
Measuring Stability and Security in Iraq

**June 2007
Report to Congress
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Department of Defense Appropriations Act 2007
(Section 9010, Public Law 109-289)**

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Executive Summary

This report to Congress, Measuring Stability and Security in Iraq, is submitted pursuant to Section 9010 of the Department of Defense Appropriations Act 2007, Public Law 109-289. The report includes specific performance indicators and measures of progress toward political, economic, and security stability in Iraq, as directed in that legislation. This is the eighth in a series of reports on this subject. The most recent report was submitted in March 2007. 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 strategic goal of the United States in Iraq remains a united Iraq that can govern, defend and sustain itself and is an ally in the war on terror. This report measures progress toward—and setbacks from—achieving this goal during this reporting period. Although the objectives have not changed, the strategy and tactics for achieving them have been modified and will continue to adapt to an evolving situation. The United States and its Coalition partners remain committed to help the Iraqi people assume full responsibility for their country.

The New Way Forward

On January 10, 2007, the President announced the *New Way Forward*. The period covered in this report (February 2007 to May 2007) saw a greatly increased effort to secure turbulent areas to give Iraqis political space to implement reforms and pursue reconciliation among competing factions¹. While some analysts see a growing fragmentation of Iraq, most Iraqis continue to believe that Iraq should remain a unified state. The democratically elected Iraqi government is taking the lead in devising its own strategy and is committed to significant political, economic, and military steps intended to further reconciliation. It is too soon to assess results. Positive indicators include a decrease in civilian murders and sectarian violence in Baghdad and in total attacks in Anbar Province, while negative indicators include the rise of high-profile attacks and expanded use of explosively formed projectiles.

In support of the *New Way Forward*, Operation *Fardh al-Qanoon*² (FAQ) was launched on February 14, 2007, with an increased emphasis on population security in Baghdad as its primary focus. Iraqi and Coalition forces have increased force levels and instituted new security measures to protect the population and improve the legitimacy of the Iraqi forces. Four of five planned additional U.S. Brigade Combat Teams (BCTs) are currently in place; the fifth will be fully deployed and operational by late June 2007. Three additional Iraqi Army brigades completed their 90-day deployments in Baghdad, and one has been extended until mid-summer. Additional Iraqi brigades have been alerted and are moving to support operations in Baghdad.

Although it is premature to judge whether FAQ is creating the conditions necessary for political reconciliation, early indications are that sectarian killings have declined, especially in Baghdad; vehicle-borne improvised explosive devices (VBIEDs) found and cleared comprised roughly 69% of all VBIED incidents; and national confidence in the Government of Iraq's (GoI) ability to improve the security environment reached its highest level (63%) in twelve months. In another somewhat encouraging development, Sunni tribal resistance to al Qaeda in Iraq (AQI) along the Euphrates River Valley has been growing and—combined with a robust Coalition presence in Fallujah and Ramadi and increased effectiveness of Iraqi forces—is hindering AQI operations. However, local

Sunni cooperation with and support to Coalition forces in Anbar Province is not uniform. As a result of this tribal resistance, violence in Anbar decreased markedly during the reporting period. However, terrorist attacks increased in other areas as AQI and other groups attempted to spread sectarian conflict.

As for the status of Iraqi security forces, the United States, its Coalition partners and the Iraqi Government continued to expand the size and capability of the Iraqi forces to meet emerging requirements. As of May 14, 2007, approximately 346,500 Iraqi personnel received training and equipment. Given the persistence of the violence by insurgents, terrorists and militias, the Iraqi forces will require continued training, development and equipping to be able to progressively assume missions from Coalition forces. Some of the main areas being addressed to increase the Iraqi forces' capabilities include reform of the Ministry of Interior (MoI) forces, development of Ministry of Defense (MoD) and MoI logistics and administrative capabilities, development of combat enablers for the military forces and development of junior leaders.

On the political front, the United States and its Coalition partners are working with the GoI to safeguard gains and to develop strong institutions that impartially serve all Iraqis. Key legislative or reconciliation actions—such as the Hydrocarbon Law, de-Ba'athification reform, and Article 140 (Kirkuk)—were not completed during this reporting period, although progress was made. Encouraging efforts include the selection of the High Electoral Commission and the continuation of work on constitutional reform. During this period, Provincial Reconstruction Teams (PRT) were doubled to enhance local and provincial administrative capacity. Reconciliation remains a serious unfulfilled objective.

While significant challenges remain, several positive economic developments emerged. The most significant was the launch in Egypt on May 3, 2007 of the International Compact with Iraq to help Iraq gain assistance and debt relief contingent on political and economic reforms. Additionally, the Central Bank of Iraq made progress in reducing price inflation, and GoI statistics show a slight improvement in employment. The International Monetary Fund found satisfactory Iraqi performance to date under the Standby Arrangement. However, oil production, the principal economic driver in Iraq, is not growing and remained at about the same levels as during this period in 2006 due to poor infrastructure and inadequate security. Additional efforts will be needed to build the capacity of Iraqi ministries and provinces to execute their capital investment budgets, particularly for the oil sector, which is the key to supporting economic development. The Department of Defense continued to help the GoI revitalize certain state-owned enterprises to increase employment and make them more attractive for privatization.

Overall, it is too early to assess the impact of the new approach. For the period covered by this report, the additional forces to support the new approach were not fully in place, and those that were had only a limited time to conduct operations. In addition, new initiatives such as enhanced PRTs and focused efforts to improve GoI budget execution and rule of law remain in their initial stages. On the political front, reconciliation is a top priority. Economically, further provision of goods and services by the GoI that benefit the Iraqi population is required. Progress will depend on Iraqi follow-through on their commitments made as part of the new approach; the actions of insurgents, militia and terrorists to disrupt reconciliation will be a key challenge to the Iraqi government's ability to fulfill its commitments.

Section 1—Stability and Security

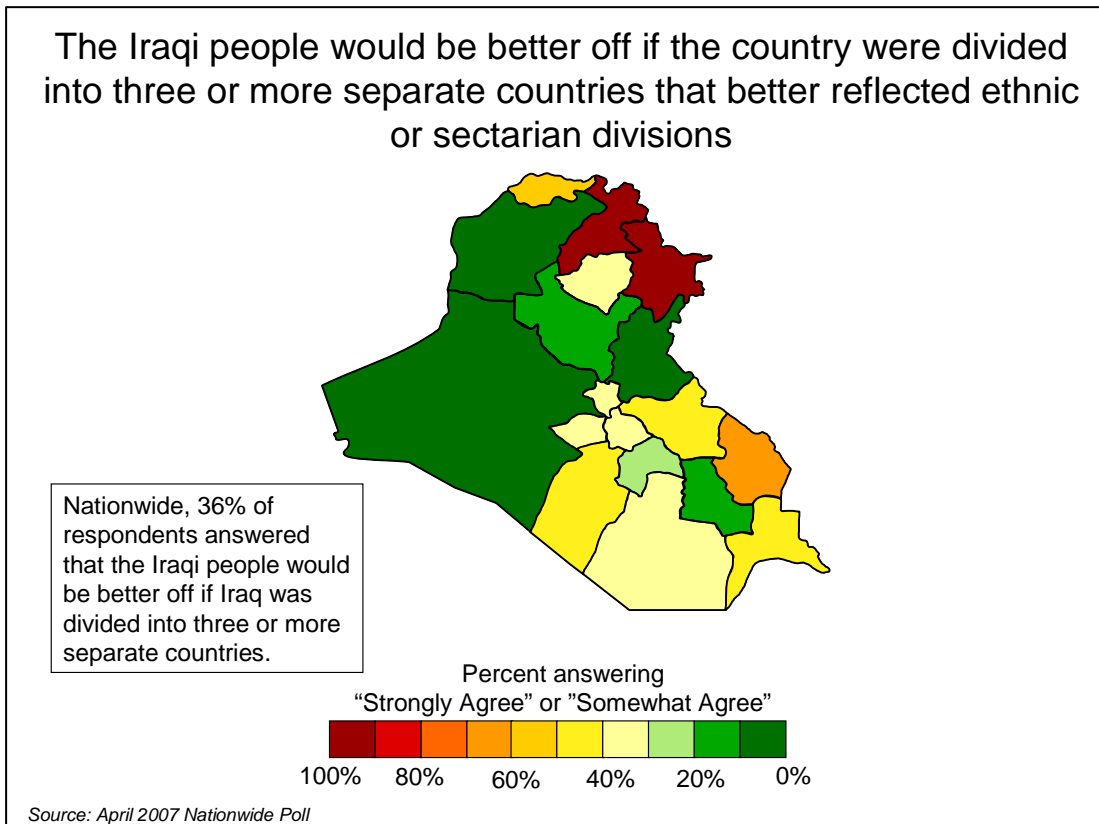
1.1 Political Stability

The United States and its Coalition partners are working with the Iraqi government to safeguard political gains in Iraq. In January 2007 President Bush announced a new approach—the *New Way Forward*—that puts greater emphasis on the diplomatic, political, and economic steps that must be integrated with security operations to bring about stability and security in Iraq. A more inclusive political process in Iraq should help bring reconcilable elements into a process of accommodation and isolate irreconcilable groups seeking to undermine these objectives. To support these efforts, the U.S. Government (USG) is working with the Government of Iraq (GoI) to strengthen institutions that foster the conditions for national reconciliation and transcend

regional, sectarian, and tribal divisions. During the period covered in this report, few of the key legislative or reconciliation actions were completed, but some progress was achieved. Additionally, efforts to bring broader international assistance to Iraq made headway with the attendance of more than 70 countries at the International Compact with Iraq and the Neighbors Conference held in Egypt on May 3-4, 2007 respectively.

National Reconciliation

This quarter saw a greatly increased effort to secure turbulent areas to give Iraqis political space to implement reforms and pursue reconciliation among competing factions. Some analysts see a growing fragmentation of Iraq; most Iraqis, however, continue to believe that Iraq should remain a unified state.



In order to fulfill this objective, reconciliation among Iraq's various sects and ethnic groups is necessary for long-term stability but has been complicated by violence and slow progress in forging cooperation among political parties, as well as by the dominance of identity politics over politics based on issues. Reconciliation measures attempt to address Sunni fear of marginalization in the new Iraqi political order and of governmental leniency toward attacks by Shi'a militia. A greater Sunni role in the political process will require that Sunni leaders be taken into the confidence of the government's Shi'a leaders. The meeting in early May between Prime Minister Maliki and Vice President Hashimi is the type of interaction that is needed. At the same time, the Shi'a-dominated government is vulnerable to pressure from large numbers of economically disadvantaged, marginalized Shi'a who have little access to public services and oppose the Coalition presence—a gap that militias and radicals such as Jaysh al-Mahdi (JAM) have exploited by attacking Coalition and Iraqi forces to build “street-level” support. Fear of a Sunni return to power and splits within the Shi'a community—such as between the Supreme Iraqi Islamic Council (SIIC), formerly SCIRI, and the Sadrists—will continue to impede formation of a “Shi'a consensus” and complicate reconciliation with the Sunnis. Mass-casualty attacks on Shi'a targets and the April 12, 2007 attack on the Council of Representatives (CoR) have made the Shi'a wary of reconciliation. There is also significant evidence of violence against Sunni Arabs, sometimes involving government security forces, that undermines reconciliation efforts and has contributed to the displacement of an estimated two million Iraqis from their homes. On the positive side, an increasing number of tribal leaders—some of whom have associations with the insurgency—are resisting attempts by al

Qaeda in Iraq (AQI) to dominate the Sunni areas of Iraq. With the right mechanisms, these Sunni leaders could pursue reconciliation with the GoI. The lack of unity among Sunni groups, however, continues to limit their effectiveness in the political process.

Political Commitments

An important element of the *New Way Forward* is that Iraqis take the lead in devising their own strategy and commit to significant political, economic, and security steps. Reaching consensus among a wide array of political factions with competing agendas has proven difficult, and efforts to pass this legislation are progressing more slowly than desired. These include:

- *Hydrocarbon Law*. The package of hydrocarbon laws has the potential to promote political unity by enabling all Iraqis to benefit from the nation's hydrocarbon resources. The hydrocarbon law is essential to the development of Iraq's oil sector by providing the legal framework necessary to attract billions of investment dollars for the oil sector's needs. Three supporting implementing laws are required: one to manage revenues, another to re-organize the Oil Ministry, and one to establish an Iraq National Oil Company. The Council of Ministers (CoM) approved the draft framework law on February 26, 2007, but it has yet to be presented to the CoR for legislative action as it lacks a formula for national revenue sharing and control over regional oil fields, which remains a particular issue with senior leaders of the Kurdistan Regional Government. The GoI held an educational session in Dubai in April to prepare legislators for rapid action on the package, once approved.
- *De-Ba'athification Reform*. De-Ba'athification reform received consider-

able press attention following the March announcement that Prime Minister Maliki and President Talabani had signed a cover letter affirming political support for the draft De-Ba'athification law. Strong resistance to the return of Ba'athist officials persists, particularly in Kurdish areas and among Shi'a leaders, despite provisions in the draft law intended to exclude former officials believed to be culpable for human rights abuses.

Reforms could be delayed by months, and high-profile attacks by Sunni insurgents and extremists could continue to exacerbate Shi'a fears of a Ba'athist resurgence.

- **Constitutional Review.** The Iraqi Constitution establishes a list of vital rights and freedoms, but additional legislation is needed to implement these guarantees and further define the design of the Iraqi state, including its federal structure. Iraq's Constitutional Review Committee (CRC) began work on November 15, 2006 but did not meet the May 15 deadline to submit its recommendations to the CoR for approval. The chair of the CRC, however, sent the CoR Speaker a letter on May 15 outlining the CRC's progress. According to UN advisors working with the committee, the CRC is taking its work seriously, and as of this period was preparing to issue a set of recommendations. Iraq's Constitution specifies that a national referendum on recommended amendments will be held within two months of CoR approval.
- **Provincial Election Law.** The Independent High Electoral Commission was established, and its nine commissioners were selected as of April 28, 2007. The law setting the date for provincial and local elections has not been passed, however, and may be

delayed until the fall legislative session. The provincial powers law was submitted to the CoR and has undergone two of three required readings. Depending in part on how electoral districts are drawn, a provincial powers law could result in a more responsive, representative government that could assume more responsibility for delivering services to local constituencies.

Government Reform

Strong democratic institutions that impartially serve all Iraqis, foster conditions for national reconciliation, and transcend regional, sectarian and tribal divisions remain critical to Iraq's success. Recognizing the poor performance of some ministries, Prime Minister Maliki promised to reform his government to fight corruption, reduce sectarianism, and improve the provision of essential services to all Iraqis. Prime Minister Maliki publicly welcomed the announcement on April 16 by the Office of the Martyr Sadr (OMS) that Sadrist ministers are withdrawing from the Cabinet, and after at least one false-start, he nominated replacements. Prime Minister Maliki, President Talabani, Vice President Hashimi, and Vice President Adil Mahdi are attempting to formalize the role of the Presidency Council in the government decisionmaking process to develop an institutional foundation for consensus building on controversial issues. Iraqi politicians continue to make little progress toward enacting laws that could advance reconciliation. In light of the urgent need to work on these laws, it is expected the CoR will remain in session through the end of July.

To enhance reforms, the U.S. Government is assisting Iraqi governmental reform efforts in several areas:

- **Ministerial Capacity Development.** With the major portion of the U.S. reconstruc-

tion commitment completed, the Iraqi ministries will play a larger role in funding, managing and executing reconstruction projects. This will require additional U.S. assistance to build ministerial capacity through efforts of advisors and trainers. For example, the U.S. Agency for International Development (USAID) is implementing a National Capacity Development program that trains Iraqi civil servants in modern management and places advisors in key ministries to provide technical assistance to improve day-to-day operations. To better support these efforts, the Iraq Reconstruction Management Office (IRMO) transitioned to the Iraq Transition Assistance Office (ITAO) on 10 May 2007.

- *Provincial Government Capacity Development.* Provincial Reconstruction Teams (PRTs) were formed to assist Iraq's provincial governments in developing a transparent and sustained capability to govern. On January 10, 2007, President Bush announced that the USG would double the number of PRTs in Iraq from 10 to 20. Initially staffed primarily by Department of Defense personnel, the first members of these new PRTs deployed to Iraq on March 31, 2007, and full staffing is expected by July 2007. These teams are crafting action plans jointly with brigade commanders to better synchronize civil-military efforts.
- *Rule of Law.* Multi-National Force-Iraq (MNF-I), drawing on support from the Department of Justice (DoJ) and Department of State (DoS), has established the Law and Order Task Force (LAOTF) to accelerate the Iraqi capacity for independent, evidence-based, and transparent investigation and trial of major crimes in the Central Criminal Court of Iraq (CCCI). The CCCI, which was created in June 2003 by the Coalition

Provisional Authority to try terrorism- and insurgency-related cases, has been a successful venue for major crimes prosecutions. MNF-I is also establishing a Rule of Law Complex (ROLC) in Baghdad to provide a secure location combining police, courts, forensic labs and corrections functions, and judicial housing and detention facilities.

- *Infrastructure Integrity.* The Energy Fusion Cell (EFC), which reached initial operational capacity during this reporting period, is intended to combine currently disparate organizations into a single staff charged with synchronizing, planning and executing activities designed to develop and preserve the integrity of the Iraqi energy infrastructure. The EFC will better enable Iraq's ministries, MNF-I, and the U.S. Embassy in Baghdad to identify, plan, and execute all infrastructure security and repair efforts in a coordinated manner. The EFC planning staff will have direct contact with the relevant Iraqi ministries and Coalition organizations, with operations executed by a forward cell located in the Strategic Operations Cell at Headquarters, MNF-I. The Ministry of Defense (MoD) is an active participant, with the remaining ministries expected to be fully integrated by the end of May 2007.
- *Counter-Corruption Efforts.* The United States is working with the World Bank and other international institutions to support the three primary anti-corruption institutions in Iraq: the Commission on Public Integrity (CPI), the Board of Supreme Audit (BSA), and the inspectors general (IGs) within the government ministries. The goal of Coalition efforts is to help these organizations more effectively reduce corruption. The United States is also supporting the establishment of a Joint Anti-Corruption Council (JACC) to coordinate counter-corruption

efforts among the CPI, BSA and IGs, along with other parts of the Iraqi government.

