to conduct simple contracts with a single vendor, with major overseas contracts and purchases personally negotiated by senior ministerial staff. Due to these limitations, the MoD continues to rely heavily on FMS to equip and sustain its forces. Several contracts for Organizational Clothing and Individual Equipment have been let internal to Iraq with state-sponsored companies. This was a Prime Minister-directed procurement initiative focused on strengthening Iraqi manufacturing capabilities while providing for the Iraqi Ground Forces.

To address these limitations, the Coalition is providing course instruction and on-the-job training to the MoD's acquisition staff in contracting, purchasing, and acquisition. Additionally, acquisition-trained subject-matter experts began deploying in December 2008 to support the Iraqi contracting branches.

Infrastructure

The MoD General Directorate of Infrastructure has limited ability to build new, or maintain current, infrastructure due to lack of experienced and qualified engineers, currently manned at 22% of authorization, and lack of authority to execute requirements. The Minister of Defense-mandated hiring freeze further compounds this situation. Obligation of funds to maintain infrastructure is problematic as well. In the latter part of 2008, the MoD received a supplemental to its infrastructure account, increasing the total budget authorization to \$374 million; however, a total of only \$31 million was actually obligated and executed.

Finance and Budget

Manual processes continue to dominate budgetary management in the absence of networked computer solutions. However, an automated stand-alone software package that will enhance the MoD Directorate General of Programs and Budget (P&B) capacity to execute its key financial management missions

in support of the MoD and significantly reduce the need for external assistance is being considered. The principal weakness of the P&B Directorate remains a limited capacity to provide forecasts of ministerial budget execution. This branch is capable of iterative planning with the MoF to finalize and subsequently reconcile the MoD's annual budget, accurately track expenditures, and collate monthly reports to the MoF, while ensuring compliance with GoI accounting guidelines, policies, and regulations.

Personnel

The MoD General Directorate for Personnel continues progress toward implementing a computer-supported, comprehensive personnel management system. Lack of decentralized decision-making authority affects this and other initiatives, including hiring. Approximately 40% of civilian positions across the MoD remain unfilled. However, a positive trend is emerging whereby more civilian positions are being recognized and validated for fill. The areas needing skilled people are contracts, communications, infrastructure, and acquisition.

The Coalition has trained MoD staff to operate and maintain the Human Resources Information Management System (HRIMS), which began operating in December 2008. Continued testing, system validation, and expanded user training will occur over the next several months. HRIMS provides MoD the capability to pull personnel status reports, such as present for duty soldiers, number of soldiers trained, number of soldiers by Military Occupational Skill Qualification (MOSQ), and pay and other human lifecycle management reports. However, HRIMS will not be capable of full lifecycle management for approximately three years. Therefore, the MoD must use current paper-based systems until HRIMS matures sufficiently as a system of record to take over human resource lifecycle management. HRIMS will serve as the database for personnel identification and weapons accountability and interface with the network where biometric

information is stored. The Minister of Defense recently committed nearly \$5 million to pay all costs associated with the HRIMS fielding and operation.

The National Reconciliation Program, which allows qualified former soldiers the option to re-join the Iraqi forces, is not encumbered by the hiring freeze and is progressing. Once complete, the program should yield a moderate increase in the number of mid-grade officers and NCOs within the Iraqi Ground Forces Command (IGFC). The Prime Minister's initiative to form a National Reconciliation Committee (NRC) led to a process to reduce the backlog of 160,000 retirement applications from veterans of the previous regime. MNSTC-I continues work with the NRC to improve the retirement process, develop plans to revise and fill the modified table of organization and equipment (MTOE) with capable employees to work veteran programs, and establish automation processes to include ultimately utilizing HRIMS.

Inspector General

The MoD Inspector General's anti-corruption efforts still lack transparency and need to be professionalized. The MoD recently sought Coalition assistance in the development of initiatives to fight corruption and criminal influences within MoD. Chief among these initiatives is implementation of a department-wide ministerial Inspector General (IG) inspection plan. The JHQ IG, on the other hand, completed its ambitious inspection goals for 2008, conducting 110 unit readiness inspections, despite delayed hiring actions to achieve approved manning levels.

Human Rights

The MoD maintains about 30 small detention facilities but does not have the institutional mission, authority, or dedicated resources to adequately operate large or long-term detainee populations. Presently, about 96% of the approximately 2,195 pre-trial MoD-held detainees are in its eight largest facilities, and they are typically over-capacity. Detainee

living conditions suffer accordingly. However, a vigorous bilateral inspection program, including joint Coalition-GoI key leader engagements and the re-establishment of the MoD Detainee Operations Committee, have led to increasing visibility of challenges and consensus building for improvement of detainee conditions. A notable success is the recent increase to 90% of MoD facilities now permitting family visitation. Although the MoD has begun to implement some improvements in its detainee operations, enduring, wide-scale progress depends on a MoD and MoJ cross-ministry solution.

Military Justice

Military justice continues to improve with operational courts hearing cases in Baghdad, Basrah, Mosul, Najaf, and Ramadi. In December 2008, the number of cases tried increased to more than three times the number tried in any previous month as the courts worked to clear a backlog of intentional absence cases. The increased number of cases continued through February 2009. In January 2009, the Minister of Defense authorized an additional military court in Baghdad to supplement the existing court in the al Karkh district. In February 2009, the Peshmerga and MoD successfully concluded negotiations and selected judges for the military court in Irbil. The Minister of Defense is taking measures to make the Irbil and Diyala courts operational by spring 2009 and has appointed a Chief Judge, who will be responsible for establishing the nascent Joint Military Court with judges appointed from all ministries. This court should begin hearing cases within the next several months. The Military Court of Cassation in Baghdad continues as the functioning appellate court

Operations

JHQ is slowly improving operational C2 capabilities; however, the Iraqi Forces JOC remains heavily reliant on Coalition sources for both friendly and insurgent unit disposition, situational awareness, and general intelligence gathering. Coalition forces are working to

enhance training and advisory support of Iraqi organic capabilities in the JOC. Staff planning is improved but underutilized outside of the JHQ. MoD planning is hampered by a lack of delegation through the JHQ chain of command to appropriate directorates, and when accomplished, is ad hoc and based on personal and ethnic affiliation. Although some progress is being made, logistics, sustainment of ISF personnel, equipment distribution, infrastructure maintenance, and force generation continue to pose obstacles to long-term operational capability as more Iraqi forces operate without support from Coalition forces.

