
Measuring Stability and Security in Iraq

**March 2008
Report to Congress
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Department of Defense Appropriations Act 2008
(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 as amended by Section 1308 of Public Law 110-28 and Section 1224 of Public Law 110-181.¹ 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 eleventh in a series of quarterly reports on this subject. The most recent report was submitted in December 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 unified, democratic and federal Iraq that can govern, defend and sustain itself and is an ally in the war on terror. This goal is being pursued along political, security, economic and diplomatic lines of operation. This report measures progress toward achieving that goal during the reporting period (December 2007 through February 2008) and challenges to the Iraqi and Coalition efforts to achieve their mutual objectives.²

The security environment in Iraq continues to improve, supported by limited but important gains on the political, economic and diplomatic fronts. Violence levels have declined since the last report and Iraqi Security Forces (ISF) are gradually assuming responsibility for maintaining law and order and promoting stability. New strides have been taken in reconciliation at the national, provincial and local levels, and the Iraqi economy is growing. However, recent security gains remain fragile, and sustained progress over the long term will depend on Iraq's ability to address a complex set of issues associated with key political and economic objectives.

Violence levels are down throughout most of Iraq. Since the June 2007 report, deaths from ethno-sectarian violence are down nearly 90%. Total civilian deaths and Coalition deaths have each dropped by over 70%. A number of factors have contributed to the decrease in violence in Iraq, to include a Coalition focus on

securing the population, progress against Al Qaeda in Iraq (AQI), militia extremists and criminal special groups, rejection of AQI by significant portions of the population and the continued strength of the tribal Awakening movement and Sons of Iraq (formerly known as Concerned Local Citizens), limitations on malign Iranian influence, Muqtada al Sadr's order to Jaysh al-Mahdi (JAM) to suspend attacks, actions in source and transit countries against foreign fighter facilitation networks, and an increase of over 100,000 Iraqi Army, police and border forces. However, there remain a number of concerns. AQI and other extremist groups remain resilient; though they have sustained significant losses, these groups continue to pose a substantial threat and continue to carry out barbaric attacks. While their strength and influence are significantly reduced in Anbar Province, Baghdad, the belts around Baghdad and many areas of Diyala Province, AQI elements remain highly lethal in parts of the Tigris River Valley and in Ninewa Province. AQI members have, in particular, been targeting key figures in the Awakening movement and Sons of Iraq groups and have also been conducting a smaller number of less effective, high-profile attacks against the local population. Additionally, ethno-sectarian struggles over power and resources continue, and among Shi'a groups, criminal activity and infighting continue to impede progress.

The Awakening movement among the tribes of western, central and northern Iraq continues to

grow. Many Sunni Arab and a growing number of Shi'a sheikhs are working with the Coalition, and their tribal members and other local citizens are fighting AQI through participation in Sons of Iraq groups. Overall, Sons of Iraq in north and central Iraq continue to complement Iraqi Army, Iraqi Police and Coalition forces and now number approximately 91,000 volunteers (71,500 Sunni, 19,500 Shi'a). To date, close to 20,000 have already transitioned to the ISF or civil employment. The Sons of Iraq program is helping to improve security at the local level by involving local citizens in the security of their communities. The program enables Iraqi and Coalition forces to interact with local residents who are trusted in their communities to obtain information on insurgents and illegal militia activity and to protect key infrastructure. The successes of Sons of Iraq groups have provoked AQI to attack their leaders.

Though the contributions of the Sons of Iraq have been important, these groups also pose challenges for the Government of Iraq (GoI) and, to a degree, for the Coalition. These include the potential for infiltration by insurgents, the possibility of distortions in the local economy if salaries are not carefully managed and the need for a comprehensive plan to transition Sons of Iraq to sustainable forms of employment in the ISF or in the private sector. In addition, the GoI is understandably concerned about the employment of a large number of former insurgents. Coalition forces are helping to address these concerns through engagement at the local, provincial, and national levels.

The average weekly number of security incidents has decreased since the last report. The level of violence continues to be significantly lower than levels in late summer 2007, and remains comparable to that last consistently seen in Iraq in early 2005. Currently, the majority of attack incidents occur in Ninewa and Diyala Provinces. Particularly noteworthy progress has been achieved in Anbar Province

where security incidents have decreased by nearly 90% since January 2007.

Coalition and Iraqi operations have constrained and degraded the ability of AQI and other groups to organize, equip and execute attacks. The Coalition and ISF continue efforts to preserve these gains as well as further reduce levels of violence. A series of offensive operations that began in January 2008 in Ninewa, Diyala and areas south of Baghdad continue. While these operations have led to a relative increase in security incidents in these areas in the short term, they have also disrupted multiple vehicle-borne improvised explosive device (VBIED) cells, uncovered hundreds of weapons caches and captured or killed several top insurgent leaders. These achievements bring with them the potential of long-term gains in security and stability.

Iraqi police and military capabilities continued to improve during the reporting period, underpinned by progress in ministerial capacity. The Ministry of Interior (MoI) has expanded the number of its training facilities from four to 17 over the past year, and the MoI is currently in the midst of implementing its first annual strategic plan. Similarly, the Ministry of Defense (MoD) continues to progress. With continuing Coalition assistance, the MoD has generated 134 army combat, infrastructure and Special Operations battalions that are conducting operations at varying levels of capability. Another 37 combat battalions and two Special Operations battalions are either planned or have begun the force generation process. Improved security and improved ministerial and security force capacity are paying dividends in terms of strengthening coordination between MoD and MoI elements. This synergy is giving the GoI its first opportunity to conduct long-term planning for security force development. Despite ongoing progress, Iraqi forces are still deficient in sustainment capabilities. Sectarianism and corruption remain significant problems that both ministries continue to address.

Coalition forces continue to transfer responsibility for security to the GoI as the appropriate conditions are met. When Basrah Province transitioned to Provincial Iraqi Control (PIC) on December 16, 2007, it became the ninth of 18 provinces for which the GoI now has security responsibility. Though the province faces continuing challenges from militia and criminal elements, Iraqi forces in Basrah have demonstrated their capability to provide Iraqi solutions to provincial security challenges. The Basrah Police Chief implemented a force-wide re-education program and expelled hundreds of police officers with ties to militias in January 2008, promoting security and reducing overall levels of violence. The preparations and prompt response to the threat posed by the Soldiers of Heaven cult during the Ashura holiday in January 2008 further demonstrated the capabilities of Iraqi forces in the PIC provinces of Basrah, Muthanna, Najaf and Karbala.