Rule of Law

Promoting the rule of law and institutions that serve its development is central to helping the GoI develop strong democratic institutions that impartially serve all Iraqis. While several Coalition-supported initiatives are moving forward, strengthening the rule of law requires a sustained, long-term effort. Problems persist. For example, Iraqi judges frequently face death threats and attacks. In the past two and a half years, 24 judges have been assassinated. Some judges decline to try cases related to terrorism or the insurgency because of intimidation and security concerns. As a result, in some provinces very few serious criminal cases result in convictions. MNF-I and local PRTs are working with Iraqi judges to reinvigorate criminal courts in areas where these courts have been reluctant to try terrorism and major crimes cases. For example, MNF-I and PRTs are coordinating transportation for CCCI judges from Baghdad to Major Crimes Courts with enhanced security. In Ninewa Province, these efforts have reduced the backlog of cases and enhanced the provincial government's authority and credibility. The Higher Juridical Council (HJC) and the CCCI support using transported judges in Salah ad Din, Diyala, and Anbar.

There is some good news. On April 2, the first judicial proceeding at the ROLC was conducted before an Iraqi investigative judge. Since then, nine Iraqi judges and a staff of 15 support personnel have been appointed to permanently staff the new court (now officially known as the "Central Criminal Court of Iraq at Rusafa"). Seven of the judges and their families have taken up residency in the secure living compound

located only a few hundred yards from the courthouse. Twelve Iraqi Police investigators, all recent graduates of a six-week FBI training course, have been selected to serve as members of the LAOTF and will also live within the residential compound. The Department of Defense (DoD) has assigned a total of 67 judge advocates, paralegals, investigators, and intelligence officers to the LAOTF, the first of whom will arrive in Iraq on May 15, 2007. The Department of Justice has agreed to staff the LAOTF Director and two trial attorney positions. The first trial before the permanent three-judge court in the new ROLC court facility is tentatively scheduled for May 27, 2007, and the LAOTF is expected to be fully capable by July. Multi-National Security Transition Command-Iraq (MNSTC-I) and Embassy-based programs also are strengthening the Iraqi Major Crimes Unit and the Iraqi Major Crimes Task Force, respectively. MNSTC-I and the MoI are also adding about 4,000 forensic specialists to the police force.

As a result of FAQ, the number of persons held in detention in March and April was nearly 20% higher than the monthly average for December through February. Consequently, the U.S. is working with the Iraqi government to increase short-term detention capacity by constructing facilities that will hold an additional 6,000 beds by mid-September 2007. In addition, detainee abuse is a problem in Iraqi pre-trial detention facilities run by both MoI and MoD. MoJ's pre-trial detention facilities and post-trial prisons generally meet international standards but are overcrowded. To help relieve overcrowding at MoD and MoI pre-trial detention facilities as well as "jump-start" the criminal justice process, the HJC is sending teams of investigative judges, judicial investigators, prosecutors, and legal clerks to detention facilities to perform a judicial review of detentions required by Iraqi law. As part of

broader efforts to improve the capability of the Iraqi Corrections Service (ICS), U.S. advisors encourage the MoJ to increase the salaries of corrections officers to a level equal to that of the Iraqi Police to attract more qualified personnel and reduce corruption.

Provincial Reconstruction Teams (PRTs)

PRTs are a mainstay of U.S. efforts to build the capacity of Iraq's local, municipal, and provincial governments to deliver goods and services to the Iraqi people, given the limited capacity of the central government to do so. PRTs continue to work closely with the central government in Baghdad while extending and expanding efforts to help local communities and leaders transition to self-sufficiency. PRTs are an interagency effort. As part of the *New Way Forward*, the USG has doubled the number of PRTs to 20, embedding the new PRTs into Brigade Combat Teams and is increasing the total number of personnel from roughly 290 to over 600. For example, during the reporting period, DoD assisted DoS by identifying over 100 personnel to staff the increased PRTs on an interim basis. DoD is providing just under 90% of initial staffing of the new PRTs as of this reporting period. The first portion of these teams deployed during this period and developed plans for their assigned areas. The remaining personnel will deploy by mid-July. Replacement of the DoD interim personnel by longer-term DoS contracted personnel is pending passage of supplemental funding for State.

Using both civilian and military resources, PRTs attempt to bolster moderates, promote reconciliation, support counterinsurgency efforts, foster economic development, and build capacity at the provincial and local levels to improve Iraqi project planning and execution. Through targeted assistance, PRTs foster Iraqi self-sufficiency and help

integrate the central government and the provincial governments where security gains have been made. In addition, the PRT program provides technical expertise at the regional and local levels to assist Provincial Councils with budget formulation and execution. PRTs will continue to play a leading role in coordinating U.S. programs, including Iraqi Provincial Reconstruction Development Councils and USAID's local governance, community stabilization, economic development, and community action programs.

Transnational Issues

Promoting support for Iraq from its neighbors, the region, and the international community; ensuring the territorial integrity of Iraq; and limiting destructive Iranian and Syrian activity in Iraq are important U.S. objectives. There have been some positive developments, including the May 3-4, 2007 meetings Egypt hosted for the International Compact with Iraq and the Iraq Neighbors Ministerial. Iran and Syria, however, continued to support lethal and unlawful activities in Iraq during this reporting period. Prime Minister Maliki publicly criticized Iran for providing deadly support to Iraqi militias and Syria for providing safe haven to some Iraqi insurgents, especially former regime elements.

Neighbors Conference

Prime Minister Maliki intensified his efforts to engage Iraq's neighbors through a series of neighbors conferences that established working groups on border security, refugees, and energy. An initial meeting at the sub-ministerial level took place in Baghdad on March 10, and Egypt hosted the first ministerial-level Neighbors Conference at Sharm el-Sheikh on May 4, 2007. All of Iraq's neighbors, the five permanent members of the United Nations Security Council, and G-8 members participated. The ministers-

level meeting focused on the obligations of all parties to assist in efforts to bring security and stability to Iraq. These efforts to engage Iraq's neighbors are particularly important because of the long history of social interaction and religious association within the region that transcends modern national boundaries. In the wake of this successful conference, the GoI is scheduling a follow-on Neighbors Conference, as well as meetings of the group to address specific regional problems. Diplomatic relations need further improvement, however. For example, as of this report, nine of the 22 Arab League states still lack a diplomatic presence in Baghdad, and only one is represented at the Ambassadorial level, in part reflecting concerns of Sunni Arab states about the regional implications of a Shi'a-led Iraqi government.

International Compact

The International Compact with Iraq provides a five-year framework for Iraq to achieve financial sustainability through economic reform commitments between it and the international community. This GoI initiative, co-chaired with the United Nations (UN), commits Iraq to reforming its economy, establishing new investment laws and regulations, building the institutions needed to combat corruption, ensuring good governance, and protecting human rights. In return, members of the international community commit to supporting these efforts through financial, technical, and administrative assistance, as well as through forgiveness of Iraq's external debt.³ The Compact was formally launched on May 3, 2007 in Egypt. More than 70 countries, 30 of which were represented at a ministerial level, attended the signing conference. Participating countries at the Compact meeting agreed to follow Paris Club guidelines and made commitments to undertake potentially more than US\$30 billion in debt relief.

Iranian Influence

Various Shi'a and Kurdish politicians maintain longstanding relationships with Iranian officials and state organizations, and Iran maintains longstanding economic and religious ties to Iraq. The Iranians likely seek a Shi'a dominated Iraqi government that is deferential to and supportive of Iranian interests. The Iranian regime's primary tool for exercising clandestine influence in Iraq is the Islamic Revolutionary Guard Corps' (IRGC) Qods Force (QF), which provides arms, intelligence, funds, training, and propaganda support to Iraqi Shi'a militants targeting and killing Coalition and Iraqi forces, as well as Iraqi civilians. The QF seeks to increase long-term Iranian strategic influence in Iraq and the withdrawal of U.S. forces. Among the weapons it provides to Iraqi militants are improvised explosive devices (IEDs), advanced IED technologies (including explosively formed projectiles (EFPs)), and rockets and mortars used for indirect fire attacks.

U.S. forces in Iraq are acting to disrupt any network—regardless of nationality—that provides weapons to Iraqi militants and insurgents. These actions are consistent with the mandate granted to the MNF-I by both the UN Security Council and the GoI to take all necessary measures to contribute to the maintenance of Iraq's security and stability, as well as defense. The USG has urged Iran to play a more constructive role in Iraq.

Syrian Influence

Syria seeks to maintain ties with the New Ba'ath Party in Iraq and to hasten the withdrawal of Coalition forces from the region. Syria has emerged as an important organizational and coordination hub for elements of the former Iraqi regime,

allowing these groups to engage in activities hostile to our efforts from within Syrian borders. Although Damascus has made some recent improvements in combating cross-border terrorist movements by arresting insurgents it considers a threat to its own internal security, terrorists and foreign fighters continue to find sanctuary, border transit opportunities, and logistical support in Syria.

Tensions on the Border with Turkey

Turkey's primary concerns regarding Iraq continue to be terrorism executed by the Kurdistan Peoples Congress (KGK, formerly PKK) and the final status of the oil-rich city of Kirkuk. Public disagreements between Turkish and Kurdish leaders have strained relations between Turkey and Iraq and continued KGK terrorism in Turkey (along with heightened civil-military tensions in Turkey as it approaches national elections in July) are likely to increase those strains. The U.S. Special Envoy for Countering the KGK continues to engage Turkish and Iraqi counterparts to increase cooperation against the terrorist threat from the KGK. Progress has been made toward a tripartite agreement on closing down Makhmour refugee camp, which will eliminate a potential haven for KGK propaganda and influence on young Turkish Kurds.

Tensions in Kirkuk have nevertheless increased in recent months. According to

Article 140 of the Iraqi Constitution, a referendum must be held on the final status of Kirkuk by the end of 2007. Turkoman and Arab communities' concern over increased Kurdish control of Kirkuk's governing institutions has led Turkey to speak out on behalf of the Turkoman community in protest of the perceived Kurdish goal of independence.

Conclusion

Strong democratic institutions that impartially serve all Iraqis are critical to Iraq's success. The GoI appears to be committed to making progress on the key legislation and economic reforms intended to facilitate national reconciliation. To date, however, progress has been inhibited by the unwillingness of the various factions in the CoR to compromise on key issues. Reconciliation and the further development of democratic institutions will require more effort. Central to the U.S. support of these efforts are the PRTs. Through building capacity at the provincial and local levels to improve Iraqi governance, PRTs promote reconciliation and strengthen democratic institutions. The launching of the International Compact with Iraq this quarter highlights the progress Iraq has made at attaining support from the regional and international community. Efforts to build regional and international support for the re-integration of Iraq into the region and world economy will require continued intense focus.

1.2 Economic Activity

Several positive economic developments emerged during this reporting period, most notably the launch of the International Compact with Iraq, continued progress on reducing inflation, and a favorable IMF Standby Arrangement review. Nonetheless, significant challenges remain and economic performance continues to be spotty. For example, improved ministerial budget execution is needed to address shortfalls in delivery of basic services to all Iraqis and to revitalize the oil sector.

During the past quarter, oil production remained constant at about two million barrels per day due to poor infrastructure and inadequate security. Iraq—with the third-largest proven oil reserves of any country in the world—will require an economic and legal framework that spurs investment and stability and security to keep project costs and risks competitive and attractive to investors to achieve long-term development. Passage of the hydrocarbon law should attract foreign investment in the oil sector. In addition, implementation of the Foreign Investment Law passed in 2006 could encourage foreign direct investment in the non-oil sector to diversify the economy and create private sector jobs. Iraq will also require a plan for investing oil revenues into other sectors of the economy to promote diversification.

Government of Iraq Economic Commitments

As part of the *New Way Forward*, the Iraqi government has reinforced its commitment to key economic reforms. These commitments recognize that, in order to build public confidence in the government, improvements in security must be reinforced by improvements in the standard of living for all Iraqis. The focus of these efforts is on growing the Iraqi

economy and improving the provision of basic services. The Iraqi Government has committed to fully executing its 2007 budget, which includes \$10 billion in reconstruction and infrastructure projects to further economic development and provide essential services.

Budget Execution

The infrastructure ministries play a dominant role in Iraq's economy, and execution of their capital budgets is a requirement for delivering essential services. Recently available data indicate that the Iraqi government executed 67% of its total budget in 2006. Although it effectively paid salaries, wages and pensions, the government executed only 22% of its capital investment budget and only 3% of its oil sector investment budget. In an attempt to increase budget execution, during this reporting period the GoI provided the Department with about US\$1.7 billion to be spent through U.S. Foreign Military Sales (FMS) cases. For the 2007 budget year, the government also instituted procurement and contracting reforms to improve budget execution rates. In addition, the Minister of Finance (MoF) allowed early release of the first 10% of each ministerial and provincial allocation in February. Ministries that do not obligate 25% of their capital budget by the end of June face potential reallocation by the MoF of unspent funds.

The U.S. Government has been assisting the Iraqi ministries in improving the ability to execute their budgets by providing experienced contracting officers, forming a new budget execution monitoring unit, and implementing a National Capacity Development Program through USAID to improve public administrative skills at the ministerial level. This three-year, US\$165 million program supports eight training programs in procurement and budgeting.

Sixty-five million dollars has been obligated to date to develop the curricula, and the staff of 45 international professionals has trained 117 civil servants from 14 ministries through at least one level of instruction. The PRT program has also provided technical expertise to improve Iraqi project planning and execution at the regional and local level.

Additionally, the DoD Task Force to Improve Business and Stability Operations (TF-BSO) in Iraq is working with the Joint Contracting Command Iraq/Afghanistan, the U.S. Department of Treasury, and the Department of State (DoS) to enable the GoI to effectively execute its national budget. These agencies bring together subject matter experts in a Procurement Assistance Program to work with ministries and provincial governments to train local nationals and execute Iraqi projects using Iraqi procurement laws and processes. The Task Force is providing two teams to work primarily with the Ministry of Planning: one in Baghdad and one at a satellite location where it will work with the Kurdish Government.

Another method in which the U.S. is assisting the GoI to execute its budget is through utilizing USG contracting and acquisition capacity. For example, ministries other than MoD and MoI are seeking to procure goods and services through FMS cases using 2007 budget funds, enabling them to more effectively execute their budgets. In addition, the DoS has authorized the DoD to negotiate and conclude an agreement with the GoI under Section 607 of the Foreign Assistance Act of 1961, as amended, to furnish commodities and services (such as infrastructure construction for the ministries or fuels for importation into Iraq) using GoI funds. There were some additional positive developments on the international economic level such as the International Compact.

IMF Standby Arrangement

The International Monetary Fund (IMF) Standby Arrangement (SBA) for Iraq promotes macroeconomic stability, paving the way for sustainable growth and external debt relief. The SBA ensures that Iraq maintains sound fiscal, monetary and financial policies and requires important reforms such as fuel price increases, fuel import liberalization, pension reform, census of public employees, state-owned bank restructuring, and recapitalization of the Central Bank of Iraq (CBI). On March 12, the IMF Executive Board held the third and fourth combined reviews of Iraq's performance under the SBA, and having found Iraq's performance satisfactory, granted the program a six-month extension. One example of how the SBA is changing longstanding policies is the elimination in the 2007 government budget of funding for refined fuel product imports for resale to the public at subsidized prices. In 2006, the GoI spent US\$2.6 billion on such imports.

Iraq must maintain satisfactory performance on its SBA to qualify for relief from the final US\$7.7 billion tranche of the US\$43 billion it owes to Paris Club members. The previous regime incurred an estimated US\$135 to US\$140 billion in foreign liabilities. An estimated US\$72 billion of this debt is owed to non-Paris Club countries that have not concluded bilateral debt relief agreements with Iraq. Progress on reducing this portion of the debt has been slow, but the May 3 International Compact meeting has provided a boost.

Indicators of Economic Activity

Economic Growth

For 2007, the IMF projects that the economy will grow by over 10% and that the non-oil sectors will grow by approximately 7%. If low oil production or export prices prevent

Iraq from meeting its growth and revenue targets, the government will have less ability to implement its planned investment program for essential services.

Inflation

The Central Bank of Iraq (CBI) has maintained tighter monetary policy in 2007, including continued gradual appreciation of the dinar, resulting in a decline in first quarter 2007 inflation compared to the same period in 2006. Year-on-year inflation in March was 33.6%, compared with 66.4% in January and a peak of 76.6% in August 2006. The year-on-year rate of core inflation (i.e., excluding fuel, transport and rent) correspondingly declined to 23.0% from a peak of 39.2% in July 2006. Recognizing the need for vigilance, the CBI has indicated its commitment to continued use of monetary policy measures to maintain price stability.

Unemployment

The Iraqi government's Central Statistical Organization (COSIT) estimates 17.6% unemployment and 38.1% underemployment. A non-sectarian job creation strategy could help to improve the legitimacy of the government. Consequently, the Maliki government is undertaking efforts to create permanent, sustainable jobs with U.S. assistance. The GoI has begun a pilot micro-credit program to promote small business development and address high rates of unemployment.

DoD is helping the Iraqi government revitalize selected state-owned enterprises (such as bus, cement, and leather factories) and spur related private sector activity to boost employment and contribute to the stabilization of the country. Working with other U.S. Government agencies, U.S. business executives and industrial experts, military commanders and planners, as well as the GoI, TF-BSO assessed additional Iraqi industrial

facilities since the last quarterly report, bringing the current total to 59. From these opportunities, the TF-BSO has driven demand or has pending orders for a dozen facilities translating into the creation or sustainment of hundreds of jobs. A series of additional factory restarts will be expected this year. Recently, TF-BSO partnered with USAID and the Treasury Department to complete an initial assessment of the current state of Iraqi banking infrastructure and has initiated pilot projects to establish automated financial transaction processing in Iraq.

Promulgating regulations for the Foreign Investment Law passed in 2006 could improve the prospects for attracting investment and reducing unemployment. The National Investment Commission, which began to form in February 2007, will focus on fully implementing the Foreign Direct Investment legislation and have responsibility for designing implementing regulations. The Commission is not yet fully formed, however, and the Chairman recently resigned, citing lack of support from the government.