The Minister of Defense has recently directed that the IA assume sole responsibility for humanitarian demining operations within Iraq. This undertaking will severely degrade the IA's ability to conduct route clearance and counter the improvised explosive device (IED) threat that is still prevalent in Iraq. To be successful, the MoD will have to enlist the help of the UN, as well as non-governmental organizations that are subject-matter experts in demining operations.

Logistics

Coalition and Iraqi forces have created a strategic logistics task force under the direction of a MNSTC-I senior logistician to hasten the implementation and integration of a comprehensive strategy. Critical components of this strategy include a strategic logistics doctrine supported by a requirements-based acquisition strategy, capable procurement specialists, and logistics managers. Without these elements, the MoD will not be able to sustain or modernize the IJF. The IJF is now able to sustain itself with refined petroleum products used to fuel its ground combat vehicles, support vehicles, and generators. This capacity is a key to successful transition to full self-sufficiency

Construction has begun on a facility for the Combined Logistics Operation Center, providing a structure to facilitate tracking, coordination, and reporting of IJF logistics operations, and will include a materiel

management control element. Essential equipment for 13 field workshops (\$90 million) and 13 Locations Commands (\$134 million) procured by the Coalition recently began arriving and will continue through November 2009. The incremental delivery will prevent these units from reaching full strength for at least nine months. To improve repair parts flow and stimulate overall maintenance operations, repair parts packages were distributed to assist in establishing stock objectives and replenishment procedures. The difficulty in maintaining IA vehicles is exacerbated by the large variety of vehicle manufacturers and types. An effort is underway to alleviate this problem by identifying suitable vehicle types to retain and develop spare parts stock levels to aid their sustainment.

A collaborative effort between Coalition partners and the Iraqi Deputy Chief of Staff (DCoS) for Logistics' to re-establish Iraqi logistics doctrine using a systematic approach, established fundamental principles of logistics concepts, organization, methods, and procedures is continuing. The Coalition finalized a review of previous Iraqi Logistics doctrine and manuals and is working with the Iraqis to develop an updated architecture of logistics doctrine. Procedures are being validated through training exercises prior to approval and distribution. The DCoS-Logistics is now addressing doctrine and systems development at the strategic level. The combined Iraqi Logistics Development Committee of Coalition and Iraqi logistics leaders is continuing to recommend procedures and policies to re-establish doctrinal solutions that will address current gaps in the Iraqi Logistics Concept.

The Logistics Military Advisor Team and Logistics Training Advisor Team programs are successful, and their efforts are improving the logistical readiness posture of the MoD units with whom they partner. This process has identified that the key inhibitors to Iraqi logistical self-reliance reside at the Ministerial or JHQ level, not the tactical level. Iraqi logisticians are generally capable operators.

Unfortunately, current Iraqi acquisition and distribution policies and procedures continue to prevent effective stock replenishment, subsequent maintenance, and repair operations. The DG Acquisition-Sustainment, DG Infrastructure, and DCoS-Logistics all lack contracting and purchasing expertise and authority necessary to replenish stocks, repair equipment, or renovate infrastructure facilities. These authorities reside solely at the MoD level.

Training

The JHQ implemented a training assessment program and is generating a new Training Assessment Manual that will codify the inspection and assessment procedures; thus, laying the groundwork for future analysis and improvement.

Doctrine

The JHQ developed a documented and functioning doctrine process, a key factor in standardizing and institutionalizing practices across the IJF. Under DCoS Training M7, the doctrine section is tasked with coordinating the development, approval, printing, and distribution of doctrine and technical manuals for the IJF. Once a month, DCoS-Training chairs the Doctrine Review Committee that approves doctrine for the Chief of Staff's signature. JHQ continues to work on improving these processes, and the advisory team is assisting the JHQ in conducting gap analysis and prioritizing future doctrine development.

Surgeon General

The Directorate of Military Medical Services is led by the Joint Forces Surgeon General who has the responsibility of providing Health Service Support to the IA, IqN, and IqAF. The single most challenging component to further expansion of military medical capabilities and infrastructure is a shortage of health professionals. As of January 2009, the Surgeon General Organization has 20% of physicians authorized and is affected by the same national physician shortage that plagues the MoI. The MoD is awaiting legislative relief via the Iraqi Law of Military Service and Retirement, which should

be signed in early 2009. This proposed Iraqi law will grant authority to the MoD for providing salary, rank, and educational incentives to attract and retain physicians to military service.

In January 2009, MNSTC-I awarded a \$3 million final-phase contract in support of the highly-effective MoD Prosthetics and Rehabilitation Clinic. MNSTC-I assisted with the construction and move to a new clinic, which was paid for with GoI funds using the FMS process. Using the new support contract in this final phase of a two-year effort, MNSTC-I will continue to develop and mentor 11 designated Iraqi nationals in prosthetics, increasing autonomy of physical therapists and technicians for this important service to the ISF.

In January 2009, the MoD opened the first Iraqi Military Hospital in Muthanna. This 50-bed facility adds key capability that will allow reduction of Iraqi inpatient population in Coalition medical facilities. The Coalition is working with the GoI to improve Iraqi medical evacuation capability to allow maximal use of this facility.