The GoI passed a number of key pieces of legislation this reporting period. The Unified Retirement Law went into effect with its publication in the Official Gazette on December 27, 2007. The Council of Representatives (CoR) passed the Accountability and Justice Law (de-Ba'athification) on January 12, 2008, and the Presidency Council approved the law on February 3, 2008. The GoI also passed a highly symbolic flag law, eliminating the Saddam Hussein-era flag. Today, the new Iraqi flag flies over all parts of Iraq, to include Iraqi Kurdistan. On February 13, 2008, in an unprecedented legislative grand bargain that included major compromises across political alliances and ethno-sectarian lines, the CoR passed three laws—the 2008 Budget, the Amnesty Law and the Provincial Powers Law. On February 26, 2008, the Presidency Council endorsed the Budget and Amnesty Law, but Vice President Mehdi returned the Provincial Powers Law with requests that certain provisions be amended. Vice President Mehdi objected to the bill granting the central government a means to remove governors,

framing his objection in constitutional terms. The CoR political blocs will have to negotiate compromise language to address these points about constitutionality of the law, but this will not be the first time in recent months they have had to maneuver to save legislation in the face of Presidency Council resistance, and it is a sign of the maturing legislative abilities of Iraqi parliamentarians. These legislative successes represent a significant initial step toward political reconciliation.

Meanwhile, economic development and political reconciliation at the provincial level continue to build on the progress seen last quarter. Provincial Reconstruction Teams (PRTs) are helping to nurture this process. Mentoring by PRTs resulted in 17 of 18 Provincial Councils submitting their Provincial Development Strategies to the Ministry of Planning on a timely basis. The Provincial Development Strategy serves as the framework document for building provincial budgets and links the provinces to supporting ministries throughout the GoI. PRTs have also used their Quick Response Funds to respond quickly and effectively to local reconstruction needs. Despite these successes, PRTs in a number of areas still face challenges relating to access, security, personnel, planning and Iraqi central government support.

The U.S. Government is working with the GoI on rule of law issues. During this reporting period, partnering efforts increased the number of judicial investigators, reduced the number of pretrial detainees and implemented key institutional reforms in the criminal justice system. U.S. efforts also include promoting secure judiciary complexes, such as the model Rusafa Rule of Law Complex, to provide safe locations for judges to investigate and prosecute major crimes of sectarian violence. However, the Iraqi judicial system continues to lack adequate capacity to adjudicate cases, and an estimated 26,000 persons are being held in the Iraqi detention system. Overcoming corruption and criminal influence within the judicial and

prison systems and maintaining international standards for detainee treatment in the Iraqi detention system pose additional challenges. In addition to supporting progress in these areas, the Coalition is working with GoI partners to prevent extremist recruiting in Iraqi detention facilities.

United Nations Security Council Resolution (UNSCR) 1790, which currently authorizes the Coalition to conduct the full range of operations in Iraq, will expire at the end of 2008. In anticipation of the expiration of the UNSCR, the U.S. and Iraq are preparing for upcoming status of forces negotiations. The goal of those negotiations will be to produce an agreement that will provide the United States and its Coalition partners with authorities necessary to conduct the operations that may be required to support the GoI.

At the request of the Iraqi Government, operations of the United Nations Assistance Mission - Iraq (UNAMI) are expanding under a new mandate, UNSCR 1770. This mandate includes assisting in national dialogue and political reconciliation, resolving boundary disputes, promoting regional dialogue, facilitating demobilization, disarmament, and reintegration (DDR), supporting and facilitating the safe and orderly return of refugees and coordinating and implementing programs to improve Iraq's capability to provide essential services. Under the leadership of the United Nations (UN) Special Representative of the Secretary General, UNAMI is providing essential support to the GoI. In particular, UNAMI is facilitating efforts between the GoI and the Kurdistan Regional Government (KRG) to resolve territorial disputes in accordance with Article 140 of the Iraqi Constitution. UNAMI is also providing needed technical assistance for upcoming provincial elections.

Iraq's economy is overcoming impediments to growth and is projected to grow 7% in 2008, resulting in an estimated nominal gross

domestic product (GDP) of US\$60.9 billion. Core inflation for 2007 was 12.28%, compared to core inflation of 31.92% in 2006. These macroeconomic signs of improvement are largely due to improved monetary policy, government spending of oil revenue and an improved security environment. Additionally, in recognition of Iraq's compliance under its Stand-By Arrangement (SBA) with the International Monetary Fund (IMF), the IMF approved a new SBA for Iraq on December 17, 2007, that is valid until March 2009.

The GoI's ability to spend its resources, to provide essential services and to promote economic development is progressing. Iraq's national and provincial governments have demonstrated an increasing capacity in their capital budget execution, a prerequisite for improved delivery of essential services. In 2007, capital budget execution occurred at more than double the 2006 rate. However, as indicated by the 2007 rate of only 55% execution as of November 2007, much more progress is needed. Electricity supply fluctuated during the reporting period. Record-high generation occurred in December, followed by a sharp decline in hours of power in mid-January. This loss of production capability was due to the combined effects of unplanned maintenance, interruption of imports from Turkey and Iran, interdiction of transmission lines and fuel distribution problems. Electricity demand continues to grow and currently outpaces supply by 57%. The volume of oil production and exports increased slightly during this reporting period. The high price of oil is providing additional revenue to the GoI. Progress in the agribusiness sector, due in part to U.S. efforts, has the potential to help diversify Iraq's economy, which is still largely dependent on oil. Iraq's economic picture is not entirely positive as economic progress remains hampered by a continued lack of transparency, endemic corruption, weak technical skills and a complex legal framework. Additionally, security concerns continue to discourage international investors and hinder

private sector growth in most parts of the country.