Oil Infrastructure Integrity

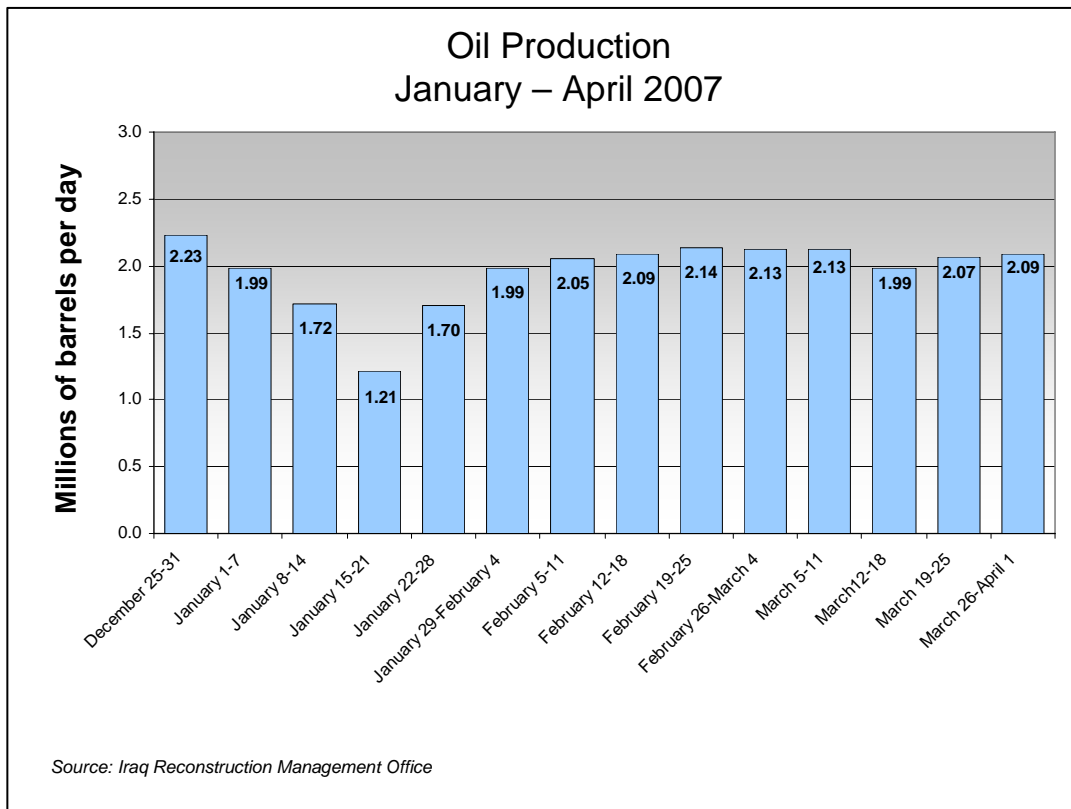
The USG spent US\$1.6 billion on oil sector reconstruction in the past four years but these efforts have not offset the GoI's failure to execute several billion dollars of its own funds in oil sector capital investments. In 2006 for example, the Ministry of Oil (MoO) executed only US\$90 million of its US\$3.5 billion capital budget. Because MoO is not subject to market pressures to stay in business, it has little incentive to invest its full capital budget. Lack of legislation governing the hydrocarbon sector, non-industry standard procurement policies, lack of skilled technocrats at MoO and corruption also contribute to underinvestment. The 2007 government budget allocates US\$2.38 billion to the Ministry of Oil (MoO) for investment in infrastructure. This amount is less than half of what MoO sought, based on

its estimates of requirements to maintain and repair the oil sector and to provide for an expansion. Given past experience, MoO will likely be challenged to execute the lower amount.

Attacks on oil infrastructure, limited availability of electricity from the government grid, limited investment, fires, wear and tear resulting from poor maintenance, and lack of spare parts have hindered increased production of refined product and crude oil for export. Crude oil production from January to April 2007 was 1.97 million barrels per day (mmbbl/d) compared with 1.95 mmbbl/d in the same period in 2006. Crude oil exports were 1.4 mmbbl/d, falling short of the government's goal of 1.65 mmbbl/d. Achieving these goals, which is necessary to meet planned government budget revenue targets, will be hindered by the continued shutdown of crude exports through Turkey this quarter until early May, 2007 due to numerous interdictions. Although

pre-war oil production in northern Iraq accounted for about one quarter of Iraq's total capacity, northern oil exports totaled only US\$1B in 2006—compared with US\$30B from the South—due to sabotage against northern pipelines.

National refined product stock levels remained critically low because of inadequate refining capacity, lack of security for crude pipelines and for trucks that deliver refined fuels to areas in need, and inadequate funding for imports. Refineries suffer from old equipment, poor maintenance practices, lack of spare parts, unreliable electricity supplies, interdiction of pipelines, lack of storage, poor distribution practices, lack of an efficient private-sector mechanism to supply imported refined fuels, and criminal infiltration and theft. The Ministry of Oil has also yet to develop implementing regulations for the Fuel Import Liberalization Law that are consistent with international standards and would enable



a larger private sector role in fuel importation. Since January, black market fuel prices have leveled off, decreasing in some areas of the country based on consumer demand and the availability of official sources of fuel; however, they remain at least three to five times the “official” price.

A variety of criminal, insurgent, and militia groups engage in the theft and illicit sale of oil to fund their activities. This denies the GoI a significant portion of revenue and contributes to the shortfalls in fuel allocation that ministries rely upon to operate vehicles, generators, and other equipment. Elements of the MoD’s Strategic Infrastructure Battalions and the MoO’s Oil Protection Force, tasked with protecting infrastructure, are sometimes suspected of being complicit in interdiction and smuggling. As much as 70% of the fuel processed at Bayji was lost to the black market—possibly as much as US\$2 billion a year. In February 2007, the Iraqi government, in coordination with U.S. forces, launched Operation Honest Hands, a crackdown on oil smuggling at the Bayji refinery. The Iraqi Army assumed control of the entire Bayji refinery, and equipment is being installed to prevent siphoning.

Essential Services

Improving the availability of basic services such as electricity, water, and healthcare could improve the Iraqi public’s confidence in the government. Over the past quarter the Iraqi government has made little progress. The USG’s Iraq Relief and Reconstruction Fund (IRRF) is now 95% obligated, and the authority under which the two U.S. organizations established to manage Iraq reconstruction in the post-sovereignty period—DoS’s Iraq Reconstruction Management Office (IRMO) and Department of the Army’s Project and Contracting Office (PCO)—expired on May 10, 2007, as scheduled. The GoI must now take the lead in funding reconstruction to improve essential service delivery. Substantial U.S. expertise remains available to assist the Iraqi government, and on May 10, 2007, most IRMO functions, including managing remaining IRRF programs and building capacity at some ministries, were assumed by the Iraq Transition Assistance Office. PCO functions were transitioned to the Army Corps of Engineers, which will continue to operate in Iraq.

U.S. Iraq Relief and Reconstruction Fund (IRRF)

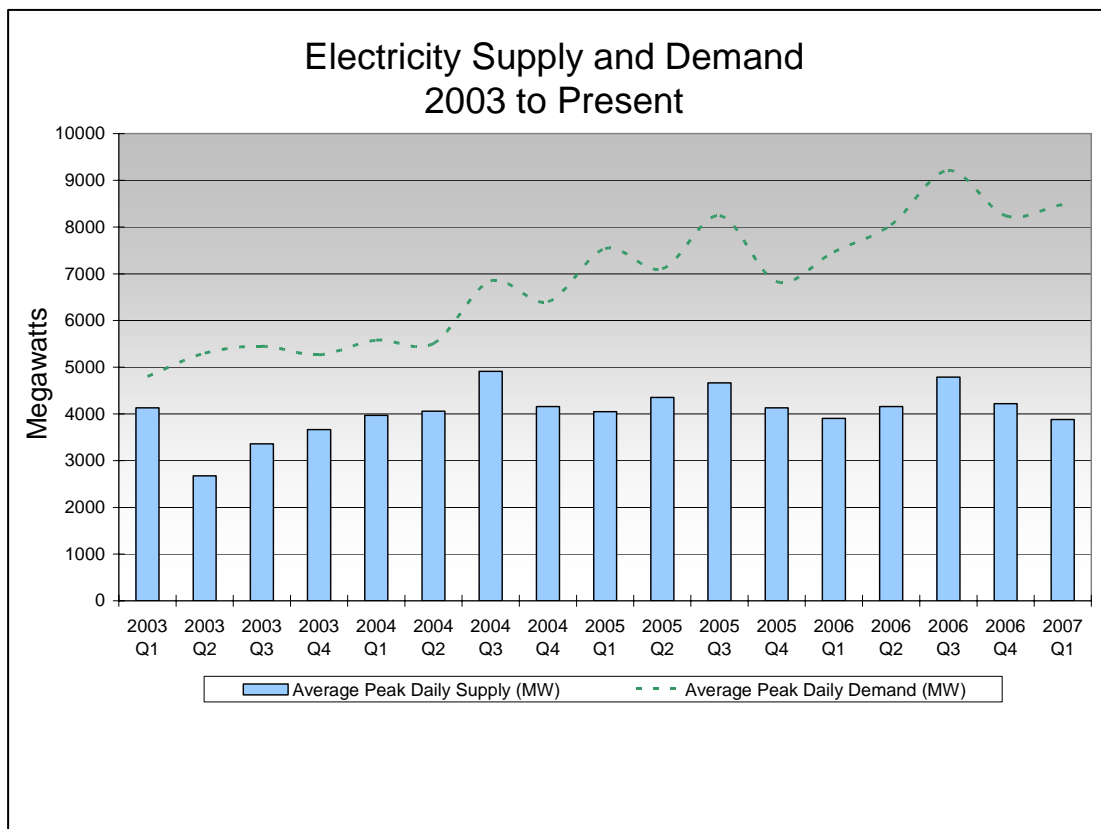
U.S. Reconstruction Spending	US\$ Billion Apportioned
Electric Sector	4.22
Oil Infrastructure	1.72
Roads, Bridges	0.33
Health Care	0.82
Transportation and Communications	0.46
Water Resources and Sanitation	2.12
Total	9.67
<i>As of May 9 2007. Includes selected sectors of IRRF I and II. Funds for the above sectors are 95% obligated/78% disbursed.</i>	

Electricity Infrastructure Integrity

About US\$4 billion in U.S.-funded electricity sector projects are either completed or underway and, to date, have added about 1,500 to 2,000 megawatts (MW) of capacity. However, this capacity has been more than offset by continued deterioration in pre-existing capacity, poor upkeep and growing consumer demand. As U.S. reconstruction projects are completed, the Ministry of Electricity (MoE) will have to assume the lead for funding its own requirements to supply more electricity by adding and rehabilitating capacity and improving operations and maintenance practices. At this time, the GoI does not have a long-term strategic plan for the electric sector.

Peak state-provided electricity production for January through April 2007 averaged 3,973 MW, compared to 3,898 MW during the same period in 2006. Beginning in April, average

(vice peak) power production, demand, and equivalent hours of power are being reported. This method provides a more accurate view of both the overall performance of the Iraqi power sector and the actual amount of electricity available to the Iraqi consumer. Based on the average daily demand and power generated, government-produced electricity was available nationwide for an average of 14.5 hours per day in April, while Baghdad received an average of only 8.4 hours per day. Power production is hampered by the MoE's inability to deploy repair teams to work on the frequently attacked 400 kV transmission grid, continued degradation of legacy power generation stations, severe shortage of proper fuels for power generation units, inadequate security, and ineffective operations and maintenance practices across the generation and transmission infrastructure. It is important to note that at least 2,000 MW are provided off-grid by private owners of small generators,



supplying a substantial portion of the needs of Iraqi businesses and residents that are not being met by state-generated power.

Water and Sewer

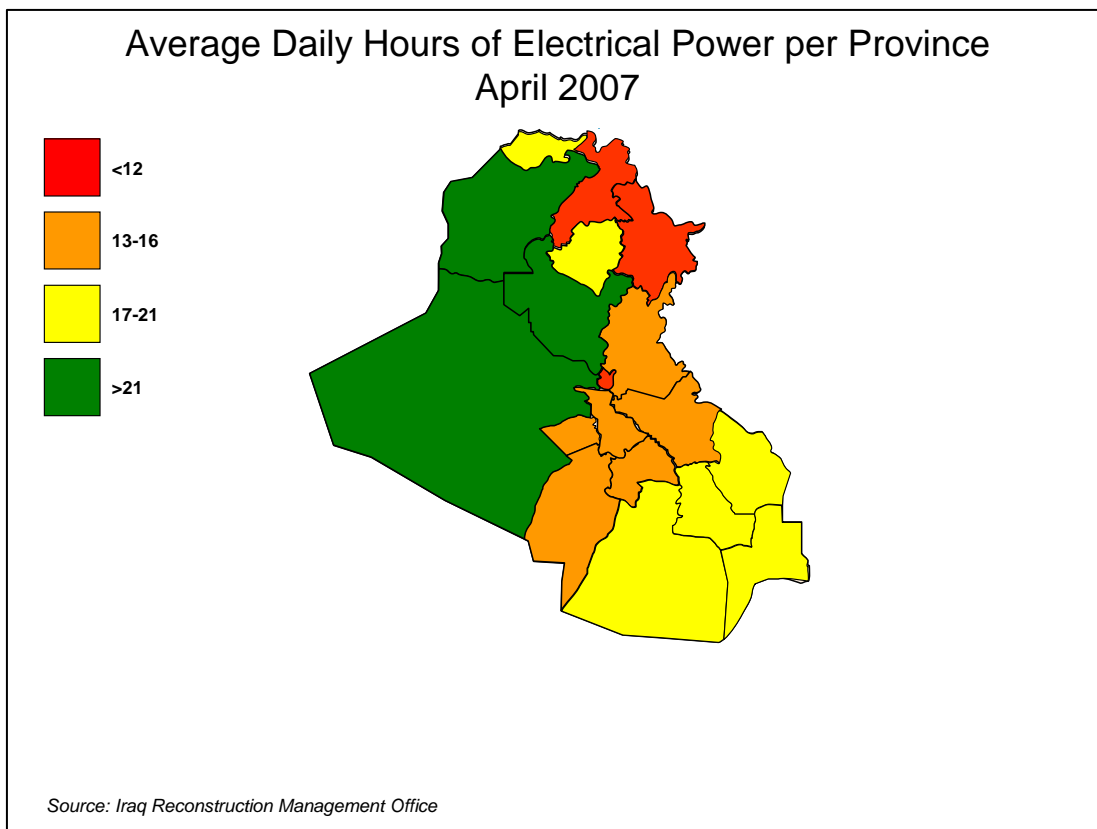
Over US\$1.7 billion in USG-funded projects have rehabilitated and constructed water treatment facilities across Iraq, providing capacity for supplying potable water to approximately 2.5 million citizens who previously did not have access. Attaining the U.S. goal of potable water for 8.4 million persons will require completing all projects currently under construction. The USG's goal of providing 5.3 million Iraqis with sewage service has been achieved.

Nutrition and Health

The World Food Program continues to provide assistance through an emergency operation targeting the most vulnerable groups in Iraq. These programs serve as an alternative to the

Public Distribution System (PDS) begun by the previous regime to assist an estimated 3.7 million Iraqis through provision of meals to the poorest families. Officials administering the PDS report that materials on hand are sufficient to meet current needs. Standard operating procedure is to restock local warehouses just prior to monthly distribution to enrolled citizens.

Although healthcare infrastructure has improved compared to the extreme neglect of the former regime, access to healthcare continues to face numerous challenges due to increases in demand due to violence, shortages in electricity and medical supplies, and intimidation and kidnapping of doctors and nurses, as well as reports of theft and corruption. There have also been reports that Sunnis are routinely denied medical care at hospitals administered by the Ministry of Health (MoH), a Sadrist-run ministry.



Recognizing the need to address the past neglect to the healthcare system, the U.S. has completed construction of 35 of 136 planned Primary Healthcare Centers (PHCs) and 19 of 26 planned hospital rehabilitation projects. However, almost all of the US\$816 million in IRRF available for projects in the healthcare sector has been obligated.

Food and Agriculture

The current security environment makes it difficult for Iraqi farmers to acquire agricultural inputs, and the disrepair of the nation's irrigation system has led to increased soil salinity and low crop yields. The 2007 USAID contract, although not complete, is expected to be focused on the development of agri-business. The new USAID program, known as INMA (Arabic for 'Growth'), is scheduled to begin in June 2007.

The USDA is developing the Iraq Agricultural Extension Revitalization Program (IAER), linking a consortium of five U.S. universities led by Texas A&M with six Iraqi

universities. The IAER hosted its first conference in Amman, Jordan in March 2007. The principal objective of the conference was to develop a working document for an agriculture extension program in Iraq. As a result of the conference, a training curriculum is being developed for the Iraqi universities. U.S. extension specialists will teach the Iraqi trainers.

Conclusion

The Iraqi economy is expected to continue to grow this year. Although this growth remains highly dependent on the oil sector, the government continues to struggle to execute capital projects required to strengthen the oil sector and sustain this growth. In addition, with the major portion of the U.S. reconstruction effort drawing to a close, the GoI will need to make more progress executing infrastructure capital projects and approving the hydrocarbon law and other economic reforms to attract foreign investment needed to develop the oil sector and diversify the economy.

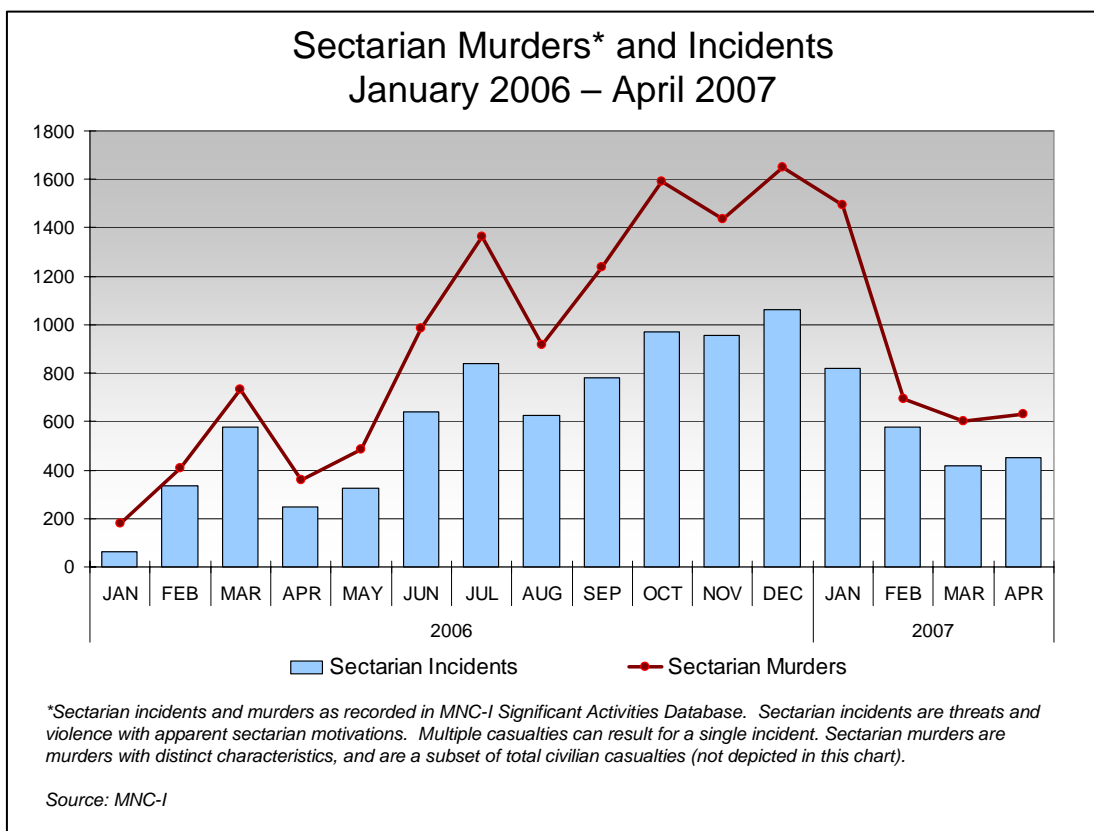
1.3 Security Environment

This reporting period saw an increased effort to provide security to the population of Iraq. The increasingly complex conflict has remained a struggle among and within ethno-sectarian, criminal, insurgent and terrorist groups to wrest political and economic power from the elected GoI. Much of the violence is attributable to sectarian friction, and each faction is driven by its own political and economic power relationships. Illegally armed groups are engaged in a cycle of sectarian and politically motivated violence, using tactics that include indiscriminate bombing, murder, executions, and indirect fire to intimidate and to provoke sectarian conflict. The United States is supporting Iraqi efforts to reduce sectarian violence in Baghdad, regain control over the capital, and defeat al Qaeda in Iraq (AQI) and its supporters, ensuring that they find no safe haven in Iraq.