Iraqi Army

Organization

The IA currently has 13 infantry divisions and one mechanized division organized under the IGFC. Ground forces include 201 fully generated and trained IA battalions and 55 IA brigades with a force generation focus on enabler units to complete the divisional force structure. Of the 201 battalions, 179 comprise the IGFC combatant battalions. The other 25 battalions make up the Iraqi Infrastructure Battalion (5), the Presidential Brigade (5), the Baghdad Brigade (1), and the Independent Security Force battalions (13). Of the 55 brigades, 53 comprise the IGFC combatant brigades. The remaining two belong to the Presidential Brigade and Baghdad Brigade, respectively.

Budgetary constraints will present a major hurdle to the IA's ability to recruit new

members and to add new units. As of January 2009, 175 IA combat battalions are conducting operations, with four newly-formed battalions (179 total), an increase from 165 in the last report. The hiring freeze based on budget challenges will impact the manning of enabler units.

Despite the current hiring freeze, the IA was able to generate three battalions, two brigade headquarters, one brigade headquarters service company, and one MTR with soldiers who were already in the training pipeline. As the hiring freeze continues, however, force generation of key enablers essential for completing the COIN force will be adversely affected, particularly mortars, light artillery, signal, engineer, ISR units, field service regiments, as well as the remaining MTRs. To develop the IA's capabilities and capacity to engage in force management and acquisition activities, the Coalition is partnering with the IA leadership and the Minister of Defense to establish a joint M1A1 Program Manager Office, which will provide life-cycle management, new-equipment training, and follow-on training for the 140 M1A1 tanks recently purchased through FMS. It will also ensure the integration of the M1A1s into the Iraqi maintenance system.

Training

In October 2008, the IA suspended Basic Combat Training (BCT) after it surpassed its mandated manpower authorization. Approximately 73,000 Iraqi soldiers completed BCT in 2008. To maintain and improve institutional training capacity, MNSTC-I has shifted its focus to professionalizing the force. This effort emphasizes enhancing special skills, enabler units, unit-level, and recurring training to develop depth and improve the quality of individual soldier skills. The on-going Warfighter Exercise (WFX) training program is indicative of continued improvement in training capacity and capability at the Divisional, Regional, and Combat Training Centers. Since the program began in June 2008, four battalions have completed this training.³³ These exercises

are now scheduled and conducted by the IA with the Coalition prepared to support, as necessary. The MOSQ courses for maintenance, transportation, signal, supply, administration, weapons armorer, military police, and medical personnel are other examples of continued progress. More than 14,400 soldiers have completed training in one of these eight different courses. The requirement for specialty MOSQ training will increase significantly in 2009 as the focus continues to shift toward generating enabler units and skill sets. The Iraqi Army Service and Support Institute (IASSI) continues to provide advanced education and technical training in multiple support disciplines and supply, maintenance and repair specialties. More than 7,200 soldiers graduated from IASSI courses in 2008. In a separate effort, the IA conducted three cycles of Transition and Reintegration (TNR) training with vetted former Iraqi militia. These 1,659 officers and 1,705 NCOs graduated from TNR training in December 2008, adding 16% to officer and 4% to NCO current strengths.

Materiel

The IA self sustainment capability continues to improve through multiple programs. The single channel ground and airborne radio systems (SINCGARS) and Harris radio fielding provide the IA with a secure tactical communication and an increased C2 capability. Although combat units were initially the priority for distribution, service and service support units are now receiving these assets. The IA is now responsible for continued fielding of M16s and M4s and uses the Weapons Training Wing at each of the Regional Training Centers for this purpose. More than 50,000 of these weapons have been issued through December 2008. Currently on hold, the M16A4 and M4 fielding will resume in April 2009. The IA is also preparing to assume the training portion of the fielding and training program. Weapons accountability is maintained through frequent inventories and multiple checks of proper identification, including biometric data.

During the last quarter, the IA Deputy DCoS-Logistics emphasized information sharing and synchronization among the DCoS, the Commanding General of each Location Command, and the Chief of Supply Depot Management. This coordination effort significantly improved distribution management and asset visibility of ISFF and FMS procured materiel and equipment. This effort directly contributed to more efficient equipping of IA units and increased IA combat capability.

Finally, the IA fielded a key strategic enabler unit, the GTR, which is designed to transport equipment and supplies throughout the theater. The GTR is increasingly assuming responsibility from the Coalition and recently added a standard shuttle mission between locations where second- and third-level support is provided.

Leadership and Education

The IA continues to develop a NCO Education System (NCOES) that emphasizes small unit leadership. To date, nearly 14,000 NCOs have graduated from NCOES courses. The IA approved its NCOES Campaign Plan in October 2008 after a 12-month planning effort and began implementation on January 1, 2009. The new NCOES is controlled by the DCoS - Training Directorate, which standardizes all IA NCOES education in Iraq. The system is based on the recently developed Iraqi leadership doctrine and is intended to link promotions to graduation from IA NCO-producing schools. A planning team of combat-proven IA officers and NCOs developed and refined NCOES courses for corporals, squad leaders, and platoon sergeants. The goal is to increase professionalism of the NCO Corps by improving leadership, training, and combat skills.

The Basic Combat Training Campaign Plan generated a review of the basic combat training modules and improvement in the quality of graduating soldiers. It identified the requirement to develop Drill Instructors and a Basic Combat Instructors Course to improve course

instruction quality. The Basic Combat Instructors Course, designed to reinforce skills required to instruct basic combat trainees through the use of practical exercises is under development.