In summary, Iraq has seen important security gains in recent months. However, these security gains cannot be taken for granted and there is tough, challenging work ahead. Sustained improvements in security will remain linked to political and economic progress. On the economic front, enduring improvements are dependent on the GoI's still-tenuous ability to provide essential services and improve oil, electricity and water infrastructure. Advances in these areas are critical to keeping Iraq on the path to sustainable economic development. On

the political front, much will depend on continued legislative progress and the implementation of recently passed legislation, improvements in the effectiveness of Iraq's ministries and whether Iraq's political leaders have the will and ability needed to turn nascent political accommodation at the local and national levels into lasting national reconciliation. Further progress will depend on the continued ability of Iraqi leaders to capitalize on the hard-fought gains achieved by the Coalition and Iraqi forces and other courageous members of Iraqi society who are dedicated to peace.

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Section 1—Stability and Security

1.1 Political Stability

During this reporting period, improvements in security led to more favorable conditions for reconciliation, political accommodation, economic development and the provision of basic public services. “Bottom-up” reconciliation initiatives expanded as growing numbers of Sunni and Shi’a tribal leaders worked with the Government of Iraq (GoI) and the Coalition to improve security and economic conditions at the local level. The record on “top-down” reconciliation remains mixed. Certain measures progressed significantly, such as the publishing of the Unified Retirement Law in the Official Gazette, the Presidency Council’s approval of the Accountability and Justice Law and an amendment to the Flag Law. Iraqi leaders also demonstrated an increasing willingness to institutionalize power sharing by reconstituting the Political Council for National Security and formalizing the Executive Council—consisting of the Prime Minister, the President and two Vice Presidents. A critical political milestone was achieved on February 13, 2008, when the Council of Representatives (CoR) passed the National Budget, Provincial Powers Law and Amnesty Law in an unprecedented, Iraqi-orchestrated legislative bargain that saw major political groupings pursue their objectives through compromise, as well as alliance formation across ethnic and sectarian lines. The Presidency Council returned the Provincial Powers Law to the Council, which will have to continue negotiations over a provision that Vice President Mehdi holds to be unconstitutional. This process highlights the important role that the constitution and democratic exchange is playing in the political process. Progress in other areas, notably hydrocarbon legislation and the constitutional review process, remains stalled.

National Reconciliation

While progress continues to be hindered by competing interests, some gains in national reconciliation were made this reporting period.

Four laws passed by the CoR are particularly noteworthy. First, the Official Gazette published the amended Unified Retirement Law (Pension Law) on December 27, 2007. This law has the potential to advance reconciliation by allowing former regime elements to retire and draw pensions. Second, the Accountability and Justice Law passed in January 2008, if implemented transparently and impartially, could reinstate a larger number of former lower-level Ba’athists into the GoI. The third (Amnesty Law) and fourth (Provincial Powers Law) laws were passed as components of the legislative bargain on February 13, 2008. The Amnesty Law may further encourage reconciliation among ethno-sectarian groups, and the Provincial Powers Law is a first step toward provincial elections that may improve the representation of provincial governments. These laws are tangible steps toward addressing core Sunni grievances related to their perceived marginalization from government and society.

At the “bottom-up” level, the GoI and the Coalition continue to work with more than 91,000 Sons of Iraq (formerly known as Concerned Local Citizens (CLCs)) who reject extremism and are joining the political process by working through established governing institutions. Some senior Iraqi politicians who formerly opposed Sons of Iraq members have begun to recognize the value of these groups in stabilizing Iraq. These politicians are making public statements about the significance of this “bottom-up” initiative and supporting programs that integrate some Sons of Iraq members into the Iraqi forces.

Political Commitments

Despite the consensus reached among the top Shi’a, Sunni and Kurdish leaders in the August 2007 Leaders’ Conference communiqué, implementation of that consensus continues to lag and the GoI continues to miss or extend constitutional and legislative deadlines. On-

going negotiations between the Executive Council and Tawafuq bloc leaders to bring the Sunnis back into the cabinet have yet to produce an agreement. Filling the remaining cabinet positions is critical to ensure that all of Iraq's major ethnic and religious groups are represented at the highest levels of Iraq's government. As a means to institutionalize power sharing and to re-energize political consensus among the major political blocs, Iraq's political leaders established a Secretariat to support regular meetings of the Executive Council. The Executive Council has the potential to address critical national-level issues facing the GoI, such as filling vacant cabinet positions, breaking the logjam on ambassadorial appointments, increasing the effectiveness and inclusiveness of the Council of Ministers and building the political momentum needed to pass reconciliation-related legislation in the CoR.

After taking a break for the Hajj and the Eid holiday during most of December, the CoR returned to the legislative chamber on December 30, 2007, and remained until February 13, 2008, when the Speaker adjourned the session. During that time, the Parliament continued with a program to move key pieces of legislation forward. This legislation includes:

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

The Accountability and Justice Law addresses reconciliation and economic compensation issues. If this law is implemented in the spirit of reconciliation, it will mark significant progress toward national reconciliation by allowing some former Ba'ath party members to return to government. The CoR debated the law extensively, offering all political blocs an opportunity to raise their concerns. The law passed on its third reading in the CoR on January 12, 2008. The Presidency Council approved the law on February 3, 2008, and the law was published in the Official Gazette.

Provincial Powers Law

Given that Iraq's Constitution is deliberately ambiguous about the balance of power between Iraq's central government and its provinces, the Provincial Powers Law forced legislators to codify the meaning of Iraqi federalism. After several weeks of negotiation and debate, the party blocs compromised on a final version of the law. Despite the agreement struck among the CoR members, Vice President Mehdi returned the law to the CoR with requests for amendments, due to questions about the constitutionality of the strong central powers authorized in the bill. The Provincial Powers Law represents an important step toward establishing a balance between adequate central government authority and strong local governments. As part of the legislative compromise, the Iraqis introduced an article in the law that requires the passage of an Elections Law by May 2008 (within 90 days of its passage in the CoR on February 13, 2008) and establishes October 1, 2008, as a deadline date for holding provincial elections. It remains to be seen if the CoR will abide by the election requirements outlined in the Provincial Powers Law or if the deadline for passing an Elections Law will be adjusted in order to allow the CoR time to re-address the contentious areas of the law.