In support of political efforts, Operation *Fardh al-Qanoon* (FAQ) was launched on February 14, 2007 as the main security component of the *New Way Forward*. FAQ is intended to provide population security, primarily in Baghdad, to contain the sectarian violence and give Iraqis an opportunity to pursue political reconciliation and to implement government reforms. FAQ involves an increase of five U.S. Brigade Combat Teams (BCTs) and support forces; four of the five BCTs are now in place. The remaining BCT will be in place in June.

Iraqi Security Commitments

On January 25, 2007, the CoR formally endorsed the new Baghdad operation and extended emergency authorities to provide security to the citizens of the capital. Three additional Iraqi Army brigades completed their 90-day deployments in Baghdad; and one has been extended until mid-summer.



Additional Iraqi brigades have been alerted and are moving to support operations in Baghdad. The surge of U.S. and Iraqi forces into Baghdad is intended to provide adequate force levels to clear insurgents, militia and organized criminal gangs from neighborhoods and subsequently maintain a presence in those areas to preserve security and provide an opportunity for follow-on assistance efforts. Since the start of FAQ, Iraqi and Coalition forces have established 27 of 34 planned Joint Security Stations in neighborhoods across Baghdad. These stations, staffed 24 hours a day by Iraqi local police, National Police and Iraqi Army personnel as well as Coalition forces, seek to improve population protection by providing a persistent presence in Baghdad's neighborhoods.

In support of FAQ, Prime Minister Maliki has publicly committed to giving ISF commanders the authority to execute operations against all criminals, terrorists and illegally armed groups, and to prohibit militia from controlling local security, regardless of ethno-sectarian affiliation. He pledged no safe havens, no political interference in security operations, and even-handed enforcement of the law. Prime Minister Maliki has prohibited political authorities from making false accusations against security forces, and has pledged to establish popular mobilization committees to support the Baghdad Security Plan. To date, operations in Baghdad indicate that Iraqi government delivery on these commitments has been uneven. For example, there have been reports of political involvement by some leaders in tactical and operational decisions that bypass the standard chain of command. In addition, sectarian-based decisions have been made within the Iraqi government and its military and police forces.

Nonetheless, Iraqi units are generally performing up to expectations. Although the initial battalions had mixed results in deploying at desired manning levels, units deployed later had sufficient soldiers and officers to meet operational requirements, and some Iraqi commanders showed an ability to plan, command, and control relatively sophisticated joint and/or combined operations. In addition, as of this writing, all but one of the National Police (NP) brigades not enrolled in the National Police Transformation and Retraining program are conducting counterinsurgency operations to support the Baghdad Security Plan. Performance of National Police Brigades that have been through the Transformation and Retraining program has greatly improved during this reporting period. Two NP battalions were assigned security lead for their areas of responsibility within Baghdad. One battalion was designated as part of the Prime Minister's operational reserve, and the Prime Minister has requested the creation of an additional (10th) NP brigade to provide security to the Samarra Shrine reconstruction project.

Prime Minister Maliki has verbally committed to a militia demobilization, disarmament, and re-integration (DDR) program. A 12 May amnesty workshop named an executive director of the program. In early April, Prime Minister Maliki approved the DDR committee structure and appointed an Executive Director for the committee. As of this report, committee members have yet to be appointed and work has not begun on drafting a DDR plan. The 2007 Iraqi budget includes US\$150 million to institute this program.

Militia will remain a problem as long as the public lacks confidence in the ability of the Iraqi Army and Police to adequately perform

the protective role that militia claim in many communities. Establishing an effective DDR program will probably require technical assistance from the international community as well as broad support from within Iraq. In addition, the extent of the Iraqi public's commitment to such a program is unclear. In Baghdad, a majority of residents report that militias act in the best interest of the Iraqi people. On a positive note, only 20% of respondents held this view nationwide.⁴

Overall Assessment of the Security Environment

The overall level of violence in Iraq this quarter remained similar to the previous reporting period but shifted location. Insurgents and extremists are unable to operate as freely in Baghdad because of FAQ and in Anbar Province because of growing tribal opposition to AQI. Accordingly, many insurgents and extremists have moved operations to Diyala, Ninewa, and the outlying areas of Baghdad Province. Outside Baghdad and Anbar, reductions in Coalition force presence and reliance upon local Iraqi security forces have resulted in a tenuous security situation. Sectarian violence and insurgent attacks still involve a very small portion of the population, but public perceptions of violence have adversely affected reconciliation and contribute to population migration. Early indications are that sectarian killings have declined (albeit possibly temporarily) in Baghdad and that some Sunni tribes in Anbar Province will no longer tolerate AQI operations. Continued operations should build upon these encouraging signs.

The conflict in Iraq remains complex and requires that the GoI and the Coalition continue to undercut the root causes throughout the country. FAQ demonstrates that some positive changes in the dynamics that perpetuate violence may be possible, but

more time, and careful analysis will be required before conclusions about the effectiveness of this effort can be reached. Some preliminary results include a significant increase in the number of caches cleared (reaching a 12-month high in April) and a significant reduction in sectarian murders and executions nationwide.

Assessment of the Security Environment— Baghdad

Baghdad is the center of gravity in the struggle for political and economic influence in Iraq for irreconcilable violent groups. Although it is still too early to assess whether a sustainable trend is emerging, attacks in Baghdad declined as Coalition and Iraqi force presence expanded while Sunni insurgent groups and Shi'a militants departed or refrained from operations. Despite the departure of large numbers of JAM fighters from Baghdad, JAM has continued to act as a de-facto government in Sadr City. Although sectarian-motivated Iraqi-on-Iraqi violence has declined in Baghdad, violence against Coalition and Iraqi security forces remained consistent with previous levels. Despite heightened security measures and increased ISF proficiency at reducing civilian casualties from sectarian murders and executions, AQI maintained the ability to conduct infrequent, high-profile, mass-casualty attacks in Baghdad.

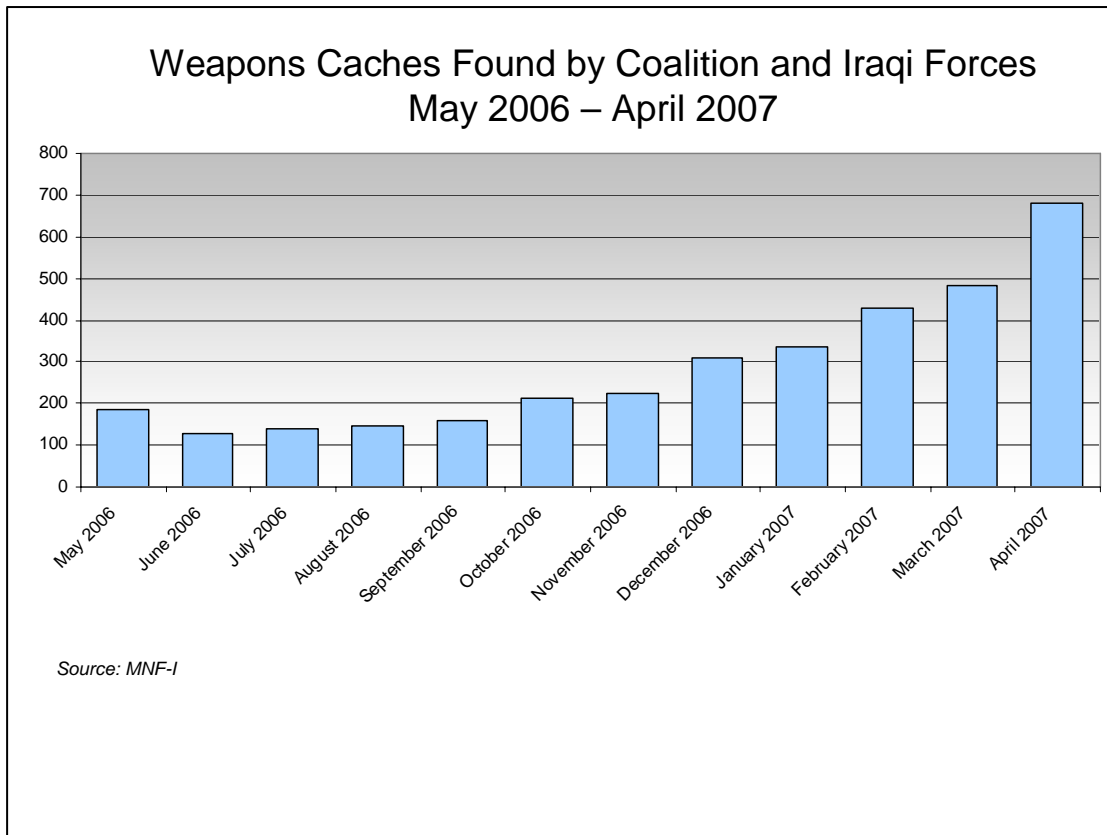
Assessment of the Security Environment— Western Iraq

AQI remains the primary threat to the security environment in Anbar Province, where it continues to target local ISF through use of vehicle-borne improvised explosive devices (VBIEDs), suicide attacks, assassinations, and hit-and-run attacks to subvert and undermine governmental institutions. There are some early signs that are encouraging as Sunni tribal resistance to AQI along the

Euphrates River Valley has grown, and combined with a robust ISF and Coalition presence in Fallujah and Ramadi, has begun to hinder AQI operations. However, local Sunni cooperation with and support to Coalition forces in Anbar Province is not uniform. Moreover, the Iraqi public in Western Iraq is increasingly willing to provide intelligence and report weapons caches. As part of the increase in force levels, 4,000 additional Marines are currently deploying into Anbar Province. These additional Marines, in conjunction with an expansion of the ISF, and aided by increasing tribal resistance to AQI, are pushing AQI out of many of the population centers, facilitating stability in large parts of the province. Although tribal resistance to AQI is a positive development in Anbar, insurgent groups continue to attack Coalition and ISF targets in other areas in western

Iraq, excluding Anbar.

The recent success of tribal engagement in Anbar Province is primarily driven by a concerted campaign of widespread contact with the Anbar tribes ranging from the Syrian border to Baghdad. The Sahawa al-Iraqi (SAI), formerly known as Sahawa al-Anbar, an anti-AQI tribal movement led by 41-year-old Sheikh Abdul Sattar Bezea Fitikhan al-Rishawi, claims 24 tribes as organizational members. Primarily Ramadi-centric, SAI is representative of the capabilities of tribal alliances to assist the Coalition in fighting AQI and other resistance elements. Though notable for its contributions to fighting AQI, the SAI is not alone in tribal efforts to eradicate AQI. Large and influential tribes, such as the Albu Mahal, Albu Nimr, and Albu Issa, have also actively opposed AQI.

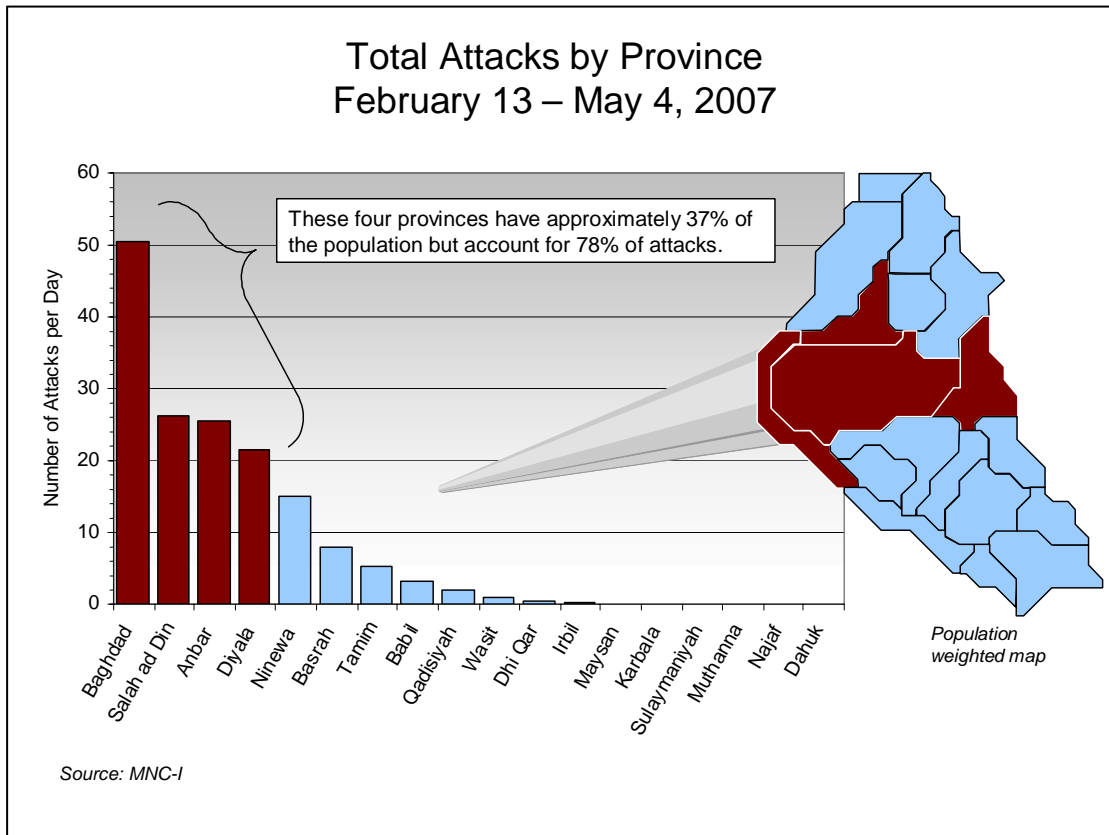


*Assessment of the Security Environment—
Central/Northern Iraq*

Outside of Baghdad, this reporting period saw increased inter-sectarian violence in Diyala, increased high-profile attacks in northern Iraq by AQI, and Coalition and Iraqi forces confronting the JAM—the Shi’a militia associated with the radical cleric Muktada-al Sadr—in Diwaniyah. Ongoing ethnic and sectarian violence in central and northern Iraq is a reflection of AQI and JAM elements competing for political control of Diyala Province—particularly as some of the Baghdad militia fighters moved to the province. On a positive note, there are initial signs that some tribes in Diyala are discussing ways of countering AQI. Coalition forces are using lessons learned in tribal engagement in Anbar to help reconciliation efforts in areas such as Abu Ghraib, Samara and Bayji.

In Ninewa Province, Mosul is AQI’s northern strategic base and serves as a way-station for foreign fighters entering from Syria. There, insurgent and terrorist groups have increased the frequency and intensity of attacks on the local police. AQI’s efforts to reignite sectarian violence in Tal’Afar through high-profile attacks against civilians reflects its desire to undermine stability along sectarian fault lines and deepen the conflict in Iraq. Coalition forces deployed to Baqubah in mid-March and local ISF units have been unable to diminish rising sectarian violence contributing to the volatile security situation.

AQI has shifted some of its focus to the north. This is due in part to expanded Coalition and Iraqi operations in Baghdad and the rise of ethnic tensions in Kirkuk. These tensions may mount as property is



reallocated to Kurds displaced under the previous regime's Arabization programs and as the prospect of a census and referendum on Kirkuk's status looms. Kurdish and Sunni Arab concerns about fair distribution of hydrocarbon revenues also could exacerbate tensions.

Assessment of the Security Environment—Kurdish Region

The overall security situation is stable in Dahuk, Irbil, and Sulaymaniyah, and several foreign countries are establishing consulates and pursuing oil and energy business interests in the Kurdish region. However, the attack on May 9 against the Kurdish Ministry of Interior in Irbil demonstrates that AQI maintains its ability to strike in the Kurdish region. Violence occurs mostly in outlying areas near the border with Iran. Traditional conflicts with Ansar al-Sunnah (AS) have ebbed and flowed in the Patriotic Union of Kurdistan (PUK) region since the mid-1990's. The newly formed Brigades of Kurdistan announced their intent to attack the Kurdish government but the capabilities of the group is unknown. While AQI's increased presence in northern Iraq is of growing concern, AQI largely conducts its anti-Kurdish operations in Kirkuk and Mosul, rarely venturing to more remote areas in the region in large part due to the presence of Kurdish security forces.

The Kurdistan Regional Government (KRG) has provided relatively good governance over the three Kurdish provinces. The existence of the Kongra Gel (KGK) and the potential for border skirmishes with Turkey or Iran, and in the case of the KGK, possible cross-border

operations by the Turkish Army, are issues that could increase tensions in the Kurdish region.