In November 2008, the NATO Training Mission-Iraq (NTM-I) conducted the initial three-week course for Iraqi Senior NCOs. This course served as a “proof of principle” for future courses and lessons learned will lay the foundation for future senior NCO courses. The Iraqi Center for Military Values, Principles, and Leadership Development (CMVPLD) continues to provide the capability to professionalize the IA, offering instruction in five areas, including Professional Military Values, Leadership, the Profession of Arms, Law of Armed Conflict/Human Rights, and the Role of the Military in a Democracy. Ethics training is now included in basic combat and leader training programs, during unit set fielding and as part of WFX exercises. The center has generated more than 400 new instructors at Regional Training Centers and the four Iraqi Military Academies. An additional 82 Joint Staff College students were also trained in 2008. In 2009, CMVPLD plans to deliver ethics training at the division level, as well as conduct training assessment visits to the Regional Training Centers (RTC) and the Divisions.

Personnel

As of November 2008, the IA is currently manned to 57% of its authorized officers, 45% of its authorized NCOs, with 148% of total authorizations. IA personnel statistics reflect an average of 62% present for duty at any given time. The current attrition rate of assigned personnel is 1.7% per month. The average leave rate is currently 23% of assigned personnel, well within the policy limit of 25%. The absent-without-leave rate is less than 1% of the assigned strength per month. The most critical personnel issues continue to be the need for a documented manpower management strategy, improved procedures for paying soldiers, accurate accountability procedures,

and the need to transparently promote individuals based on merit. The 2008 BCT graduation total of just over 70,000 was well below the original goal of 114,600 established at a time of accelerated growth. Nevertheless, adequate recruits were on hand to meet 2008 force generation requirements, which were adjusted due to budgetary factors.

Facilities

Currently, nine of 10 planned Divisional Training Centers (DTC) and Regional Training Centers (RTC) are complete. Each of these centers includes a range complex, combat assault course, live fire shoot house, and outdoor classrooms. They support both BCT and WFX exercises for the IA. Billeting continues to be limited, however, which restricts usage of the centers. The current combined capacity is limited to 14,600 students. Facilities planned in 2009 include dedicated after-action review and medical training classrooms, as well as weapons cleaning stations.

The construction of 13 Location Commands, one for each IA division, continues. These commands consist of warehousing, 3rd line maintenance, fuel storage, billeting, and life-support facilities. In 2009, the MoD is also planning to build 14 life-support base sustainment warehouses to provide food storage capacity. Location Commands are targeted for completion in the spring of 2010, once Coalition funding is approved.

Despite significant improvements, several shortfalls remain in IA infrastructure. The most significant shortfall is the availability of electricity. Only one base is connected to the national power grid, and all rely on generator-produced power, which is inconsistent at best and costly. Moreover, few bases have centralized power and sewage treatment plants. Although generators are used to offset this problem, connecting the remaining bases to the power grid will greatly reduce the cost of fuel and maintenance for the generators.

Iraqi Air Force

The challenge for the IqAF will be to expand current capabilities and build the foundation of a credible and enduring IqAF for the future. Currently, the IqAF has minimal capability across the spectrum of capabilities, but progress is being made in ISR, airlift (fixed/rotary wing), and developing its Airmen, with a focus on the COIN fight. These areas should achieve foundational capability by December 2010. Ground attack, airspace control, and C2 lag behind, with these foundational capabilities expected by December 2012. Despite its rapid growth in the past year, the IqAF lags behind all major Middle Eastern air forces, and achieving a credible and enduring IqAF will require continued Coalition support.

Doctrine

The IqAF has taken important steps to develop its doctrine. Iraqi and Coalition partners have begun codifying their ISR lessons learned in tasking, collecting, processing, exploiting, and disseminating information. In kinetic operations, the IqAF is preparing for operations of its first precision air-to-ground attack aircraft by establishing preliminary rules of engagement. Coalition airpower planners are actively contributing to the development of rules of engagement.

Organization

Over the past 12 months, the IqAF aircraft sortie rate has increased significantly, and its proficiency in scheduling and conducting flight operations continues to improve. Today, the IAOC provides C2 of over 350 sorties per week, spanning training, ISR, and airlift missions.

Training

Training remains a top priority within the IqAF as it strives to reach 6,000 personnel accessed and trained by 2010. Today, the IqAF has 100 officer and enlisted specialties spread across ten functional areas and anticipates adding approximately 15 more over the next 12 months. Over the past quarter, IqAF officer initial-entry and enlisted technical training has

advanced. Enlisted Basic Technical Training (BTT) courses in communications, flight medicine, fire fighting, aircraft maintenance, aircraft structures, aerospace ground equipment, aircraft weapons, aircrew gunners, and professional military education were successfully accomplished, many for the first time. Several BTT syllabi currently in development will expand training in operations, maintenance, supply, and infrastructure support personnel.

In addition, the IqAF commissioned 165 officers after successfully completing Basic Military Training (BMT) and the Air Force Officer Course at the Iraq Military Academy at Rustamiyah (IMAR). An additional 107 IqAF cadets are forecast to graduate from IMAR by the end of 2009. To satisfy the demand for more officers, the IqAF has increased its officer class size to 250 personnel.

The Flying Training Wing at Kirkuk Air Base expanded to reach an annual basic flight training capacity of 128 students with 65 currently enrolled. During the first quarter of 2009, the IqAF graduated nine pilots, the largest pilot class to date. Also, four instructor pilots successfully completed basic flight instructor training. Despite rapid growth of its flight training capacity, the IqAF aircrew manning will continue to lag behind requirements as IqAF inventory of aircraft grows. This aircrew shortage will only be met by further expansion of domestic flight training resources and use of appropriate foreign training opportunities.

English Language Training (ELT) continues to be a top training priority for IqAF leaders. ELT currently focuses on aircrew, aircraft maintenance, air traffic control, and communications personnel. Although the Coalition continues to provide the vast majority of ELT instruction, efforts are underway to generate an Iraqi ELT program with an annual ELT training capacity of nearly 800 students.