Elections Law

It is unclear if the CoR will hold to its requirement in the Provincial Powers Law to pass an Elections Law by May 2008 and direct that provincial elections be held no later than October 1, 2008. However, parliamentary approval of the Provincial Powers Law has brought the issue of elections to the political forefront and energized elections planning. The Prime Minister's office reports that it has drafted an Elections Law, which sets the modalities for provincial elections. Technical preparations for provincial elections are underway to establish an updated voter registry using the Public Distribution System database and to build the capacity of the Independent High Electoral Commission. Other major technical steps include training of polling officials and establishing the mechanism to

allow refugees and internally displaced persons (IDPs) to vote. The United Nations Assistance Mission-Iraq (UNAMI) is taking an active role in helping the GoI prepare for elections. The head of UNAMI announced that the United Nations (UN) will assist Iraq in selecting the remaining directors of the governorate election offices (GEOs), which is one of the pre-conditions that will enable provincial elections to be held. While these elections will require intensive planning and support in the near term, over the long term, they promise to enhance reconciliation by enabling the creation of Provincial Councils that are more representative of the populations they serve.

Implementation of Article 140

There has been some progress on Article 140 normalization related to property claims and compensation, but the end of 2007 passed without the holding of a constitutionally required census and referendum on the status of Kirkuk and other disputed territories. On December 15, 2007, Iraq's major political bloc leaders, as well as Prime Minister Maliki and the Kurdistan Regional Government (KRG), agreed that the expiration of the deadline necessitated a six-month "technical delay" in implementation. This was a significant action because the leaders reached political agreement on the handling of a matter central to national political accommodation instead of ignoring a hard issue and letting another deadline slip with no action. The leaders also agreed to ask UNAMI for technical assistance to facilitate resolution of Article 140 issues. This assistance is intended to facilitate an inclusive political process among the Kurdish, Arab, Turkoman, Christian and other communities in the disputed territories. Since then, UNAMI has brought additional staff and resources to bear in establishing a factual baseline for discussion of the boundary issues, and the UN Secretary General's Special Representative has continued to engage political leaders to promote practical solutions as mandated by United Nations Security Council Resolution (UNSCR) 1770. As a result of these efforts, all sides have begun to speak less about a

referendum and increasingly about the need for a political agreement to resolve issues associated with disputed territories.

Amnesty Law

The Parliament passed an Amnesty Law as part of the February 13, 2008 legislation. Under this law, detainees in Iraqi custody will be considered for amnesty only if they are not already sentenced to death or if the charges against them are not included in the list of exemptions. Furthermore, detainees have to petition for amnesty through committees that are to be established in each of the 18 provinces. The law represents an important step toward addressing a long-standing Sunni demand for detainee releases, but the ultimate effect on national reconciliation will depend on the implementation of the law.

A Package of Hydrocarbon Laws

Progress on a package of hydrocarbon laws, which includes a framework law and three supporting laws, remains stalled. The framework law provides a legal construct to enable increased foreign investment in Iraq's energy sector. It was forwarded to the CoR on July 6, 2007, and is the only part of the hydrocarbon package that has received CoR consideration. A draft of the revenue management law, which would allocate revenues from Iraq's energy sector, is still with the Shura Council. The laws to reconstitute the Iraq National Oil Company and to reorganize the Ministry of Oil (MoO) are also with the Shura Council.

All four components of the hydrocarbon law are stalled. Negotiations over the content of a framework hydrocarbon law became increasingly problematic as 2007 progressed, mostly due to political differences between the KRG and the GoI. The KRG's unilateral oil deals with foreign companies, which Minister of Oil Shahrstani declared illegal, reflect a core difference over the appropriate degree of KRG autonomy. Asserting that no regional petroleum law can precede federal law, the Minister of Oil cautioned foreign oil companies that deals with the KRG would result in legal action

and possibly exclude them from contracts signed after a national hydrocarbon legislation package is passed. Furthermore, the MoO recently reported that it will stop cooperating with foreign oil companies that have signed separate deals with the KRG. The GoI continues to distribute oil revenues equitably to the provinces in the absence of this comprehensive legislation.

Constitutional Review

Iraq's Constitutional Review Committee (CRC) continued its work on revising the Constitution. It also continues to wrestle with longstanding disagreements among political leaders regarding the nature and the scope of presidential powers and the extent of the authority possessed by regional entities. The committee is reviewing almost 50 amendments addressing the authority of the federal government and governorates. The review is complicated by the fact that the CRC must address many of the same contentious issues associated with Article 140 and the hydrocarbon legislation. Kurdish leaders will continue to prevent progress in the review process until the GoI addresses the matter of disputed territories, especially Kirkuk, by implementing Article 140. Once the political blocs address Article 140, the Kurds should re-engage the CRC on constitutional review, which will likely break the gridlock surrounding the remaining issues. As a result of these problems, the CRC missed its December 31, 2007, deadline to produce a final report and was granted a six-month extension.

Government Reform

Ministerial Capacity Development

During this reporting period, Coalition efforts to build Iraqi ministerial capacity continued to focus on improving internal oversight and expanding Coalition advisory teams. The U.S. Agency for International Development (USAID) and the Embassy's Iraq Transition Assistance Office (ITAO) lead efforts to assess current ministerial performance and to follow through with prioritized action plans, milestones and outcomes. A review of ongoing ministerial capacity building efforts by the

Ministerial Engagement Coordination Committee shows an improvement in ministerial capacity since 2006.

Provincial Reconstruction Teams

The Office of Provincial Affairs coordinates all Provincial Reconstruction Teams (PRTs), Embedded Provincial Reconstruction Teams (ePRTs) and Provincial Support Teams (PSTs) in Iraq. These teams are essential elements in the U.S. civil-military stabilization and reconstruction endeavor. At present, there are 11 PRTs working at the provincial level, 13 ePRTs embedded with Brigade Combat Teams (BCTs) and seven PSTs operating from established bases at the local level. They draw on U.S. interagency and Coalition expertise to assist local, municipal and provincial governments to strengthen the GoI's capacity to deliver basic services to its citizens, facilitate economic development, foster reconciliation and encourage application of the rule of law. The main effort of ePRTs is to partner with BCT commanders to bring diplomatic and development expertise to tasks in support of counterinsurgency plans and operations.

As of this reporting period, these teams have helped 17 of 18 provinces develop and submit Provincial Development Strategies to the GoI's Ministry of Planning. The Provincial Development Strategy is the framework document guiding the budget process in each province. PRTs continue to rely heavily on Multi-National Force-Iraq (MNF-I) assets and assistance in a number of areas including logistics and life support, air and ground transportation, movement security, quick reaction force support and medical services (both routine and emergency).