Assessment of the Security Environment—Southern Iraq

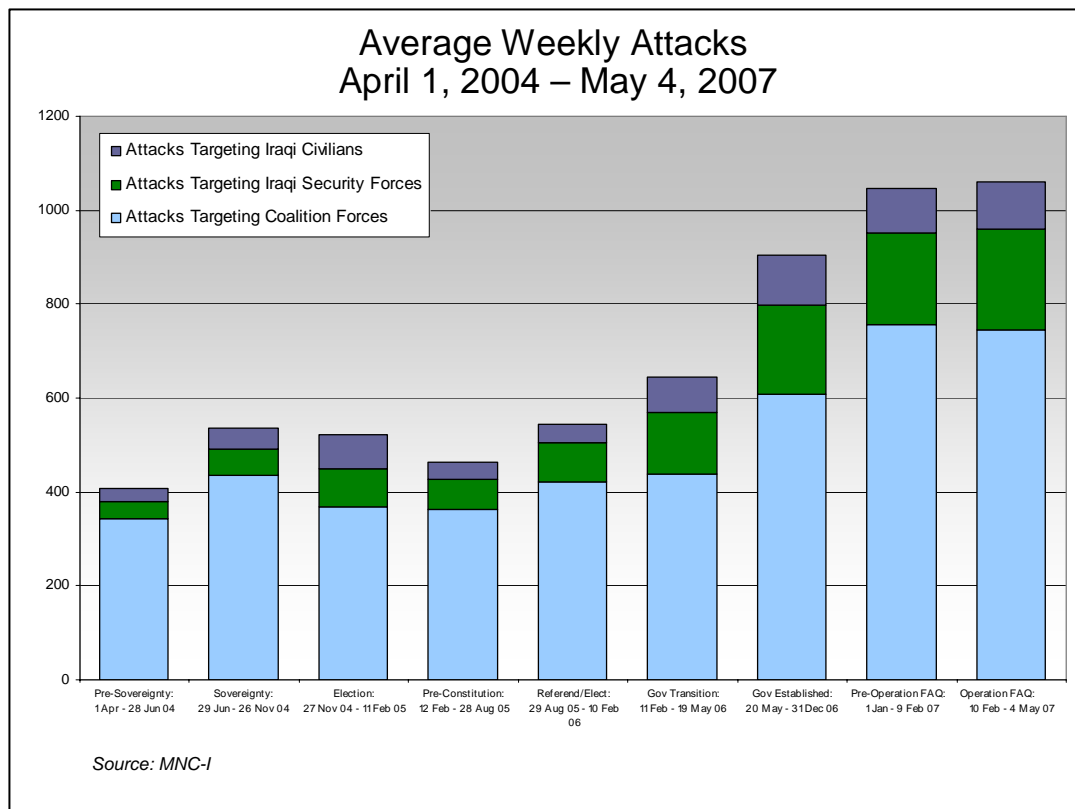
The security situation in southern Iraq is characterized by competition between various Shi'a militia, factions, tribes and organized criminals aligned with various parties positioning themselves for greater influence over local authorities and resources. Supreme Iraqi Islamic Council (formerly SCIRI) (SIIC) maintains a strong political presence in the south. Increased political competition between SIIC and the Office of Martyr Sadr (OMS), the political arm of JAM, has resulted in clashes between their respective armed wings, the Badr Organization and JAM. Some JAM members relocated to the south in response to FAQ in Baghdad, further empowering JAM in confrontations with both Badr and provincial authorities. In Basrah Province, the OMS and the governing Fadilah Party vie for dominance over local economic activity, adding to the intra-Shi'a violence. This intra-Shi'a violence has contributed to a significant increase in attacks against Coalition forces in Basrah and an observed greater hostility towards Coalition presence, as well as highlighted the failure of the Iraqi police to challenge Shi'a militants in southern Iraq. In Diwaniyah, however, a reported increase in JAM presence and aggression prompted local officials to request military action to lessen JAM's influence and local control. Relatively little AQI activity has been observed in southern Iraq.

Overall Attack Trends and Violence

For this report, the term “attacks” refers to specific incidents reported in the Multi-National Corps-Iraq Significant Activities Database. It includes known attacks on Coalition forces, Iraqi forces, the civilian population and infrastructure. Attacks typically involve improvised explosive devices; small arms, including sniper fire; and indirect fires. Not all civilian casualties are observed by or reported to Coalition forces; as a result, these data only provide a partial picture of the violence experienced by Iraqis.

The aggregate level of violence in Iraq remained relatively unchanged during this reporting period. Violence has decreased in the Baghdad security districts and Anbar, but has increased in most provinces, particularly in the outlying areas of Baghdad Province and Diyala and Ninewa Provinces. Since January 2007, Coalition-reported murders in Baghdad proper have decreased by 51% as militia activity was disrupted by security operations. Throughout

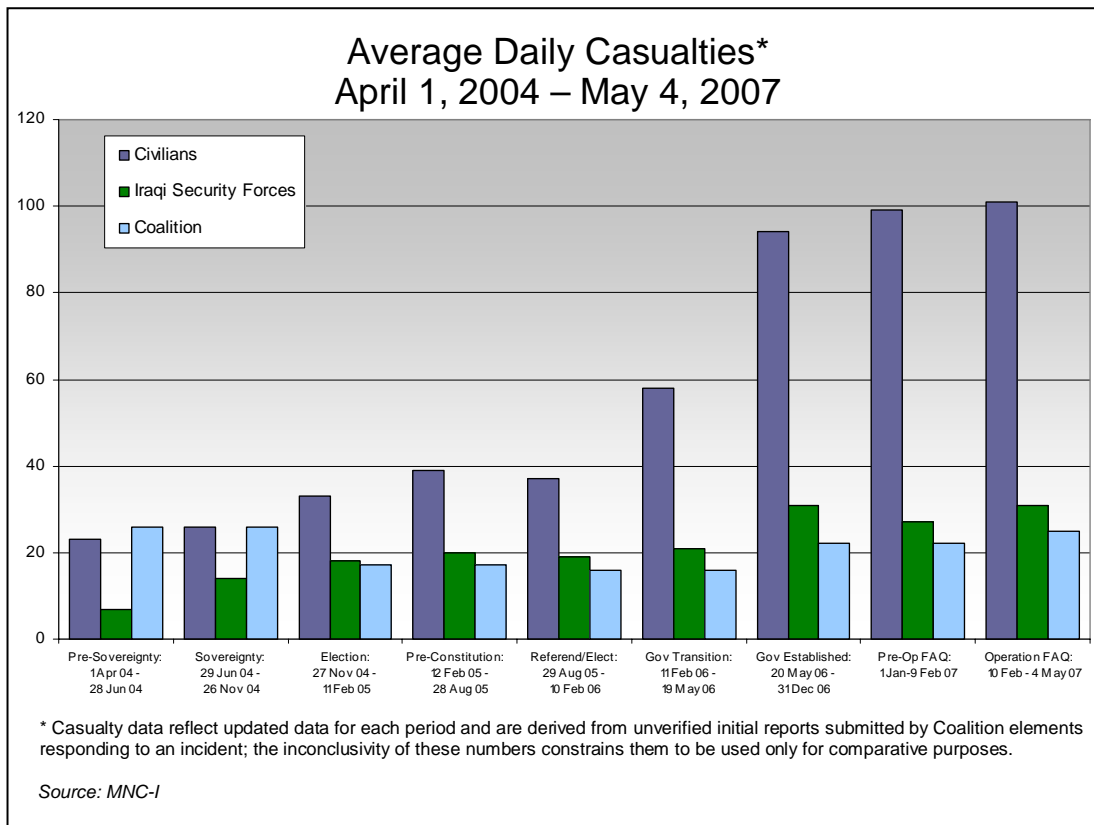
Iraq, the total number of attacks on Coalition forces, the ISF, and Iraqi civilians increased by 2% in the February through May reporting period compared with the previous quarter. High-profile attacks, usually conducted by AQI, are now causing more casualties in Baghdad than do murders by militia, criminals, or other armed groups. Spectacular attacks on historical and significant infrastructure (such as Baghdad bridges and the Parliament building) seek to discredit FAQ, the Coalition presence, and the GoI, rather than create casualties. In Anbar province, anti-AQI sentiment is widespread, with growing tribal influence as the primary driver of decreasing violence levels. The total number of attacks in Anbar has dropped 34% since December 2006, with Ramadi—where attacks are at a two-year low—accounting for the largest decline in violence levels. Attacks in Anbar have dropped from 35 per day in the previous reporting period to just under 26, dipping below average daily attacks in Salah ad Din Province.



Less encouraging, the number of suicide attacks across Iraq increased from 26 in January to 58 in March and remained constant at 58 in April. During the reporting period, the average number of improvised explosive devices found and cleared increased 15% from the previous quarter, and the average number of vehicle-borne improvised explosive devices (VBIEDs) found and cleared rose by 69%. These gains are likely due to increased civilian cooperation and interdiction of the networks conducting these attacks. The majority of overall attacks continue to occur against Coalition forces, while the ISF and civilians continue to suffer the majority of casualties. Consistent with previous reporting periods, most attacks occurred in Baghdad, Anbar, Salah ad Din, and Diyala provinces. Explosively formed projectile attacks were at an all-time high in April.

Public Perceptions of Security

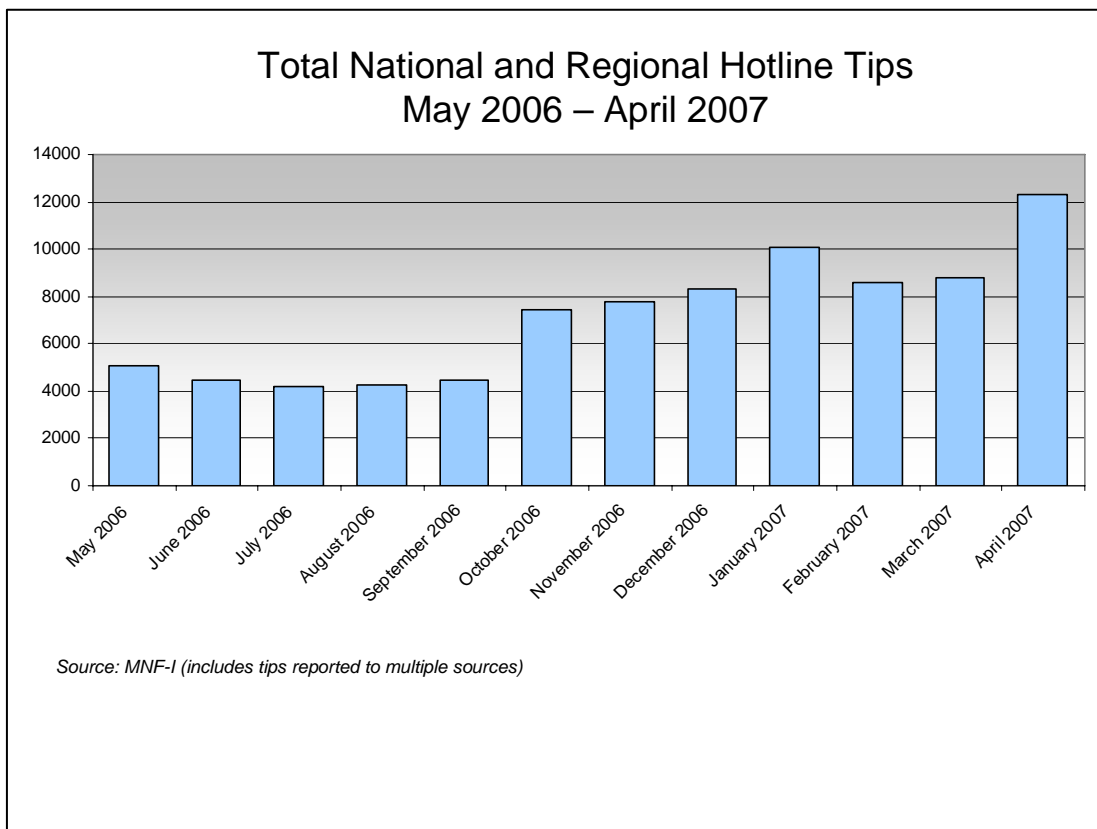
Public perception of security is shaped by the confidence the people have in the government and its security forces, as well as the perception they have of neighborhood safety. On security, Iraqis continue to feel more positive at the local level than they do at the national level.⁵ The perceptions of safety inside and outside neighborhoods correlate with their perception of local and national tensions.⁶ Within Baghdad, the Joint Security Stations contribute to this improvement by providing local tip hotlines, and local security force responsiveness to these calls provide tangible, visible proof that the security forces are responsible to and for the people. These actions may contribute to the continued support for the dissolution of militias, not only in Baghdad, but nationwide as well.⁷

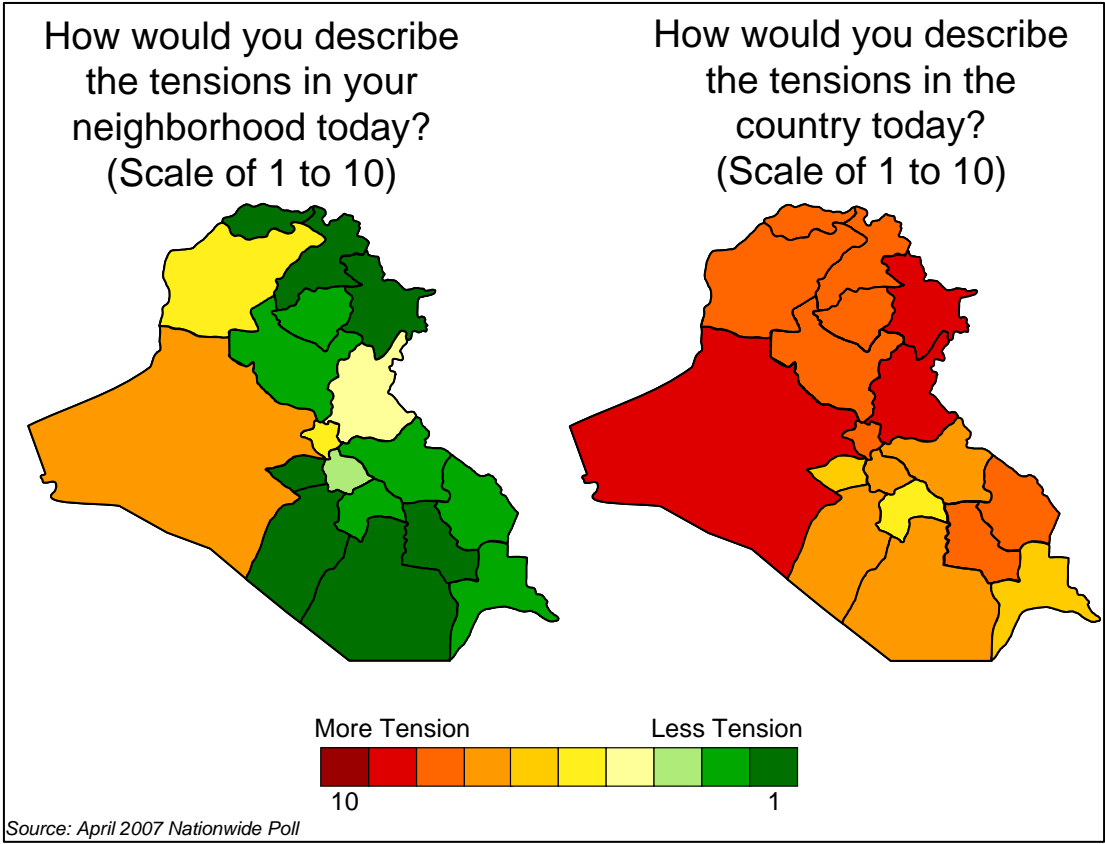
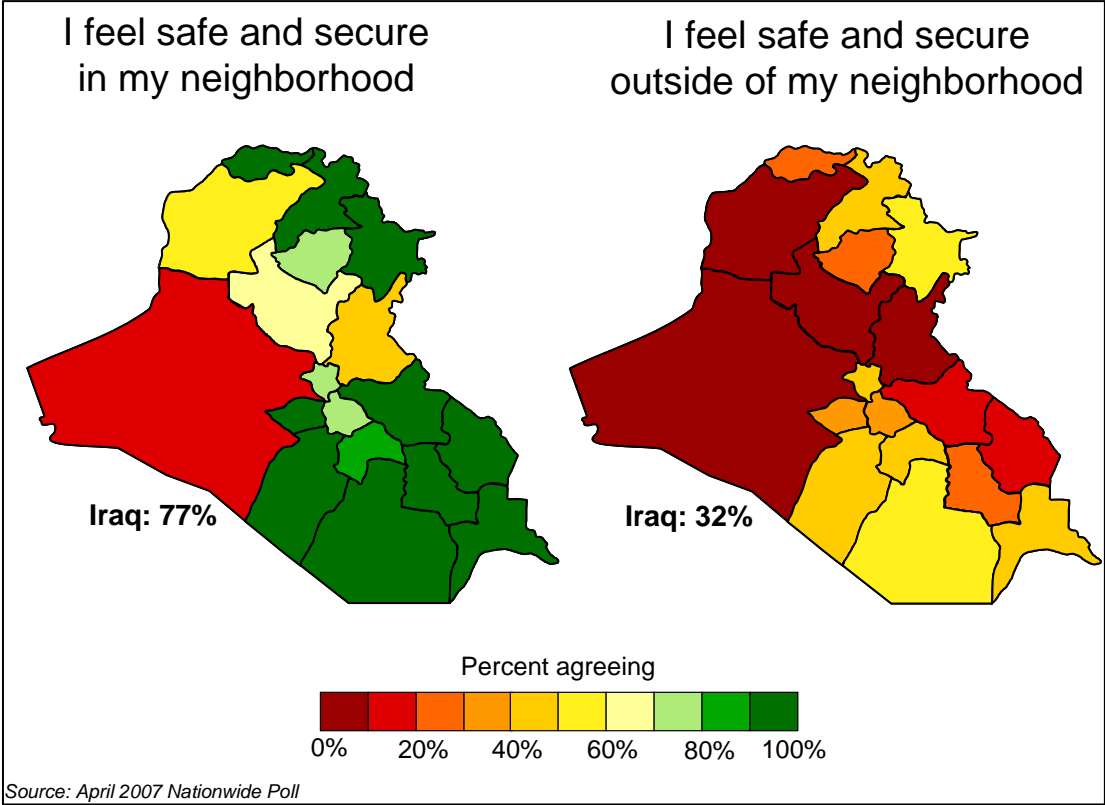


The differences between local and national perceptions indicate that it is easier to affect local views through localized actions than general views through news of operations taking place elsewhere.