Materiel

The IqAF added 36 aircraft in 2008 to reach a total of 89 assigned aircraft.³⁴ Plans call for adding another 34 aircraft in 2009. The IqAF's inexperience in acquisition continues to make procurement a challenge. This is complicated by a process that requires the Defense Minister to make most acquisition decisions. The IqAF has shown a nascent capability in requirements generation, FMS case development, and source selection, but significant staff development is still necessary. Work continues in building robust institutional processes for the GoI to obtain the aircraft, materiel, and support necessary to build and sustain its force. The IqAF will achieve an initial precision air-to-ground attack capability, forecast for early 2009, with the delivery of 20 Hellfire air-to-ground missiles for use with the AC-208 Combat Caravan. On December 9, 2008, Congress was notified that Iraq may purchase 26 additional Armed Scout Helicopters, 36 AT-6C Texan light-attack aircraft, and 20 T-6A Texan II training aircraft through the FMS process.

Personnel

The IqAF continues to slowly increase its personnel but has still filled only 57% of its authorized military and civilian strength. Those numbers must grow significantly in the future to match anticipated growth in aircraft numbers. Such growth is slowed by the time required to recruit, access, and train airmen on complex aircraft and ground support systems.

Of particular concern is a severe shortage of mid-career officers. More than 50% of pilots and 35% of ground officers will reach retirement age before 2020, and the few remaining mid-career pilots lack flying experience. These numbers point to a shortage of senior IqAF leaders in ten years. This could be partly mitigated by the review and accession of some of the more than 2,400 former Iraqi military members currently being evaluated for either return to active duty or retirement. Finally, the IqAF must identify mid-career officers with potential to serve in the highest ranks and guide

them through rigorous professional military development.

Facilities

On-going projects at Taji, Kirkuk, and New al-Muthana Air Base will increase training capacity and adequately support the requisite growth in IqAF personnel through the spring of 2010. Over the next four years, the IqAF plans to expand to 11 main operating bases.

Coalition turnover of key infrastructure, including aircraft parking ramps, hangars and dormitories is critical to growth, but the IqAF has limited capability to conduct infrastructure maintenance. Coalition advisors are helping the IqAF fill this capability gap by creating training programs for engineers.

Iraqi Navy

Organization

The IqN headquarters is co-located in the Baghdad MoD buildings, from where it sets maritime policy and provides strategic guidance for the Navy. To counter 2009 budgetary constraints, the staff developed a phased approach to deliver capabilities within the projected fiscal limits. Subject to budgetary approval, this strategy would see a contract for Patrol Boats and Offshore Support Vessels that will result in a phased delivery from 2011 through the beginning of 2013. The headquarters focus in 2009 is to improve its staff capability to support the new fleet and prepare the institutional IqN for future growth.

Training

The 80 Coalition trainers, led by a British Royal Navy Captain, continue to provide training for the IqN. The arrival of 16 eight-meter DEFENDER fast boats, 24 eight-meter boarding craft, and ten eight-meter rigid hull inflatable boats will complete replacement of the IqN's old small boat fleet. Once training is complete, these craft will give Iraq an enhanced boarding capability in the North Arabian Gulf and allow the IqN to conduct increased patrols of Iraq's inland seas. The Iraqi crew of the first 55-meter Patrol Ship is in Italy, preparing to

sail the 5,500-mile passage back to Iraq in June 2009.

Officers training in the UK are meeting with mixed success. The younger, junior officers have tended to do well because the courses assumed a lower basis of fundamental seamanship knowledge. The more senior officers, on the other hand, fell short of the required standards, as the courses assumed a level of capability beyond their expertise and competence. This training experience reinforced the requirement for continued IqN training and underscored the need to significantly improve IqN standards. Budget constraints will limit the 2009 UK class to eight officers.

Progress has been made in growing and professionalizing the Iraqi Marines this quarter. The force gained 250 basic training graduates. In addition, the training of the Oil Platform Defense and Vessel Board Seize and Search Marine Platoons is almost complete. Five platoons of the Second Battalion have completed an enhanced "Warfighter" enhanced training program at the Shaibah DTC. The training focus for the remainder of 2009 will be on the Versatile Marine Training Program.

The Basrah Maritime Academy is now under MoD control and negotiations have begun between the MoD and MoI to rebuild the faculty and curriculum. The IqN aspires to rebuild this facility, regain International Maritime Organization accreditation, and resume its position as the single academy in Iraq to train all maritime related personnel (ports, merchant marine, coastguard, and police). This will re-establish the New Entry Training institution for the IqN and ensure the long-term well being of the service. The Coalition team, led by a UK officer, is developing a plan to assist in the reconstruction and rehabilitation of both the faculty and curriculum.

Matériel

Delivery of 44 small craft this quarter provided a much needed boost to IqN morale but will strain both the training and logistics sustainment capabilities. The arrival of the first two Patrol ships from Italy towards the end of 2009 will see the first real capability increase for the IqN. Without significant improvement in the HQ command and staff capacity, the IqN will find it increasingly difficult to support its growing fleet. The medium-term solution is to obtain a contract logistics and engineering support arrangement to assist Iraqi engineers while they build their capability.

Personnel

The IqN has approximately 2,000 personnel out of an authorized 3,596, with an additional 500 marine recruits due by April 2009. In the spring of 2009, 275 naval recruits will start basic training at Umm Qasr. An additional 250 naval recruits will then follow them in the fall. This will bring the IqN total to 2,900 personnel by the end of 2010, which is consistent with plans to achieve the objective of 6,500 personnel by 2015.

Facilities

The final design for the new pier and seawall is complete and construction on track to conclude in September 2009. Resolution of legal difficulties tied to repairing an existing pier and building a repair workshop and ship-lift facility will allow renovations to be complete by July 2009. Iraqi funding was secured for additional barracks, dining facilities, training aids, and simulators. Coalition assistance, in partnership with the Iraqi MoD, will deliver warehouse facilities, a command headquarters, and an ammunition storage magazine. By the end of 2009, the IqN should have sufficient infrastructure and training facilities to support and train crews with its new fleet of vessels.