As violence across Iraq continues to decrease and Sons of Iraq groups expand, life is returning to normal in communities nationwide. PRTs are working to facilitate this transition by assisting provincial and local governments in meeting basic needs related to schools, roads, sewage and water services. PRTs also play a vital role in sustaining the bottom-up political

process that is laying the groundwork for national reconciliation.

Rule of Law and Criminal Justice Development

Current MNF-I rule of law priorities support the GoI surge of judicial resources to the Rusafa Rule of Law Complex (ROLC), support GoI efforts to identify, train and deploy additional criminal investigators, support the GoI Ministerial Committee on the Rule of Law and Detention, support the Baghdad Operations Command (BOC) and its targeting cell, build Iraqi prison staff and capacity and continue the development of additional secure ROLCs around the country.

The Iraqi judicial system is stretched by the number of cases to be processed in addition to the cases heard by traditional provincial courts. The Higher Juridical Council (HJC) recently reported that between February 2007 and January 2008, 13,286 individuals were released by investigative judges, 5,363 individuals were referred to trial by investigative judges and 2,000 individuals were found not guilty at trial. Ongoing GoI and Coalition efforts to build the capacity of existing judges and investigators should help reduce the number of detainees who must wait for extended periods to have their cases resolved by an Iraqi judge. The number of Iraqi judges remained steady at approximately 1,200 since the last report. The HJC has hired hundreds of new judges and judicial investigators in the past two years, with plans to hire and train more in 2008. In January 2008, Iraqi force detentions in the BOC were reduced to about 130 per week, a decrease of 20 per week since the last reporting period.

The Law and Order Task Force (LAOTF) is building Iraqi capacity to investigate and prosecute major crimes of sectarian violence, extra-judicial killings, complex high-level corruption and foreign influences. The LAOTF is in the process of adding four additional senior Iraqi police investigators to its staff and has had major successes on recent investigations, particularly those in which LAOTF

worked directly with the Combined Joint Special Operations Task Force - Arabian Peninsula. On January 4, 2008, the LAOTF presented a second courthouse to the Iraqi judges at the Central Criminal Court of Iraq (CCC-I) in Rusafa. This additional courthouse will increase Iraq's judicial capacity for processing the cases of the nearly 6,000 Iraqi pretrial detainees held at Rusafa. In cooperation with the U.S. Department of State, LAOTF is also developing an Iraqi Defense Bar Project in order to build Iraqi capacity to represent those accused of crimes.

The HJC established Major Crimes Courts (MCCs) in Mosul, Kirkuk, Tikrit, Baqubah and Ramadi as branch courts of the CCC-I. The MCCs were created to conduct investigative hearings and trials relating to acts of terrorism. As of January 31, 2008, there have been 219 trials conducted in Mosul, 29 trials conducted in Ramadi, 26 trials conducted in Kirkuk, 20 trials in Tikrit and five trials conducted in Baqubah. The relatively high number of cases heard in Mosul was made possible by sending an investigative judge and trial panel from Baghdad and providing them with secured housing, court facilities and transportation. In late January 2008, a trial panel from Baghdad was transported by Coalition forces to Mosul, where it conducted 27 trials involving 31 defendants over a 12-day period. In hopes of energizing the courts to increase productivity, the HJC has also recently made changes to the roster of judges in Ramadi and Kirkuk.

The threat to judges in Iraq remains. Since 2003, 35 Iraqi judges have been assassinated. In response to the continued threat against Iraqi judges and their families, the Coalition expanded the Rusafa ROLC concept, establishing secure judicial complexes in key areas in Iraq to provide safe locations for judges and their families to reside and hear criminal cases, thus increasing judicial productivity. The first ROLC project outside Baghdad is projected to be completed in the fall of 2008 in Anbar Province. ROLCs to replace the MCC in

Mosul and at one other location are in the early planning stages.

Theater Internment Reintegration Facilities are under construction in Taji and Ramadi. The 8,280-bed Ramadi facility is projected to be complete in July 2008 while the 5,200-bed Taji facility is projected to be complete in September 2008. These facilities will provide education and skills training to ease the transition of individuals back into Iraqi society. Approximately 640 juvenile detainees are held at the Remembrance II Theater Internment Facility. These detainees participate in a mandatory Juvenile Education Program at nearby Forward Operating Base (FOB) Constitution where they are divided into three groups—basic education, middle school and high school—and take classes in math, reading and writing. Pending funding, plans include construction of a Juvenile Theater Internment Reintegration Facility and further expansion of the educational and training program at FOB Constitution.

Anti-Corruption Efforts

Judge Raheem was appointed as interim Committee for Public Integrity Commissioner in January 2008. This appointment appears to be strongly favored by the CoR's Anti-Corruption Committee Chairman who believes Judge Raheem can help guide the GoI in its struggle against corruption. Judge Raheem faces many challenges as the new Commissioner. Corruption, in the form of extortion, theft and bribery, is rampant in parts of the GoI and business sector. Corruption in the oil and transport industries is also linked to the financing of extremists.

Transnational Issues

The Coalition has made progress in encouraging support for Iraq among its neighbors, the region and the international community. Progress on energy and refugee issues is building on the success of the May 2007 meetings hosted by Egypt for the International Compact with Iraq (ICI) and the

November 2007 Expanded Neighbors of Iraq Ministerial in Istanbul, Turkey.

Iranian Influence

During their September 2007 meeting, Iranian President Ahmadinejad and the Supreme Leader Khamenei pledged to Prime Minister Maliki to assist in stemming the flow of weapons, funding and other militia and insurgent support that cross the Iranian border. Despite this pledge, there is no clear evidence that Iran has made a strategic decision to cease providing training and advanced munitions to extremist militias. Tehran's support for Shi'a militant groups that attack Coalition and Iraqi forces remains a significant impediment to stabilization. The Iranian Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF) provides many of the explosives used by these groups, including Jaysh al-Mahdi (JAM). Although Muqtada al-Sadr's August 2007 freeze on JAM activity is still in effect and has been extended through August 2008, some elements continue to attack Coalition and Iraqi forces with Iranian weapons.