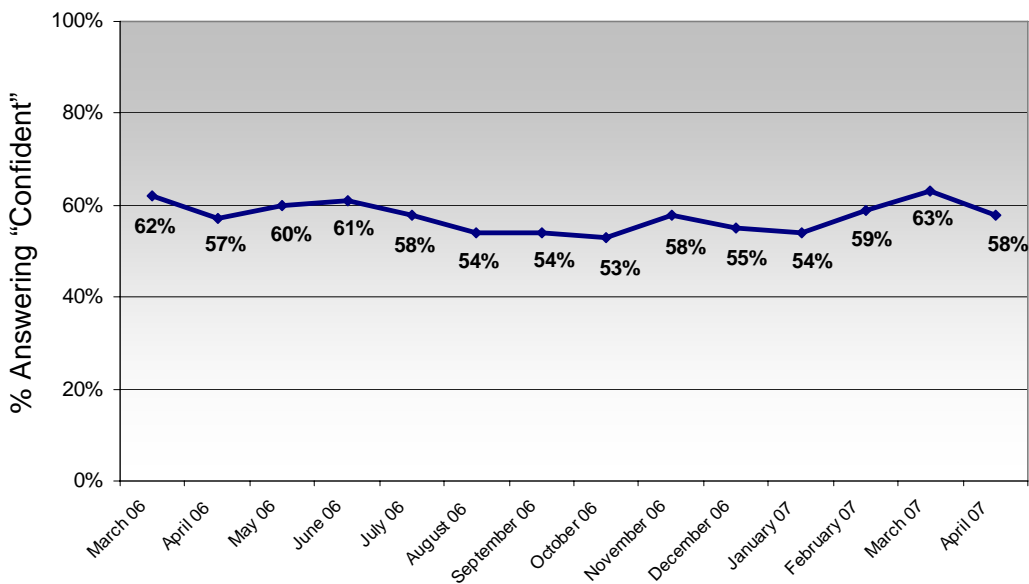
Although slower to adjust, national perceptions showed improvement in March as confidence in the GoI's ability to improve the security environment reached its highest level (63%) in the previous twelve months. Although this confidence declined in April, it remained above the twelve-month average.⁸ Iraqi recognition

of the initial successes of FAQ in Baghdad has led to similar plans and operations being adopted by Mosul and by Diwaniyah Province. These and other actions by the GoI are reflected in public opinion, and twice as many people agree than disagree that the government is leading the country in the right direction.⁹ Additionally, public perception of the Iraqi Security Force has improved due to their increased interaction with the local populace through initiatives such as the Joint Security Stations.^{10,11,12}



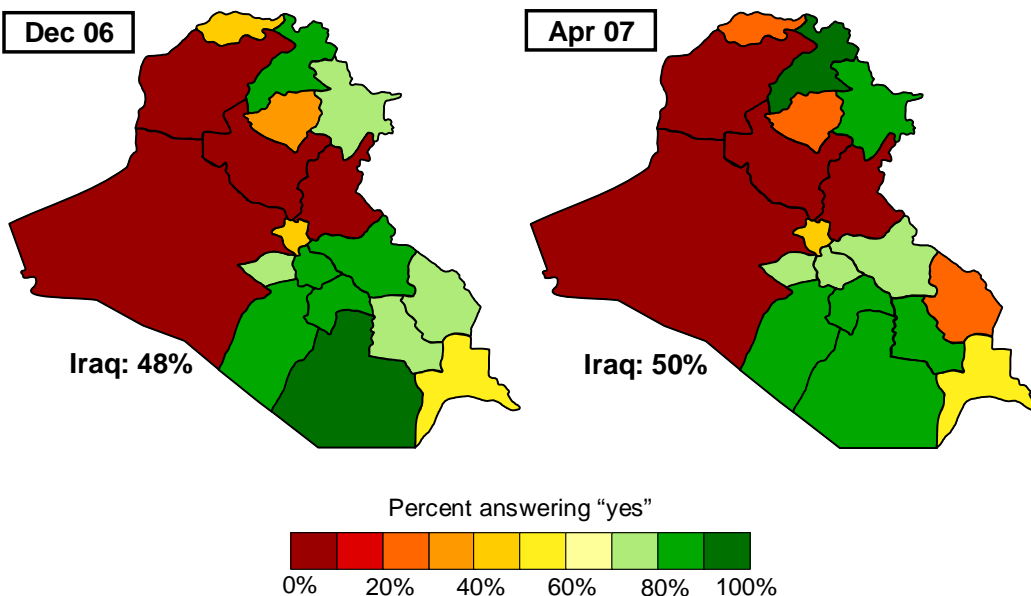


Confidence in the Iraqi Government to Improve the Situation



Source: Nationwide Poll

In general, do you have confidence in the ability of the Iraqi Government to protect you and your family from threat?



Source: Nationwide Poll

Conclusion

The conflict in Iraq is a struggle among ethno-sectarian, criminal, and terrorist groups to wrest political and economic power from the democratically elected government. The situation in Iraq remains complex, with each region of the country posing different security challenges. Although Iraqi and Coalition

forces have had initial success at reducing sectarian violence in Baghdad, it will be months before a trend emerges indicating whether the *New Way Forward* and the FAQ are sufficient to enable Iraqi leaders to advance key political goals including national reconciliation.

1.4 Transferring Security Responsibility

One of the strategic objectives of the *New Way Forward* is to continue to strengthen Iraqi Security Forces and thereby accelerate the transition of primary security responsibility to the Iraqi government. In this quarter, the Coalition transferred security responsibility in Maysan Province to Provincial Iraqi Control (PIC), making a total of four of 18 provinces in which security is now primarily an Iraqi responsibility. Three more provinces (Dahuk, Irbil, and Sulaymaniyah) are scheduled to transfer in the near future. MNF-I also turned over three more forward operating bases (FOBs) to the GoI.

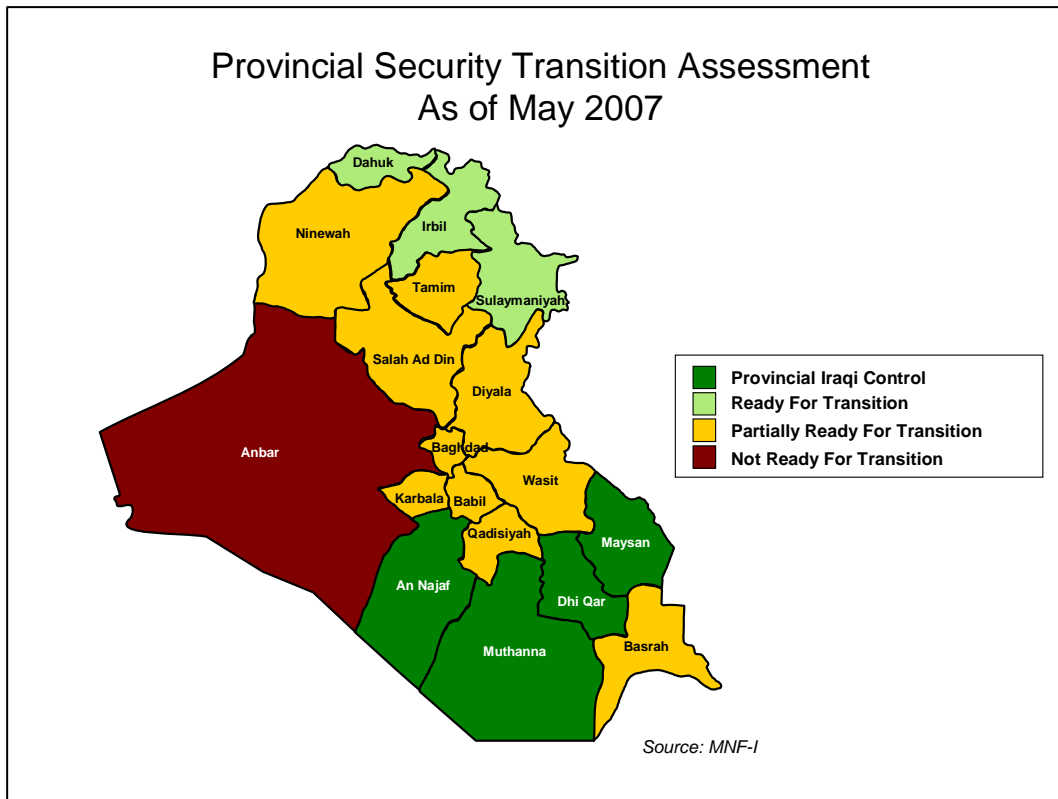
Status of Provincial Iraqi Control

As the required conditions are met, the program to transfer security responsibilities to Iraq's Provincial Governors will continue with the remaining provinces expected to transition to Provincial Iraqi Control (PIC) no later than March 2008. In 2006, Muthanna, Thi Qar,

and Najaf Provinces transitioned to PIC. On April 18, 2007, Maysan became the fourth province to assume security responsibility. The classified annex provides more detail on the PIC process.

Forward Operating Base Turnover Status

To reduce its temporary basing requirements, MNF-I is consolidating its locations using a "bottom-up" conditions-based process to synchronize basing requirements with Coalition force requirements and the projected command and control structure. The timeline for this process is being adjusted to support increased force levels as part of FAQ. MNF-I has already reduced its presence in major cities while developing the flexibility to support PRT expansion. MNF-I has either transitioned to the Iraqi government or closed 61 FOBs out of a total of 122. In the first quarter of CY 2007, one FOB was transferred. Three FOBs were transferred in the second quarter of CY 2007.



Section 2-Iraqi Security Forces Training and Performance

2.1 Assessed Capabilities of the Iraqi Security Forces

Approximately 346,500 personnel have received training for the Objective Counterinsurgency Force (OCF) and the Objective Civil Security Force (OCSF) of the 2007 objective of approximately 370,000. An additional 18,000 military personnel have been trained as part of a replenishment initiative, with another 10,300 of a planned 12,000 trained as part of the 10% manning increase for the Iraqi Army. The table on the right depicts the number of personnel who have received training from Coalition forces since 2003. The Iraqi Army has been issued over 100% of its initial equipment authorizations, although some equipment items have not been uniformly distributed. The Iraqi police have been issued 89% of critical equipment. Due to battle damage, normal wear and tear and theft, some Army units and police stations may have current equipment shortfalls.

Given the persistence of the violence by insurgents, terrorists and militias, the Iraqi forces will require continued training, development and equipping to be able to progressively assume missions from Coalition forces. The Coalition focuses on four major areas in building the capacity of the Iraqi MoD and MoI and their respective forces: (1) developing ministerial capacity; (2) improving the proficiency of military and police forces through the assistance of embedded advisors; (3) building the logistic and sustainment capabilities of the MoD and MoI; and (4) supporting expansion of the Iraqi Army and the creation of a National Police Samarra brigade through the Prime Minister's Initiative. The existing Iraqi-run training bases are functioning at full capability to achieve these replenishment goals. Military Transition Teams (MiTTs) and National

Total Number of Trained Iraqi Security Forces*

Component	# Trained
Ministry of Interior Forces	
Police	~135,000
National Police	~26,300
Border Enforcement	~28,400
Dignitary Protection	~500
MOI Forensics Unit	~4,000
Total MoI	~194,200
Ministry of Defense Forces	
Army	~135,800
Support Forces	~13,000
Special Operations	~1,500
Air Force	~900
Navy	~1,100
Total MoD	~152,300
Total Trained ISF	~346,500

* These numbers are not the same as those present for duty. Includes all personnel trained as part of Objective COIN Force, Objective Civil Security Force, and replacement and expansion initiatives. Does not include 18,000 replenishments.

Data as of May 14, 2007

Police Transition Teams (NPTTs) composed of over 6,000 advisors organized into over 500 teams are embedded at all levels of Iraqi military and National Police (NP) units, and in many police stations and border enforcement units as well, to assist Iraqi units achieve full capability.

As of May 14, 2007, 101 Iraqi Army combat battalions have been generated and are conducting operations at varying levels of capability; an additional 38 battalions are being generated. There are two Special Operations Battalions, both conducting operations. Of the 17 planned Strategic Infrastructure Battalions (SIBs), 13 are assessed as being able to conduct operations side by side with Coalition forces or are in the lead. Of the 101 Iraqi Army combat battalions conducting operations, 95 have the lead in counterinsurgency operations in their areas of responsibility (AOR). Additionally, 27 NP

battalions are operational, with seven capable of leading operations with Coalition support, but none is assigned the lead in a specific AOR. All but one of the nine NP brigades are conducting security operations in Baghdad. The remaining brigade is currently conducting retraining at the Numaniyah Training Facility as part of the National Police Transformation plan. Five brigades have completed the retraining as of 14 May 07. A brigade-sized operational reserve consisting of a mechanized battalion from the Army, an NP battalion, and a Special Forces company has been established.

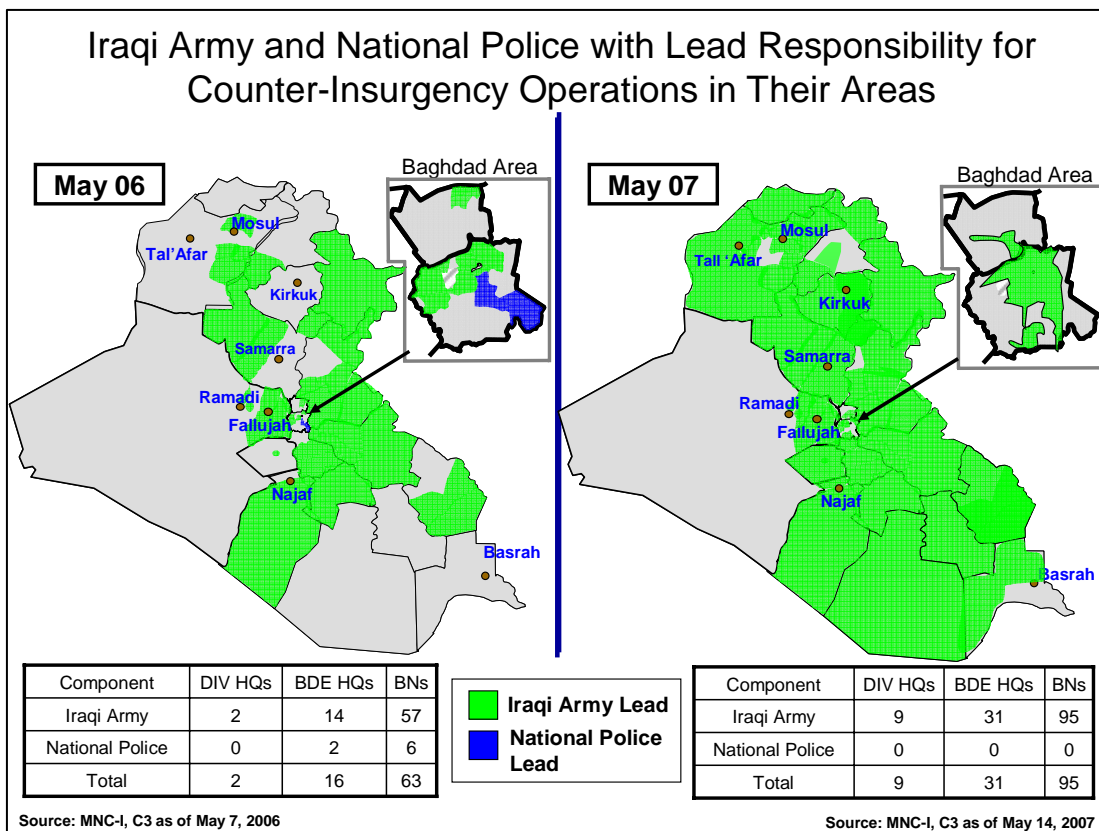
2.2 Ministry of Interior Forces

The MoI forces consist of the Iraqi Police Service, the National Police, the Directorate of Border Enforcement, and other, smaller forces.¹³ There is currently no reliable data on how many of the OCSF are still serving with the MoI. The estimates range from 40%

to 70% of the total trained by the Coalition. The previous attrition estimate of 20% per year is being reviewed and preliminary indications from MoI personnel documents indicate that the figure may be too high. Additionally, the MoI has hired a significant number of police beyond those trained by MNSTC-I. MNSTC-I continues to work with the MoI to track these personnel and their training and equipping requirements.

Ministry of Interior Transition Issues

As of December 31, 2006, administrative responsibility for the majority of Iraqi Police academies has transitioned to Iraqi control. The two exceptions are the Baghdad Police College (BPC) and the Jordan International Police Training Center (JIPTC). The administrative and instructive functions for all academies were successfully transferred; operational control of the BPC was turned



over to the MoI in 2006. Having achieved its goal of training and equipping 135,000 police, the MoI is now responsible for running the majority of its training academies and for generating replenishments for the police force. Basic recruit training ceased at JIPTC at the end of February 2007 once the OCSF goals were met. To date, more than 3,000 cadets have graduated from Iraqi-run police training programs. The only current training at JIPTC is limited to Iraqi Corrections Service Officer candidates in support of Task Force 134's Rule of Law responsibilities. However, the capacity still exists at JIPTC to support any expanded police training requirements.

Ministry Capacity Development

Coalition advisors continue to report marginal improvement in the MoI's ability to perform key ministry functions such as developing and implementing plans and policies, intelligence, personnel management, logistics, communications, and budgeting. For example, the MoI does not yet have accurate personnel accountability and reporting procedures, and it is unknown how many of the more than 320,000 employees on the ministry's payroll are present for duty on a given day. MNSTC-I and the ministry are continuing efforts to develop systems to address some of these shortcomings. For example:

- Deployment of an automated human resources and payroll system is in Phase I of a three-phased fielding plan and is projected to be fully fielded and operational by June 2008.
- The MoI Director General of Administration and Logistics has established an automated equipment accountability system that the Iraqis continue to populate with both Coalition- and Iraqi- produced data

drawn from historical documentation and hand-receipts.

- MoI is currently in the process of developing its CY 2008 budget with the intent of using a requirements-based budget process, and full implementation of the Iraqi Financial Management Information System (IFMIS) is projected for the end of 2008. With these initiatives, budget execution should improve.

Corruption, illegal activity and sectarian/militia influence constrain faster progress in developing MoI forces and gaining Iraqi populace support. Although the primary concern of the GoI remains the ongoing insurgency, multiple allegations of tolerance of and influence exerted by Shi'a militia members within the MoI is troubling. Militia influence impacts every component of the MoI, particularly in Baghdad and several other key cities. The MoI also continues to struggle with internal corruption, and the ministry made continued efforts this quarter to address this problem. Key to these efforts is effective investigations when allegations appear to have some credibility. For example:

- From January 1, 2007, through March 31, 2007, MoI Internal Affairs opened 1,954 new corruption-related investigations. The investigations resulted in the firing of 854 employees, the forced retirement of 13, referral to the Commission of Public Integrity of 16 for further investigation, and internal disciplinary action against 255. The other 816 cases remain open. The Internal Affairs Directorate conducted 41 human rights-related investigations. Of these, two resulted in disciplinary punishment and 39 remain open.

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- The Automated Fingerprint Identification System (AFIS) project identified 1,200 cases making false applications for the reporting period of January 1, 2007 through March 31, 2007. Of these 1,200 cases, the Minister dismissed 92 employees who committed the most serious violations. The Minister also dismissed 824 cases from the December 2006 list. As of March 31, 2007, 916 employees have been dismissed since the beginning of the year.