2.4 Iraqi National Counter-Terrorism Force

The Iraqi National Counter-Terrorism Force (INCTF) is headed by the ministerial-level Counter-Terrorism Bureau (CTB) and includes the Counter-Terrorism Command (CTC) and

the ISOF Brigade. Under Prime Minister Directive 61, signed in April 2007, the INCTF is independent of both the MoD and MoI. A bill still awaits CoR approval to establish the CTB as a separate ministry, formalizing a ministerial-level position for the CTB Director.

Organization

The CTB continues to improve coordination with the MoD and MoI on strategic-level planning, targeting, and intelligence fusion. The proposed CTB law was approved by the CoM in July 2008 and submitted to the CoR. However, in September 2008, the proposal was returned to the CoM to incorporate rule of law provisions, among them that the CTB Director be appointed a special rank with “minister-like powers.” There has been resistance in the CoR and from the MoD in granting ministerial-level status to the CTB, and the bill is still pending. Beginning in 2008, the CTB was granted semi-autonomous budget authority, and it submitted a 2009 budget for \$580 million to the MoF. The MoF has since informed the CTB that because of the effect of falling oil prices on the national budget, it was likely the non-payroll budget for INCTF would be the same as in 2008, \$167 million.

Besides its payroll, INCTF continues to rely on MoD support for finance, logistics, medical, aviation, and engineer support and training. In December 2007, the CTB and MoD concluded a MOA by which the IqAF provides air support for ISOF operations. The MOA is in effect until the CTB law is passed but does require MoD and CTB to revisit the MOA each year to discuss possible updates or changes. The MoD’s IqAF provides Mi-17 helicopter and Cessna KingAir ISR support for ISOF training and operations. In October 2008, air elements were incorporated for the first time in initial ISOF training, and in November 2008, the first of two ISOF personnel completed the Iraqi Forward Air Control training.

The CTC is the operational headquarters for combating terrorism in Iraq. CTC exercises C2 of ISOF units that execute combat operations.

The ISOF Brigade conducts tactical operations in conjunction with U.S. advisors. The brigade is composed of nine battalions: the 1st Battalion (Bn) (Commando); 2nd Bn, which is designated the Iraqi Counter-Terrorism Force (ICTF); 3rd Bn (Support); 4th Bn (RECCE); and 5th Bn, which conducts the Iraqi Special Warfare Center and School (ISWCS). In 2008, the ISOF Brigade underwent expansion to include four 440-man regional commando battalions: the 6th (Basrah), 7th (Mosul), 8th (Diyala) and 9th (Al Asad). The 6th and 7th Bns achieved full operational capability (FOC) in mid-2008. The 8th Bn is to achieve FOC in March 2009 and the 9th Bn in December 2009. The four regional battalions will be housed on regional commando bases, each of which will also incorporate a regional counter-terrorism center (RCC), a regional reconnaissance team, and a garrison support unit (GSU). These RCCs will have intelligence fusion cells that will be linked to the CTC, but as yet, they have not been integrated into the MoD and MoI intelligence networks. A separate RCC is also planned for Baghdad. The Coalition has provided secure communications and information networks for use throughout INCTF. The Coalition also has Military Training Teams at all three echelons that have 24-hour contact with their Iraqi counterparts.

Both the CTC and the ISOF Brigade have IG staff sections. The CTC IG has conducted inspections of more than 95% of INCTF's units, including the RCCs and the detention facility where ISOF transient detainees are held. The IG conducts staff assistance visits and formal inspections, as well as monitoring for human rights violations and internal affairs issues.

Training

The ISWCS conducts three rotational courses to meet force generation requirements. The first is the three-week Selection Course; the attrition rate for candidates in this rigorous screening course is greater than 40%. Of those who graduate, the top 10% are sent to the eight-week Operators Training Course, and from

there they are assigned to the 2nd Bn (ICTF). The next 20% are earmarked for the six-week Commando Course. The remainder is assigned to the Support Battalion and the GSU. Most recruits for the Selection Course are nominated by Shi'a, Sunni, and Kurdish tribal leaders from among candidates who have no prior military experience.

The ISOF brigade currently has 824 soldiers who passed the Selection Course in May 2008 but cannot be added to the official rolls due to the hiring freeze. These personnel would be sufficient to bring all units to full operational capability by July 2009 and complete force generation. However, the ISWCS has encountered persistent difficulties obtaining support from the MoD for ammunition, equipment, and pay for the trainees, causing courses to be postponed. Failure to resolve the funding issue for the 824 Selection graduates is already having a significant impact on INCTF's sustainment capability. INCTF advisors have made this a priority in the months ahead.

Materiel

In 2008, the ISOF Brigade, including the ISWCS, relied on the MoD for ammunition and vehicle and weapons spare parts. As of mid-January 2009, the ISOF Brigade had 1,443 vehicles, including 306 High Mobility Multipurpose Wheeled Vehicles (HMMWV), delivered to its units. An additional 249 HMMWVs are expected by August 2009 under the Cascade Program, by which U.S. vehicles are shipped home, refurbished and up-armored, and shipped back for delivery to the Iraqis. The ISOF Brigade has received 95% of all ISF-funded materiel in eight of its nine battalions.

Leadership and Education

In September 2008, INCTF submitted to the MoD a list of college-educated candidates for admission to the four regional military academies to help alleviate a critical officer shortage in the ISOF brigade; the MoD approved seven names. At the direction of the Prime Minister, ten graduates from each of the four military academies (Rustamiyah, Zahko,

Nasiriyah, and Qualachulon) and the staff college at Rustamiyah were to be assigned to INCTF. However, the MoD assigned only 21 military academy graduates to INCTF and only three staff college graduates. INCTF is participating in an International Military Education and Training program for officer development where areas of focus are NCO and MOS training. Currently, NCO training within the ISOF Brigade is accomplished by on-the-job training at the unit level. In addition, in December 2008, NTM-I approved including CTB for its out-of-country training.