Syrian Influence

Terrorists and foreign fighters continue to find safe haven, border transit opportunities and logistical support in Syria, despite increasing Syrian counterterrorism efforts. Estimates suggest that Syria is the entry point for 90% of all known foreign terrorists in Iraq. Former Iraqi regime elements opposed to the GoI also find sanctuary in Syria. The Syrian Government participates in the Expanded Neighbors Process, having hosted the inaugural Border Security Working group in August 2007 and attended the follow-up Border Security Technical Experts conference in Kuwait in November 2007. Syria also attended the Israeli-Palestinian Peace Conference on November 27, 2007, in Annapolis, Maryland. Although these are positive diplomatic and security steps, it is not clear that Syria has made a strategic decision to deal with foreign terrorists using Syria as a transit point into Iraq.

Tensions on the Border with Turkey

Turkey conducted multiple military air strikes and limited ground operations against Kurdistan Worker's Party (PKK) targets in northern Iraq during this reporting period. While GoI and KRG leaders have condemned some of the earlier attacks by Turkey, Iraqi leaders are continuing to implement measures to isolate and contain PKK elements in Iraq. More importantly, Iraqi President Talabani, KRG President Barzani and KRG Prime Minister Barzani all condemned the January 4, 2008 bombing in Diyarbakir, Turkey, indicating that they are still committed to playing a constructive role in addressing the PKK problem.

Internally Displaced Persons

While data are unreliable, there is some evidence of internally displaced persons (IDPs) and refugees returning to their homes, particularly in Baghdad. The GoI is responsible for assistance to IDPs, and MNF-I supports the GoI and international agencies as necessary by working closely with its U.S. Mission counterpart and USAID. Coalition and Iraqi forces also patrol local neighborhoods and the countryside daily, providing protection from terrorist and extremist threats. These units inform the U.S. Mission of any displaced civilians they encounter and provide humanitarian assistance when required.

USAID is the lead agency for tracking and coordinating U.S. Government assistance to IDPs. It uses UN standard reports to report statistics on IDPs and returnees. The January 2008 UN High Commissioner for Refugees report quoted the Iraqi Red Crescent figure of 46,000 refugees returning from Syria in the period of September to December 2007, with the majority returning to Baghdad. The primary stated reasons for returning are depletion of savings, expiration of visas, insecurity about residency status and improved security in Iraq. UN reports also indicate that the rate of displacement within Iraq is slowing. According to these reports, an average of 76,100 Iraqis were displaced each month from

March to June 2007. In June and July of 2007, the rate decreased to an average 37,800 Iraqis per month and from August through November of 2007, that rate slowed further to 29,900 per month.

United Nations Assistance Mission - Iraq

The United Nations Assistance Mission - Iraq (UNAMI) operates under the authority of UNSCR 1770. This resolution expanded UNAMI's mandate. It now includes, at the request of the GoI, assisting in political dialogue and national reconciliation (including in the fields of elections and constitutional review), developing processes to resolve disputed internal boundaries and facilitating regional dialogue. Promoting, supporting and facilitating the delivery of humanitarian assistance; the safe, orderly and voluntary return of refugees and displaced persons; and implementing programs to improve Iraq's capacity to provide essential services are also part of the mandate.

With improving security conditions and the leadership of the UN Special Representative, UNAMI continues to assume a larger and more active role. UNAMI also played an important role in the coordination of the Expanded Neighbors of Iraq Ministerial in Istanbul in November 2007 and the development of an ad hoc office in Baghdad to support the Neighbors process. UNAMI's commitment to provide technical assistance and personnel for the office is essential to its success and in facilitating the continued multilateral engagement of stakeholders in the region. UNAMI is expected to be closely involved in the upcoming Expanded Neighbors Ministerial in Kuwait.

International Compact with Iraq

The International Compact with Iraq (ICI) is the key international document that sets forth Iraqi commitments and pledges on economic, commercial and other internal reforms and provides a vehicle for the commitment of support from the private and public sectors of neighboring countries and the international community. Since the last report, Iraq has

made progress in implementing some of the economic initiatives in the ICI, such as holding regular meetings of the Joint Anti-Corruption Commission and resuming implementation of the Financial Management Information System. The European Commission is funding a UN-administered contract to provide experts and consultants to assist with setting up and supporting the ICI. UNAMI, the World Bank, the U.S., the U.K. and Italy are also providing advisors to the ICI Secretariat. The Secretariat will present a progress report on the status of ICI reforms in the spring of 2008.

Conclusion

Signs of progress this reporting period point toward national reconciliation. The CoR accelerated its legislative agenda and its progress in passing several pieces of key legislation is encouraging. The Executive Council promises to be an effective

organization to help the Maliki government manage its activities. However, competing political and ethno-sectarian interests still constrain progress. Slow movement on the package of hydrocarbon laws and constitutional review are examples of how competing interests and lack of compromise continue to impede progress. On the other hand, the recognition by senior Iraqi officials of the efficacy of the Sons of Iraq programs illustrates that progress at the local level can serve as a positive stimulus for action at the national level. Passage and enactment of the Amnesty Law, resolution of the constitutional issues raised by the Provincial Powers Law (paving the way for provincial elections), release and processing of pre-trial detainees and reform of the Iraqi criminal justice system could also encourage further reconciliation at both local and national levels.

1.2 Economic Activity

The GoI's ability to spend its resources, provide essential services and promote economic development progressed only slightly during this reporting period. While Iraq's national and provincial governments doubled the rate at which they executed their capital budgets, they still only executed approximately 55% of the 2007 budget by the end of November 2007. This low budget execution rate limited Iraq's ability to increase economic development and deliver essential services. In addition, electricity demand continued to outpace supply. Although electricity generation produced record levels through December 2007, the system underwent a sharp decline in mid-January 2008. Toward the end of January, generation stabilized to an amount comparable to the same period last year and is currently showing some signs of recovery. Although oil production remained static, oil exports increased slightly and the high price of oil provided additional revenue to the Iraqi Government.

Budget Execution

Iraq's ministries and provincial governments have been increasingly successful in using the nation's considerable resources to meet the needs of the Iraqi people by developing and spending their budgets. Nonetheless, significant impediments remain. A difficult security environment, fear among Iraqi officials of corruption charges and a lack of technical expertise prevented full execution of the budget in 2007 (resulting in lower total capital investment, particularly in oil and electricity infrastructure), limited economic growth and hindered delivery of essential services.