Embedded Advisory Support

As described in the March 2007 report, the Coalition Police Assistance Training Team's (CPATT's) MoI Transition Team (MoI-TT) works with the MoI on developing and assessing capabilities. The MoI-TT is comprised of slightly more than 100 advisors. In addition, 222 field-deployed Police Transition Teams (PTTs) assist in the development of the Iraqi Police Service. Ten of these provide advice at the provincial police headquarters level, 65 at the district level and 148 at the police station level. Each team has approximately 12 to 15 members; two to four members of each team are civilian International Police Liaison Officers (IPLOs) hired as contractors by the Department of State, and the rest are typically military personnel, many of whom are Military Police. IPLOs provide civilian law enforcement expertise in technical aspects of criminal investigation and police station management.

PTTs travel to stations to mentor the Iraqi police and conduct joint patrols with them. These joint patrols promote active community policing to improve the reputation of—and confidence in—the police by the Iraqi people. Although each provincial police headquarters has a dedicated Transition Team (TT), it is not

feasible to have TTs assigned to all of the more than 1,100 police stations in Iraq due to funding constraints on hiring civilian police advisors and limitations on the number of available Military Police. Thirty-nine National Police Transition Teams (NPTTs) now support the development of National Police units by mentoring, training, and facilitating communication with Coalition forces. NPTTs assess the readiness and operational capability of the National Police, similar to the tasks performed by Military Transition Teams with Iraqi Army units.

A Coalition-initiated, MoI-led Iraqi Police Reform Program called “Quicklook” was instituted in December 2006 to review all aspects of performance and effectiveness of Iraqi police stations, beginning in Baghdad. As of 30 April 2007, the team had successfully inspected 44 of 47 stations. The Baghdad portion of the program will take three to four months and result in a MoI generated report and a plan to address deficiencies. Once completed in Baghdad, this program will be expanded to other Iraqi police stations. MNSTC-I assesses that thus far the MoI team is holding the stations and their commanders to the inspection standards.

Logistics and Sustainment

The MoI's logistics and sustainment capacity requires continued development. The FY 2007 DoD Supplemental funding request focuses on key shortfalls, particularly in equipment maintenance. Specifically:

- The MoI is developing policies, plans and processes for acquisition, distribution, and maintenance of vehicles. The MoI has begun to centrally purchase vehicles and repair parts using self-generated and FMS contracts.
- Ammunition purchases through Iraqi-funded FMS cases have resolved

procurement sourcing issues, but shortfalls of adequate fuel continue to hinder mission performance.

- All life-support contracts have been transferred to the MoI except for life support at Baghdad Police College, which is slated to transfer at the end of June 2007. Small-scale life-support contracts have been reestablished at the Basrah and Al Kut Joint Training Academies to support the National Police Replenishment Plan. To support the new Anbar Police Academy, CPATT has established a full life-support contract which runs through November 2007.
- MNSTC-I has established seven health clinics throughout Baghdad to support the National Police. Border police health logistics requirements will be addressed through a memorandum of agreement between MoI and the Ministry of Health that is intended to provide healthcare for police across Iraq.

Force Generation

CPATT is working to replenish all National Police units with personnel and key equipment items in support of FAQ. In addition, MNSTC-I is supporting the Prime Minister's initiative to build a multi-component (Iraqi Army and National Police) division sized brigade force to protect the Samarra Shrine reconstruction project. CPATT is also helping to establish eight Provincial Police Force (PPF) units in Anbar Province and four PPF units in Diyala Province.

Iraqi Police Service

The Iraqi Police Service (IPS) constitutes the majority of MoI forces assigned throughout Iraq's 18 provinces and is comprised of patrol and station police and specialists in such

disciplines as forensics. The IPS's mission is to enforce the law, safeguard the public, and provide local security. For Baghdad and the nine key cities,¹⁴ 100% of authorized vehicles and weapons have been delivered to the police. Overall, the Iraqi Police Service has received approximately 89% of authorized critical equipment and is expected to receive 100% by the end of 2007. It is thought that, due to combat loss and attrition, a significant portion of the equipment may no longer be in MoI inventories and serviceable.

Militia infiltration of local police remains a significant problem. Prime Minister Maliki has expressed a commitment to retraining and reforming police units that are shown to be serving sectarian or parochial interests. Some security forces also remain prone to intimidation by, or collusion with, criminal gangs. Even when police are not affiliated with a militia or organized crime, there is often mutual distrust between the police and the judiciary, each viewing the other as corrupt.

National Police

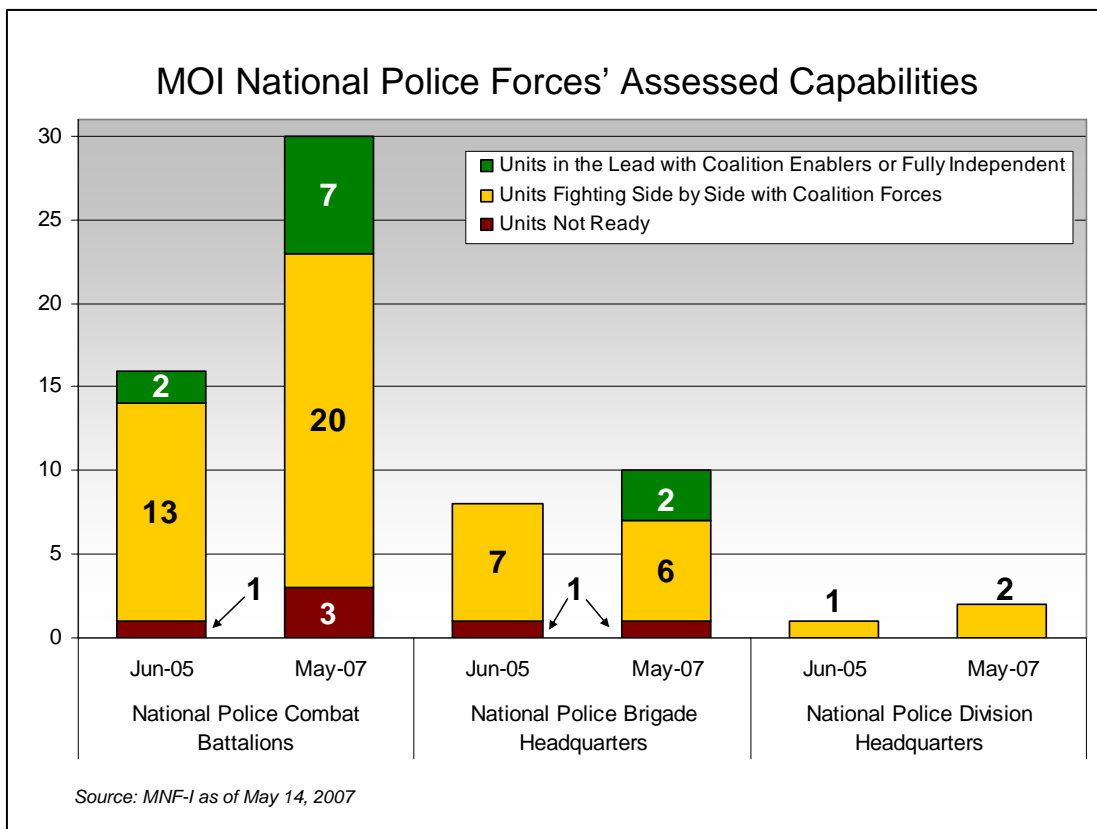
The National Police (NP) is a bridging force between the local police and the Iraqi Army, allowing the Minister of Interior to project police capabilities across the provinces. The NP is also charged with maintaining law and order and augments local policing efforts in internal security and policing operations. Until October 2006, the NP were trained and served primarily in a paramilitary role and had received little traditional police training. MNSTC-I partnered with the MoI to conduct a four-phase NP Transformation Program (also known as the "re-blueing" program) to reorient the program towards police functions. Phase I is complete and consisted of NP "Quicklook" inspections to improve overall readiness. Phase II is ongoing and involves standardized collective training, which includes added emphasis on human

rights, rule of law and police ethics. Phase III will begin 90 days after the North Atlantic Council endorses an Italian-led training plan that will be based on the tactics, techniques and procedures of Italy's *Carabinieri*. Phase IV involves forward positioning to train on contingencies such as security for pilgrimages, natural disasters and national emergencies.

Directorate of Border Enforcement and Directorate of Ports of Entry

The Directorate of Border Enforcement (DBE) and the Directorate of Ports of Entry (PoE) collectively control and protect Iraq's borders. The DBE is organized into 5 regions, with 12 brigades totaling 42 battalions; 38 of the battalions are supported by a Coalition equipping program. These forces staff 420 border and annex forts, of which the USG has funded 258. The PoE operates 13 of 17 land ports of entry into Iraq.

The other four land POEs were closed as part of the increased security measures implemented in February 2007. MNSTC-I has trained over 29,660 DBE and PoE personnel, meeting the OCSF goal of 28,400. As described in previous reports, all Coalition planned border forts are complete and have been handed over to the GoI. In addition, the DBE Director General is building smaller border fort annexes to close the gaps in areas with a high threat of intrusion. As of this reporting period, the Iraqi government has funded construction for a total of 16 border fort annexes and plans to build 291 more, which will bring the total number of forts and annexes to 711. Once complete, these should provide adequate facilities to support the forces providing Iraqi border security. Currently, 28 Coalition Border Transition Teams (BTTs) support border and port operations.



Facilities Protection Service

The Facilities Protection Service (FPS) was originally established in 2003 by Coalition Provisional Authority Order 27 to protect infrastructure and facilities controlled by the various government ministries. CPA Order 27 is intended to standardize the powers and authorities that ministry guard forces could exercise. While the Ministry of Interior directed the FPS to establish unified standards for FPS personnel and all ministries, the FPS remained a loose confederation of mainly contract security guards that protect facilities and ministry officials at the 27 ministries. Many ministries have resisted central control and authority over their guard forces, particularly as political parties gained control over the ministries and have used the FPS as an employment opportunity for militia and sectarian interests. To assert MoI authority over the FPS, the Iraqi government decided last year to consolidate all FPS personnel under the MoI into a single force of approximately 98,000 personnel. Although the MoI has begun to take over training and vetting of FPS personnel, the Ministry of Finance (MoF) has not yet centralized funding with the MoI. (Without a new law or a clear directive from the Prime Minister, most ministries remain resistant to this initiative.) Because the FPS is not part of the Coalition's programmed train and equip requirements, metrics such as numbers of personnel or equipping status are not included in the overall data.

National Information and Investigation Agency

The National Information and Investigation Agency (NIIA) is the strategic criminal intel-

ligence arm of the MoI. With almost 2,700 personnel currently assigned, and an end-strength target of 6,000 in 2008, the agency has the potential of becoming a significant force in the GoI's fight against terrorism and the insurgency. The organization consists of a National Headquarters and 15 provincial NIIA Bureaus. Anbar's bureau is the only provincial bureau that is not yet at initial operating capability. The Kurdish region has its own MoI and criminal intelligence supported structure. Eventually, the NIIA leadership intends to position NIIA officers in all IPS stations throughout Iraq. Currently NIIA intelligence officers are embedded with the National Police Division headquarters and work alongside police in performing their criminal investigative duties. Over time, a network of officers in the field will be able to pass data directly to the National Headquarters through their respective provincial bureaus. NIIA capabilities are currently assessed as minimal in most areas such as investigations, analysis, and surveillance. The NIIA has been issued 95% of its weapons and body armor and 20% of its vehicles. The current security environment restricts the movement of criminal investigators (predominately Shi'a) in the MoI from traveling to crime scenes around Baghdad and other key cities to conduct investigations. Lack of trust between agencies impedes the exchange of criminal intelligence and collaborative intelligence products. Furthermore, the NIIA has only limited secure IT communications capabilities, inhibiting nationwide networking.

2.3 Ministry of Defense

The Iraqi Ministry of Defense (MoD) forces consist of the Joint Headquarters (JHQ), the IGFC (which commands the Army), the Iraqi Special Operations Forces (ISOF), the Army, the Air Force, and the Navy (including Marines). The Iraqi military has an authorized strength of approximately 175,000 personnel¹⁵ and is centered on an Army with nine infantry divisions, one mechanized infantry division, and associated combat support units. Two additional infantry divisions are in development as part of Prime Minister Maliki's Expansion Initiative. The Iraqi Air Force consists of six squadrons; the Navy has two squadrons and a Marine battalion.

Ministry of Defense Transition

As of May 14, 2007, nine Division Headquarters, 31 Brigade Headquarters, and 95 Iraqi Army battalions had assumed the lead for counterinsurgency operations (COIN) within their assigned areas of operation. The Iraqi Ground Forces Command (IGFC) had assumed command and control of eight of 10 Iraqi Army divisions (the 5th and 7th Divisions remain under the operational control of MNC-I). The MoD, through the JHQ, has assumed responsibility for support and sustainment planning for these divisions as well as for forces transferring to JHQ command and control in the future. The 6th and 9th Divisions have subsequently been subordinated to the MoD's Baghdad Operations Command as part of FAQ. By November 2007, the IGFC is expected to gain operational control of all ten Army divisions of the Objective Counterinsurgency Force. While these forces are increasingly professional, within many military units, tribal and ethno-sectarian loyalties remain strong and often are the basis for relationships between key officers in units and

higher-level authorities who are not always in the direct chain of command.

Capacity Development

Overall, the MoD is assessed as being partially effective at managing ministry functions such as personnel management, budgeting, acquisitions and contracting, and plans and policies. However, fielded forces often do not get the support they require without substantial Coalition assistance; the MoD is, however, showing incremental progress in some areas. For example, new life-support contracts for the Iraqi Joint Forces were successfully awarded, ensuring no break in service as new contractors took over. Moreover, the MoD has just completed an exercise to determine, codify and prioritize its 2007 capability requirements in support of agreed Defense policy objectives. There are still deficiencies in the Ministry, particularly in the bureaucratic process for the approval for commitment of funds. To mitigate this and allow time for the processes to mature, the MoD is pursuing the bulk of its acquisition and sustainment requirements through U.S. FMS cases, particularly for new units. More than US\$1.6 billion in MoD 2006 funds already has been transferred to the Defense Security Cooperation Agency's trust fund account, and contracts to procure some of the equipment and services that MoD has requested have been established. In accordance with the 2007 capability requirements, an additional US\$1.1 billion worth of FMS cases is being developed, requested and approved with MoD 2007 funds. This will build upon previous achievements, including the development and implementation of the 2007 Capabilities Requirements Plan. The MoD is "on track" to deliver the 2008 Capabilities Requirements Plan to the Directorate of Programs and Budgets for preparation of the 2008 Budget. In addition, efforts to further build MoD capacity will be

enhanced by its new Civil Service Staff Development Center; construction of this facility began on March 11. This training institution will help develop the professional skills of critical junior- and mid-level bureaucrats who perform the staff work required for day-to-day operations of the ministry. The DoD and the MoD have entered into discussions on the development of an Acquisition and Cross Servicing Agreement for the reciprocal provision of logistic support, supplies and services on a reimbursable basis.

Embedded Advisory Support

Transition Teams (TTs) are embedded within the MoD, the Joint Headquarters and in the forces with most battalions and brigade and division headquarters. Most of the teams at the unit level are comprised of about 10 personnel. At the national level, there are two teams that have about 50 personnel each, one for the civilian leadership of the ministry and one for the Joint Headquarters (JHQ). The MoD Transition Team (TT) advises the civilian Iraqi MoD leadership and staff. The team currently consists of civilian advisors from the U.S., UK, and Australia. Since 2004, the MoD TT has been led by an SES-level UK MoD civil servant. The MoD TT consists of some 50 civilian advisors assisted by five U.S. military personnel. U.S. civilian contractors form the majority of the MoD TT; however, approximately 25% of the MoD TT consists of government civil servant advisors from Coalition partners (United Kingdom and Australia). The only two USG civilians currently assigned to the team are from the Department of Defense Inspector General. An Australian General Officer leads the TT that advises the Joint Headquarters (JHQ). At the JHQ TT, U.S. military personnel comprise about half of the advisors and the rest are split roughly between U.S. civilian contractors and military personnel from other Coalition countries. Both TTs report to

MNSTC-I and provide mentoring support to senior officials in developing the Iraqi capacity to manage key ministerial functions.

To enhance the Iraqi Army's operational unit logistic capabilities, the 13th Sustainment Command (Expeditionary) is partnered with Iraqi logistics units and MNSTC-I's Coalition Military Assistance Training Team (CMATT) and has teams embedded at the Taji National Depot to develop the national supply chain. Altogether, MNSTC-I has oversight of approximately 60 transition teams assigned to assist in logistics and sustainment.

Logistics and Sustainment

MoD's continued limited logistic and sustainment capacity is a key hindrance to Iraqi forces' ability to assume missions from the Coalition. The MoD requires significant Coalition assistance, especially in warehouse/depot and transportation/distribution operations. Development and implementation of MoD strategic logistics policy is maturing via the combined Coalition-Iraqi logistics policy implementation committee.

Throughout 2007, DoD will focus on developing the MoD's capabilities in the areas of fuel supply, maintenance, budget, material management, self-sustainment, ammunition, medical equipment, supply accountability, and national warehouse operations. DoD's FY 2007 War on Terror Supplemental appropriation request seeks additional funding to support this effort.

- Although the Iraqi Army's Headquarters and Service Companies (HSCs) are gaining some capability, Coalition forces and MNC-I logistics units will continue to partner and mentor, particularly to assist in emergency situations. The Joint Headquarters Deputy Chief of Staff

for Support was recently appointed by the Minister of Defense for a 90-day probationary period and a site has been selected for the Support Command headquarters.

- The MoD still receives fuel allocations from the Ministry of Oil (MoO) below required levels. Coalition forces are currently providing Iraqi forces less than 10% of their fuel requirements, and then only *in extremis* when missions are at risk of failure. Using a third fourth-line transportation contract, the MoD is assuming greater responsibility for moving supplies, soldiers and equipment. Currently, the MoD provides all life support to its fighting force through contracts.
- The MoD continues to make purchases of sustainment supplies and equipment— such as M4s, M16s, M203s, and supporting ammunition— through FMS cases. This will continue to serve as a bridge solution until ministry-level budget management and procurement functions mature. The first shipments of 2,304 M4s and 27,238 M16A4s were received during this reporting period.
- Equipment accountability is improving. The IGFC has ordered all units under its control to conduct 100% equipment inventories. MNSTC-I and the MoD continue to issue mission-critical items to the Iraqi armed forces, such as up-armored HMMWVs, wheeled APCs, heavy machine guns, and fuel trucks.
- MNSTC-I is currently working with the MoD to transfer maintenance capabilities to the Iraqi Army. The MoD will fund a contract through an FMS sustainment case planned for June 1, 2007 to continue third-line

maintenance on a regional basis at nine locations. A joint Iraqi/Coalition forces board will monitor progress to determine when the MoD can take over some of the maintenance tasks being performed by the contractor. The MoD has agreed, in principle, to fund the National Maintenance Contract through May 2008 using an FMS case. Total cost of the maintenance support contracts to be assumed by the MoD is estimated to be US\$160 million.