Personnel

INCTF is a non-sectarian force, as reflected in its leadership, its personnel, and the methodologies with which it conducts operations. INCTF personnel generally reflect the Shi'a, Sunni, Kurdish, and other minorities' breakdown in the general populace, according to recent statistics. INCTF's non-sectarian approach is also seen in the internal vetting of personnel in key positions. As of September 2008, CTB and CTC were well ahead of any other ISF organizations with respect to the number of personnel voluntarily screened by U.S. counterintelligence assets. This screening consisted of both interviews and polygraphs to verify background investigations.

The INCTF's manning increased 30% over the last year—CTB is currently manned at 40%, CTC at 48%, and the ISOF Brigade at 67%, as of February 2009. Overall, INCTF is manned at 61%, and all battalions are expected to be

steady-state by December 2009. Currently, officer manning is at 34% and NCO strength is at 44%. Unit strengths remain low due to a decision in May 2008 to double authorized strength, and it will take several years to achieve the increased manning levels because of the timelines associated with the specialized training requirements for these personnel. INCTF advisors monitor personnel accountability, promotions, and personnel policies of ISOF. This is a command priority that continues to be emphasized at all senior leader engagements. At steady state, the INCTF will consist of more than 8,500 operators, staff, and support personnel.

Facilities

The CTB is housed in two compounds in the IZ. The ISOF Brigade is housed in a base near Baghdad International Airport that includes offices and billeting for the 1st, 2nd, 3rd, 4th, and 5th Battalions and the GSU. Construction was completed in October 2008 for 12 barracks, a company headquarters, and a maintenance bay. The INCTF expansion plan includes establishing four regional commando bases (RCB) located at Al Asad, Basrah, Diyala, and Mosul to provide force projection throughout Iraq. Each RCB template contains a commando battalion with a platoon-sized reconnaissance unit and a company-sized GSU. The RCB at Al Asad was completed on December 20, 2008, and is one of the premier facilities of its kind in Iraq. The RCBs in Diyala and Basrah are both scheduled for completion in December 2009.

Annex A

List of Acronyms and Abbreviations

AAH	Asa'ib Al-Haq
AQI	Al Qaeda in Iraq
BCT	Basic Combat Training
BMT	Basic Military Training
Bn	Battalion
BPC	Baghdad Police College
BRT	Basic Recruit Training
BTT	Basic Technical Training
C2	Command and Control
CBI	Central Bank of Iraq
CCCI	Central Criminal Court of Iraq
CMVPLD	Center for Military Values, Principles, and Leadership Development
COB	Contingency Operating Base
COIN	Counterinsurgency
COL	Contingency Operating Location
CoM	Council of Ministers
CoR	Council of Representatives
COS	Contingency Operating Site
COSIT	Central Organization for Statistics and Information Technology
CRC	Constitutional Review Committee
CSC	Civil Service Corp
CTB	Counter-Terrorism Bureau
CTC	Counter-Terrorism Command
CTF	Counter-Terrorism Force
DBE	Directorate of Border Enforcement
DBIC	Dialogue on Business and Investment Conference
DCOS	Deputy Chief of Staff
DG	Directors General
DGIS	Directorate General for Intelligence and Security
DGoP	Directorate General of Police
DoI	Daughters of Iraq
DoJ	Department of Justice
DTC	Division Training Center
EFP	Explosively-Formed Penetrator
ELT	English Language Training
ePRT	Embedded Provincial Reconstruction Team
ERU	Emergency Response Unit
FMS	Foreign Military Sales
FOC	Full Operational Capability
FPS	Facilities Protection Service
FY	Fiscal Year
GDP	Gross Domestic Product
GE	General Electric
GoI	Government of Iraq
GTR	General Transportation Regiment
GSU	Garrison Support Unit

HJC	Higher Judicial Council
HMMWV	High Mobility Multipurpose Wheeled Vehicle
HoP	Hours of Power
HPA	High-Profile Attack
HQ	Headquarters
HRIMS	Human Resource Information Management System
IA	Iraqi Army
IAOC	Iraqi Air Operations Center
IASSI	Iraqi Army Support and Service Institute
ICI	International Compact with Iraq
ICTF	Iraqi Counter-Terrorism Force
IDP	Internally Displaced Person
IED	Improvised Explosive Device
IG	Inspector General
IGFC	Iraqi Ground Forces Command
IHEC	Independent High Electrical Commission
IJF	Iraqi Joint Forces
IMAR	Iraqi Military Academy at Rustamiyah
IMF	International Monetary Fund
IMSS	Intelligence and Military Security School
INCTF	Iraqi National Counter-Terrorism Force
IOM	International Organization for Migration
IP	Iraqi Police
IPA	International Police Advisor
IPS	Iraqi Police Service
IqAF	Iraqi Air Force
IqIC	Iraqi Intelligence Community
IqN	Iraqi Navy
ISCI	Islamic Supreme Council of Iraq
ISF	Iraqi Security Forces
ISFF	Iraqi Security Forces Funds
ISI	Islamic State of Iraq
ISOF	Iraqi Special Operations Forces
ISR	Intelligence, Surveillance, and Reconnaissance
IZ	International Zone
JAM	Jaysh al-Mahdi
JCC-I/A	Joint Contracting Command – Iraq / Afghanistan
JHQ	Joint Headquarters
JOC	Joint Operations Center
KAC	Karbala Area Command
KGK	Kongra Gel
KH	Ketaib Hezbollah
KRG	Kurdistan Regional Government
mbpd	Million Barrels Per Day
MCTF	Major Crimes Task Force
MeK	Mujahedin-e Khalq
MNF-I	Multi-National Force-Iraq
MNSTC-I	Multi-National Security Transition Command-Iraq
MoD	Ministry of Defense