The GoI's increased focus on budget execution has produced higher levels of actual capital spending in 2007 than in 2006. According to preliminary Iraqi budget execution data, total capital spending was 45% through October 2007. Furthermore, GoI ministries have executed 47% of their capital budgets through October 2007, more than two and a half times the rate through the same date in 2006. Most provinces are making significant progress in

capital projects as well. These improvements are due in part to capacity-building efforts, including Procurement Assistance Centers, training activities and capacity development programs in the ministries and in the provinces. The provinces executed only a very small portion of their budgets in 2006. They spent most of their US\$2.0 billion allocation for 2006 in 2007. Non-Kurdish provinces are estimated to have spent roughly 18% of their 2007 allocations through September.

The CoR passed the 2008 Iraqi Budget on February 13, 2008. It currently awaits publication in the Official Gazette. The US\$49.9 billion budget for 2008 includes US\$8.9 billion for security and US\$13.2 billion for capital investment.

IMF Stand-By Arrangement and Debt Relief

The International Monetary Fund (IMF) Executive Board approved a new, 15-month Stand-By Arrangement (SBA) for Iraq on December 19, 2007. The IMF cited several positive areas of progress in Iraq. Inflation continued its downward path, the Central Bank of Iraq continued to gradually appreciate the exchange rate of the dinar, oil exports have increased in recent months and preliminary fiscal data through September 2007 indicate a surplus of more than US\$2 billion. If Iraq maintains satisfactory SBA performance, it will receive the final 20% tranche of debt relief from Paris Club members. On February 11, 2008, the Russian Government signed an agreement forgiving nearly US\$12 billion in Iraqi debt and became the last Paris Club member to fulfill its 2004 Paris Club commitment to sign agreements forgiving Iraqi sovereign debt.

Some non-Paris Club creditors are also reducing or eliminating their Iraqi debt. Bulgaria agreed to cancel US\$3.5 billion in Iraqi debt in return for a cash payment of US\$360 million. Iraq also signed an agreement that effectively cancels US\$2.5 billion in Iraqi sovereign debt owed to Serbia, Bosnia and Slovenia in exchange for a cash payment of

US\$250 million. Debt negotiations with Saudi Arabia and other Gulf countries, Iraq's largest outstanding creditors, have stalled while negotiations with China continue to slowly progress. Recent bilateral developments include the decisions by the Italian and Kuwaiti Governments to provide additional soft loans and humanitarian assistance to Iraq totaling US\$240 million.

Indicators of Economic Activity

Economic Growth

The Iraqi economy is projected to grow 7% in 2008 and reach an estimated nominal gross domestic product (GDP) of US\$60.9 billion. Oil production increases of 9%-10% are expected to drive growth. The non-oil sector (which accounts for 1/3 of GDP) is projected to grow at 3%.

Inflation

Core inflation in 2007 was 12.28%, compared to 2006 core inflation of 31.92%.³ This significant reduction in inflation is largely due to the Central Bank of Iraq's restrictive monetary policy, including continued appreciation of the Iraqi dinar from 1,475 dinars per U.S. dollar at the end of 2006 to 1,215 dinars per U.S. dollar at the end of 2007. These lower rates of inflation have helped create a more favorable climate for long-term economic growth and job creation. Sustained rates of low inflation lead to greater price stability, which benefits both consumers and business-owners, as well as positively affecting overall productivity. The consistent reduction in the rate of inflation has begun to exert downward pressure on real interest rates and has helped to maintain relatively consistent purchasing power for the average Iraqi citizen.

Unemployment

Unemployment and underemployment continue to be major challenges. The GoI's Central Statistical Organization has not updated its official estimates of unemployment and underemployment of 17.6% and 38.1% respectively. Attempts to measure unemployment by other means at the provincial levels

suggest that the rate could be as high as 50% in some areas. Without a reliable collection method, it is difficult to determine the actual level of unemployment; however, there is a clear lack of employment opportunity for skilled and unskilled labor throughout the country.

The Coalition continues to mitigate security risks associated with unemployment by its introduction of short to medium-term employment and technical training programs. The USAID Community Stabilization Program (CSP) currently employs over 48,000 military age Iraqis in short-term jobs and over 14,500 in longer-term jobs such as apprenticeships. The CSP is transitioning its focus to training and business development in the more secure areas of Iraq by using micro-small-medium enterprise in-kind grants to stimulate business development.

Access to capital loan programs managed by the Ministry of Labor and Social Affairs (MoLSA) and the Ministry of Industry and Minerals (MoIM) has improved in Baghdad, delivering US\$30 million in loans to new and existing businesses. To date, loss and repayment rates have met or exceeded expectations. As of November 2007, nearly 6,200 loans were approved at an average value of approximately US\$4,600. These loans created over 17,700 jobs through the development of new businesses and the expansion of existing businesses.

The Coalition is teaming with the GoI to implement a new technical training and employment program entitled the Joint Technical Education and Reintegration Program (JTERP). This program consists of vocational training, on-the-job training and job placement for Iraqis with priority going to former Sons of Iraq members and recently released detainees. JTERP is a collaboration of efforts among multiple ministries to include the MoLSA, the MoIM, and the Ministries of Higher Education and Education, as well as the Disarmament, Demobilization and Reintegration (DDR)

Committee. The program is currently funded within the US\$155.5 million in U.S. Iraq Security Forces Funds (ISFF) allocated for DDR. The 2008 Iraqi Budget allocates US\$70 million for DDR programs and provides an additional US\$417 million for various public works programs.

Through 2007, the USAID *Izdihar* program approved and disbursed 26,170 loans totaling US\$58.7 million. Microfinance loans put credit, savings, insurance and other basic financial services within the reach of Iraqis. Through microfinance institutions such as credit unions and some non-governmental organizations, Iraqis can obtain small loans (US\$500 - US\$3,000), receive remittances from relatives working abroad and safeguard their savings. Accessing small amounts of credit at reasonable interest rates gives people an opportunity to set up a small business. Records show that Iraqis are a good risk, with higher repayment rates compared to other nations' borrowers.