- The current concept for the Iraqi military medical system includes 15 active Primary Healthcare Centers (PHCs), plans for Forward Surgical Teams (FST) at three locations, and two major hospital projects. Twelve clinics are open and have seen over 114,000 patients in the last year. The MoD has fully funded medical needs for FY07 with a US\$32 million budget, which includes funds for an FMS case for a field hospital. MNSTC-I has funded all initial medical Class VIII supply needs and MoD has funded the growing need for care as assessed by the Iraqi Surgeon General. Coalition Air Forces Transition Team is reviewing whether an aerial medical evacuation system to assist in moving patients is needed.

Force Generation

The MoD's institutional training base accounts for basic and military occupational specialty training for soldier, squad leader, platoon sergeant, sergeant major and warrant officer courses for non-commissioned officers, and initial-entry cadet and staff officer training for the officer corps. As these personnel move to their units, embedded transition teams and partner units directed by MNC-I oversee and mentor collective training in counterinsur-

agency-oriented mission-essential tasks. The high operational tempo of many units makes it difficult for them to sustain their initial training proficiency.

MNSTC-I has funded the equipping of 18,000 new soldiers who have been trained as replacements for personnel losses from the last three years. MNSTC-I is also funding a 12,000 soldier increase in the manning of combat units to 110% of current authorizations to improve present-for-duty strength. 10,300 of these soldiers have completed initial training, and within weeks of publication of this report the remaining 1,700 are expected to have completed initial training. This program will continue as a steady-state force generation effort that maintains strength levels and replaces combat losses.

The Iraqi government is funding a separate US\$800 million increase in the Army's structure from 10 to 12 divisions by adding approximately 24,000 soldiers. These additional units will increase the MoD's ability to command and control its forces, enhance its operational and tactical flexibility and allow units to retrain and refit. MoD is procuring much of the equipment for these new units through DoD FMS cases.

A major reason for this force expansion is that only about 65% of authorized personnel are present for duty in fielded units at any time, and this percentage varies widely among units. As described in previous reports, the greatest contributor to the difference between authorized strength and present-for-duty strength is a policy that places about one-quarter of all soldiers on leave at any time to take pay home to their families. Across the Iraqi Army, Iraqi divisions facing sustained combat operations within their normal operational area report absent without leave rates to be between 5% and 8%. In addition, the Iraqi military justice

laws are nearing completion in the legislative process. The law containing penal provisions was recently approved by the Iraqi Presidency and is being forwarded to the MoJ for publication in the official Gazette; it becomes law 60 days after publication. The law establishing courts-martial and disciplinary proceedings has not yet received Presidency Council approval, but it is expected in two to three months. Implementation of these laws will provide Iraqi commanders with a tool to deal fairly and effectively with absenteeism and desertion.

Partnering with the Joint Headquarters for force generation of Iraqi Army units was initiated in January 2007. Iraqi staff officers in the JHQ are assuming responsibility from MNSTC-I and are synchronizing the recruiting, training, manning, equipping, basing and forming of new Army units. This partnership is proving successful and as of May 2007 the Iraqis are in the lead. MNSTC-I will continue to mentor, partner and train JHQ force generation personnel for the foreseeable future.

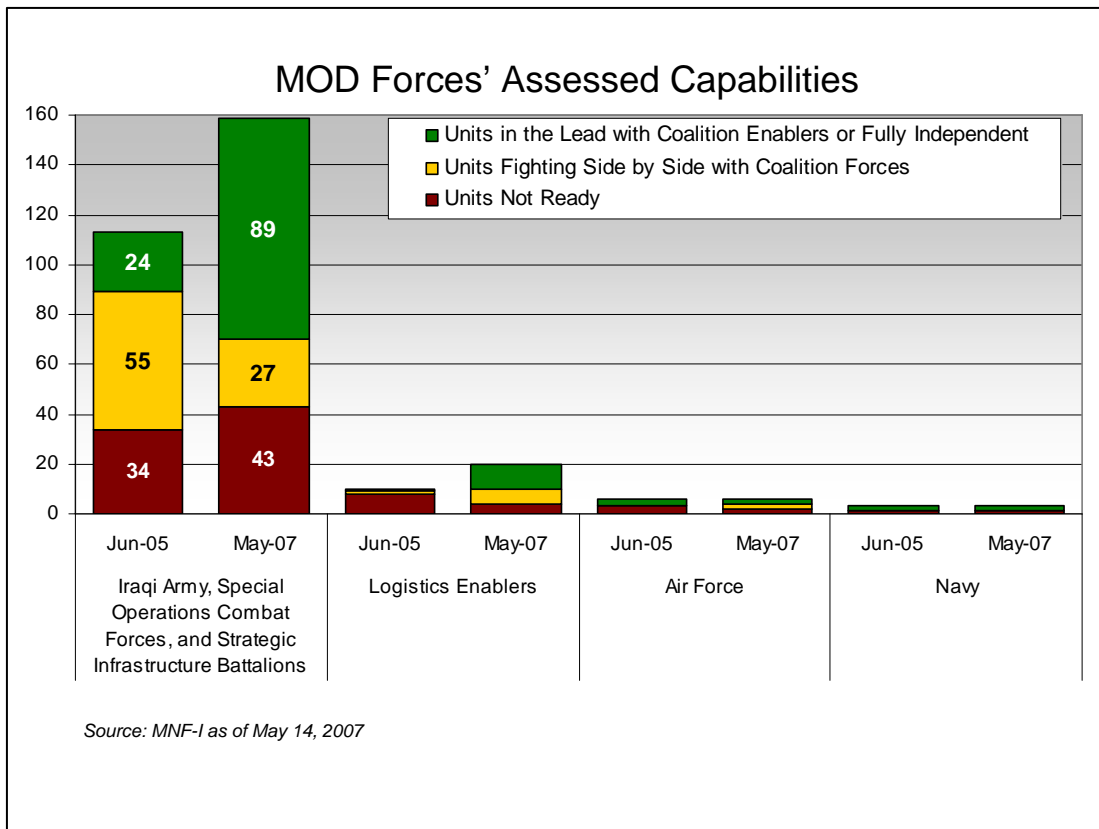
Army

The Iraqi Army is central to the MoD's counterinsurgency operations and strategy. The Army component of the Objective Counterinsurgency Force consists of 131,300 soldiers and officers organized into 36 brigades and 112 battalions. The Prime Minister's Expansion Plan increases the Army by two division HQs, six brigade HQs, and 24 battalions. Nine Motorized Transportation Regiments (MTRs), four logistics battalions, two support battalions, five Regional Support Units, and 80 Garrison Support Units provide logistics and support for divisions with the Taji National Depot providing depot-level maintenance and re-supply. Headquarters and Service Companies provide logistical and maintenance support for each battalion,

brigade and division. The Army also supports a Special Operations Forces (ISOF) Brigade and three Strategic Infrastructure Brigade headquarters commanding 17 Strategic Infrastructure Battalions (SIBs). The Prime Minister has directed that these 17 SIB's go through a two phased re-training and equipping process to transform them into regular Iraqi Army Battalions. These battalions will have special skills directed towards infrastructure protection and consequence management. In addition, as part of Iraqi security force analysis, the GoI has determined the need to generate two more battalions with these skills in the 3rd Iraqi Army (IA) Division's area of operation. Efforts to improve the capability of these units are led by Military Transition Teams, with U.S. and other Coalition officers and soldiers embedded in each battalion, brigade and division headquarters and at IGFC headquarters and at JHQ.

National Counter-Terror Capability

Implementation of the national counter-terrorism capability concept is on track to meet Full Operational Capability by December 2007. Initial Operational Capability (IOC) for communications was achieved at the MOD Joint Headquarters, Counter Terrorism (CT) Command, and the ISOF Brigade headquarters in March as scheduled. Each element has communications connectivity on the Iraqi Defense Network with phone, email and VTC capabilities. The CT Bureau achieved IOC in April. The GoI is assigning personnel to work in the CT Bureau and Command with the Commanding General and Deputy Commander already selected. Individual skills training of the members of the CT Command began in April. Collective training will begin in May upon the arrival of a MiTT. The ISOF Brigade headquarters MiTT continues to train the Iraqi command and staff



personnel on functions required to enhance operational capability. The ISOF Brigade is the operational component of the Iraqi Counter-Terrorism Command and is composed of approximately 1,500 soldiers organized into a counter-terrorism battalion, a commando battalion, a support battalion and a special reconnaissance unit. ISOF expansion activities for the addition of one commando battalion with regionally based companies in Basrah, Mosul, and Al Asad continue with site renovations. ISOF are recruiting and training new personnel to fill the new unit. The first deployment of commandos to Basrah will occur in May 2007. Deployments to Mosul and Al Asad are scheduled to occur in May and July 2007, respectively.

Navy

The Iraqi Navy has approximately 1,100 trained sailors and marines organized into an operational headquarters, two afloat-squadrons and four marine companies that are stationed for point defense of the offshore oil platforms together with Coalition Forces. It will grow to 2,500 personnel as the acquisition program progresses. The expansion will include the procurement of 21 naval vessels, including two offshore support vessels, four patrol ships, 15 patrol boats and a number of smaller vessels. Contracts for the purchase of the offshore support vessels, patrol ships and three of the patrol boats are complete. Each of the contracts is currently delayed as there are minor negotiation issues concerning exchange rates and taxes. It is anticipated that these issues will be resolved with an in-service date of late 2008. Notably, all contracts were completed using Iraqi processes and money. The approved MoD 2007 Capabilities Plan supports modernization and expansion of capabilities.

The Iraqi Navy faces significant challenges in meeting the individual and collective training needs for its ambitious acquisition program,

including development of leadership and technical skills. Training efforts include mentorship conducted by the Naval Transition Team and active skills training conducted by Coalition Navy, Marine, and Coast Guard Forces. Infrastructure development will remain the primary effort throughout 2007. Naval planning is maturing and coherent across acquisition, training and infrastructure lines of development extending to 2010.

Air Force

There are currently more than 900 personnel in the Iraqi Air Force. A concentrated recruitment and accession effort is underway to field 3,285 airmen by the end of 2007. The Air Force is organized and equipped for counterinsurgency operations. Intelligence, Surveillance, and Reconnaissance (ISR) aircraft are currently located at Kirkuk Air Base (three Squadrons with one Cessna 208B Caravan and four SAMA CH-2000s) and Basrah Air Base (70 Squadron with four SAMA CH-2000s and two Sea Bird Seeker SB7L-360s). Each unit performs daily operational missions over Baghdad and key national infrastructure locations supplying actionable intelligence for both Iraqi and Coalition Ground forces. The intelligence gathered during these flights has provided timely evidence of Baghdad perimeter security breaches and infiltration by insurgent forces. Iraqi crews have passed this information to deployed Iraqi ground forces for interdiction. As described in previous reports, Iraq's capabilities to conduct airborne ISR are being further enhanced with additional procurements of interim and advanced platforms. The first of three Cessna Caravan interim ISR aircraft arrived this quarter giving the Iraqi Air Force an enhanced day and night capability, once initial and mission qualification training is completed.

The fielding of rotary-wing aircraft continued with the delivery to Taji of five modified UH II (Iroquois) helicopters, bringing the total delivered to 10. The final six are scheduled to arrive in June. Aircrews are currently conducting initial qualification and tactics training. The Iroquois fleet is expected to reach initial operating capability by the end of June 2007. The primary mission for these aircraft is battlefield mobility and casualty evacuation.

The first 10 MoD-procured Mi-17 helicopters are still not operationally employed due to defensive system shortfalls. The IqAF has addressed this need with a US\$6 million defensive system contract with a scheduled delivery of the first system suites 90 days after payment. An additional four Mi-17s will arrive in May with the full defensive suites installed. The initial operational capability of the Mi-17 will occur in the third quarter of 2007 after night and tactics training are complete. The MoD has ordered a total of 28 Mi-17s with final delivery scheduled for December 2007.

The 23 Squadron at New Al Muthana Air Base has three 1960s vintage C-130E aircraft. Iraqi Air Force technicians perform all routine maintenance and all-Iraqi flight crews are generally the norm. The maturity of the 23 Squadron has enabled a reduction in the number of U.S. Air Force MiTT personnel assigned to the unit. Consistent with the Coalition Air Force Transition Team's force generation plan, the MoD has requested an additional three Excess Defense Article C-130s from the USG to bring the squadron size to a more optimal six aircraft.

Conclusion

The Iraqi police and military forces continued to grow this quarter in fulfillment of the Prime Minister's initiative. The ministries made some progress in developing capacity to manage these forces, in particular in taking ownership of basic training. Continued efforts will be required to build the capacity of the forces and the ministries to sustain themselves without Coalition support and to operate independently without the full range of Coalition combat enablers.

Annex A.

List of Acronyms and Abbreviations

AQI	al Qaeda in Iraq
BCT	Brigade Combat Team
BPC	Baghdad Police College
BTT	Border Transition Team
CBI	Central Bank of Iraq
CCCI	Central Criminal Court of Iraq
COM	Council of Ministers
CoR	Council of Representatives
CPATT	Civilian Police Assistance Transition Team
CT	Counter Terrorism
DBE	Directorate of Border Enforcement
DDR	Demobilization, Disarmament, and Re-Integration
DoD	U.S. Department of Defense
DHS	U.S. Department of Homeland Security
EFP	Explosively Formed Projectiles
FMS	Foreign Military Sales
FAQ	Operation Fardh al-Qanoon
FPS	Facilities Protection Service
FST	Forward Surgical Team
GDP	Gross Domestic Product
GOI	Government of Iraq
IED	Improvised Explosive Devices
IG	Inspector General
IGFC	Iraqi Ground Forces Command
IMF	International Monetary Fund
IPLO	International Police Liaison Officer
IPS	Iraqi Police Forces
IqAF	Iraqi Air Force
IRRF	Iraqi Relief and Reconstruction Fund
ISF	Iraqi Security Forces
ISR	Intelligence, Surveillance, and Reconnaissance
ISOF	Iraqi Special Operations Forces
JAM	Jaysh al-Mahdi
JHQ	Joint Headquarters
KRG	Kurdistan Regional Government
mbl/d	Million Barrels Per Day
MiTT	Military Transition Teams
MNC-I	Multi-National Corps-Iraq
MNF-I	Multi-National Force-Iraq
MNSTC-I	Multi-National Security Transition Command-Iraq
MOD	Ministry of Defense

MOE	Ministry of Electricity
MOI	Ministry of Interior
MOJ	Ministry of Justice
MTR	Motorized Transportation Regiments
MW	Megawatt
NP	National Police
NPTT	National Police Transition Team
OCSF	Objective Civil Security Force
OMS	Office of Martyr Sadr
PDS	Public Distribution System
PHC	Public Healthcare Systems
PIC	Provincial Iraqi Control
POE	Directorate of Ports of Entry
PKK	Kurdistan Worker's Party
PTT	Police Transition Team
QF	Qods Force
SAI	Sahawa al-Iraqi
SBA	Stand-By Arrangement
SCIRI	Supreme Council for the Islamic Revolution in Iraq
SIIC	Supreme Iraqi Islamic Council (formerly SCIRI)
SIB	Strategic Infrastructure Battalion
TRA	Transition Readiness Assessment
TT	Transition Team
UN	United Nations
USAID	United States Agency for International Development

¹ Data cutoff date for this report is May 15, 2007.

² Translates as "Enforcing the Law."

³ Background material can be found at www.iraqcompact.org

⁴ Nationwide poll, April 2007: "The militias are acting in the best interests of the Iraqi people." 25% agree nationwide, 52% agree in Baghdad. Sample size: ~12,000 (nationwide). Margin of error: ~ 1% nationwide, < 5% provincial.

⁵ Nationwide poll, March 2007: "Do you agree with the following statement? I feel safe traveling outside my neighborhood." 30% agree. Sample size: ~12,000. Margin of error: ~ 1% nationwide, < 5% provincial.

⁶ Nationwide poll, March 2007: "On a scale of 1 to 10, with 10 being high and 1 being low, how would you describe the tensions in your [country/neighborhood] today?" Country/neighborhood average: 7.76/3.47. Sample size: ~12,000. Margin of error: ~ 1% nationwide, < 5% provincial.

⁷ Nationwide poll, March 2007: "Do you agree with the following statement? Militias should be dissolved." 77% agree, 19% disagree. Sample size: ~12,000. Margin of error: ~ 1%.

⁸ Nationwide Poll, April 2007 – “How confident are you in the following to improve the situation in Iraq? The Iraqi Government.” 58% say ‘a great deal’ or ‘some’ confidence, 30% say ‘little’ or ‘no’ confidence. Sample size: ~8000. Margin of error: ~1%

⁹ Nationwide poll, March 2007: “Agree or disagree, Our national government is leading the country in the right direction.” 61% agree, 30% disagree. Sample size: ~8000. Margin of error: ~1%

¹⁰ Nationwide Poll, March 2007 – “How satisfied are you with the following? The ability of the Iraqi Police to provide security in my area.” 71% say ‘very’ or ‘somewhat’ satisfied, 23% say ‘somewhat’ or ‘very dissatisfied.’ Sample size: ~8000. Margin of error: ~1%

¹¹ Nationwide Poll, March 2007 – “How satisfied are you with the following? The ability of the Iraqi Army to provide security in my area.” 67% say ‘very’ or ‘somewhat’ satisfied, 25% say ‘somewhat’ or ‘very dissatisfied.’ Sample size: ~8000. Margin of error: ~1%

¹² Nationwide poll, December 2006, and March 2007: “In general, do you have confidence in the ability of the Iraqi government to protect you and your family from threat?” Yes, 47% and 53%, respectively. Sample size: ~8,000 (nationwide). Margin of error: < 1.5% (nationwide) and 2%-8% (provincial).

¹³ This report and future reports will not discuss the Center for Dignitary Protection. MNSTC-I has completed its training goal and no longer has visibility on whether these personnel are serving. MNSTC-I continues to assist in training bodyguards for high-ranking GOI personnel.

¹⁴ The nine key cities are: Baqubah, Basra, Fallujah, Kirkuk, Mosul, Najaf, N. Babil, Ramadi, and Samarra.

¹⁵ This includes the approximately 137,000 authorization for the Objective Counterinsurgency Force, approximately 12,000 authorization for the 10% manning increase for the Iraqi Army, and approximately 26,000 for the prime minister’s initiative to expand the military with new units.