MoE	Ministry of Electricity
MoF	Ministry of Finance
MoH	Ministry of Health
MoI	Ministry of Interior
MoJ	Ministry of Justice
MoO	Ministry of Oil
MoP	Ministry of Planning
MOSQ	Military Occupational Skills Qualification
MTOE	Modified Table of Organization and Equipment
MTR	Motor Transport Regiment
MW	Megawatts
NCC	National Command Center
NCO	Non-Commissioned Officer
NCOES	Non-Commissioned Officer Education System
NIIA	National Information and Investigation Agency
NP	National Police
NRC	National Reconciliation Committee
NTM-I	NATO Training Mission-Iraq
O&M	Operations and Management
OP	Oil Police
OPC	Oil Pipeline Company
OTA	Office of the Transportation Attaché
P&B	Programs and Budget
PBIED	Person Borne Improvised Explosive Device
PDB	Promise Day Brigade
PDOP	Provincial Director of Police
PEL	Provincial Elections Law
PEZ	Pipeline Exclusion Zone
PFMAG	Public Finance Management Action Group
PIC	Provincial Iraqi Control
PJCC	Provincial Joint Coordination Center
PMNOC	Prime Minister's National Operations Center
PoE	Ports of Entry
PoED	PoE Directorate
PPL	Provincial Powers Law
PRT	Provincial Reconstruction Team
RAC	Rusafa Area Command
RCB	Regional Commando Bases
RCC	Regional Counter-Terrorism Centers
ROLC	Rule of Law Complex
RTC	Regional Training Center
SA	Security Agreement
SAO	Security Assistance Office
SBA	Stand-By Arrangement
SFA	Strategic Framework Agreement
SG	Special Groups
SINGARS	Single Channel Ground and Airborne Radio Systems
SoI	Sons of Iraq
SVBIED	Suicide Vehicle-Borne Improvised Explosive Device

SWAT	Special Weapons and Tactics
TFBSO	Task Force to Improve Business and Stability Operations-Iraq
TNR	Transition and Reintegration
TQI	Training Qualification Institute
UAE	United Arab Emirates
UNAMI	United Nations Assistance Mission Iraq
UNHCR	United Nations High Commissioner for Refugees
UNSCR	UN Security Council Resolution
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
USG	U.S. Government
WFX	Warfighter Exercise

¹ This report was previously submitted pursuant to Section 9010 of the Department of Defense Appropriations Act 2007, Public Law 109-289, as amended.

² The data cutoff date for this report, unless otherwise stated, is February 28, 2009.

³ Core inflation excludes fuel, electricity, transportation, and communications prices.

⁴ Nationwide Survey, January 2009. For security reasons, to protect the integrity of the data and the anonymity of the individuals involved with the polling data and their association with the USG, the survey questions and supporting data can be found in the classified annex to this report. This note applies to footnotes 6 through 27.

⁵ *Inma* translates as “growth” in Arabic.

⁶ Nationwide Survey, January 2009.

⁷ Nationwide Survey, January 2009.

⁸ Nationwide Survey, January 2009.

⁹ Nationwide Survey, January 2009.

¹⁰ Nationwide Survey January 2009.

¹¹ Nationwide Survey, January 2009.

¹² Nationwide Survey, January 2009.

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²³ Nationwide Survey, January 2009.

²⁴ Nationwide Survey, January 2009.

²⁵ Nationwide Survey, January 2009.

²⁶ Nationwide Survey, January 2009.

²⁷ Nationwide Survey, January 2009.

²⁸ DoD previously reported on the number of Iraqi Security Forces personnel authorized and assigned by the Ministries of Defense and Interior and trained with the assistance of Coalition forces. With the expiration of the mandate of UNSCR 1790, the data is now included in the classified annex because specific military personnel strength for a sovereign nation is considered sensitive.

²⁹ MoI employees not included in Iraqi Security Force numbers: Civil Defense forces, Facility Protection Service forces, Oil Police, and headquarters and administrative personnel—a total of approximately 112,000 other MoI employees.

³⁰ Four separate studies informed these Iraqi force end strength estimates. The first was the May 2007 MNSTC-I In-stride Assessment of growth required in 2008 to protect the population, overmatch the insurgent and terrorist threat, provide the depth necessary to deploy forces across the country, and implement an annual retraining and reconstitution program. The second was Iraqi Military Service plans focused on the 2010-2015 period, and MoI Plan that addressed near-term police

force growth. The third was a Multi-National Corps – Iraq assessment of the Iraqi Army’s required enduring posture by 2010. The fourth was a MNSTC-I directed, MNF-I sponsored Iraqi force analysis conducted by the Center for Army Analysis. The primary objective of this assessment was to determine if the projected, near-term (2010) Iraqi forces were capable of overmatching the anticipated threat. The assessment concluded that the ISF was incapable of overmatching the threat and recommended additional force structure growth and development of specific capabilities.

³¹ DoD previously reported on readiness posture of Iraqi Security Forces with accompanying charts. With the expiration of the mandate of UNSCR 1790, the data is now included in the classified annex because military operational readiness for a sovereign nation is considered sensitive.

³² This paragraph is pursuant to Section 1508(c) of the Department of Defense Authorization Act for 2009, Public Law 110-417.

³³ The War Fighter Exercise (WFX) program rotates battalions through four-week long collective training cycles focused on platoon and company level skills, staff leader training, and battalion collective training.

³⁴ The current IqAF fleet consists of 36 fixed-wing aircraft and 53 rotary-wing aircraft (17 Mi-17, 16 UH-1, 10 Bell Jet Ranger, 10 OH-58C, 3 C-130E, 6 King Air 350 ISR/LTA, 10 C-172 Cessna, 5 TC-208 Caravan, 4 ISR Caravans and 8 CH-2000.)