The Department of Defense Task Force to Improve Business and Stability Operations-Iraq (TF-BSO) continues to drive toward solutions to business and economic development challenges in Iraq. In January 2008, the first private investments in Iraqi state-owned factories were approved by the GoI. Three state-owned cement factories finalized joint investment partnerships with international investor consortiums. A team from the TF-BSO supported the office of the Prime Minister and the Minister of Industry and Minerals by developing processes to evaluate the proposals and facilitate negotiations with bidders for these factories. The three partnerships will be shareholders with the GoI in the privatized factories. The long-term intention is to fully privatize these factories. These deals are the first steps in privatizing Iraq's state-owned enterprises and marks the beginning of a shift to a market economy while opening opportunities for future private investment in all sectors of Iraq's economy.

The Procurement Assistance Center (PAC) continues to help the GoI establish transparent and effective contracting and budget execution processes. The PAC has processed and issued over 400 requests for guidance or policy interpretation (freeing up contract actions), issued standardized bidding documents for all procurement categories and helped generate a simplified policy to accelerate procurement actions in 2008.

Oil Infrastructure Integrity

The recent quarter's oil production averaged over 2.3 million barrels per day, of which exports averaged 1.8 million barrels per day. The price per barrel during December 2007 was US\$84, significantly above the 2007 GoI budget assumption of US\$50 per barrel. For the year, Iraqi oil revenues were US\$64.52 per barrel. Oil revenue at the end of the year exceeded budget estimates by US\$6.4 billion primarily due to higher than budgeted oil prices.

Crude oil production for the first part of February 2008 reached over 2.4 million barrels per day (mmbbl/d), representing the highest monthly average since 2003. The IMF SBA, agreed to by the GoI, includes an average crude oil production goal of 2.2 mmbbl/d and an average export goal of 1.7mmbbl/d for 2008. The ICI target for 2010 is 3.4 mmbbl/d. If the uncertain legal environment and the lack of a hydrocarbon legislation package continue to stifle foreign investment in production, refinery and transport infrastructure, meeting the ICI goal for 2010 will be in jeopardy.

Interdiction of export pipelines in the North shut down exports for several months in the first half of 2007. Increased security efforts, such as the construction of pipeline exclusion zones and the use of the oil protection force (many of whose elements have been incorporated into the Iraqi Army), reduced the number of interdictions and facilitated an increase in exports later in the year. This enabled an increase in total exports for the year by 10% over 2006.

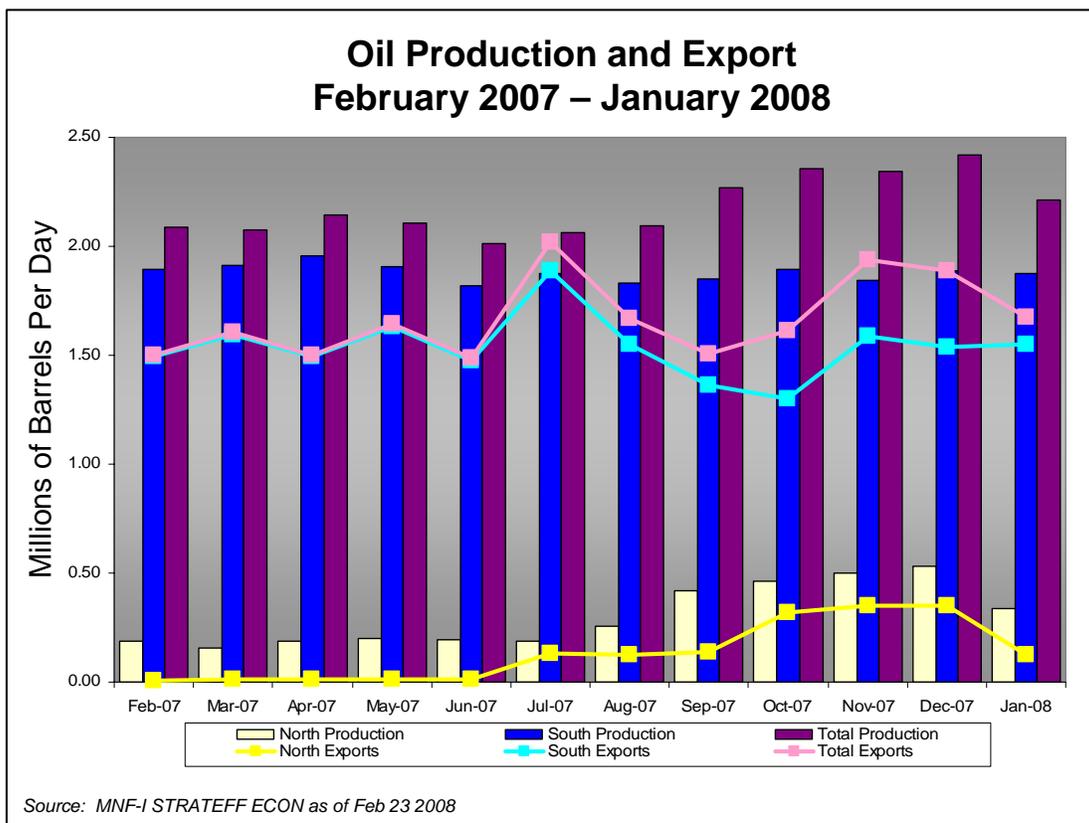
Iraq's shortage of refined oil products stems from the fact that it is operating at approximately 45% of capacity, has outdated refining facilities and has inadequate distribution of crude oil. Unreliable electricity supply, security issues and heavy fuel storage shortfalls exacerbate these problems. For example, electrical blackouts and industrial accidents (gas fire) at the Bayji Refinery and rocket attacks by insurgents at both the Basrah and Doura Refineries during this reporting period led to lower production after strong results last fall. Projects to address these problems include constructing secondary processing and distillation units at the Doura Refinery, restoring operation of the hydrocracker at the Bayji Refinery, repairing distribution pipelines, using rail for transport and increasing fuel imports. If completed, these efforts could enable achievement of the ICI target of 700,000 barrels per day of refined products by 2010.

Agriculture

An efficient and productive agricultural and agribusiness sector is vital to Iraq's economic, political and social stability. Agriculture

already accounts for about 10% of GDP and 25% of the Iraqi labor force making it the single largest source of employment and the second largest contributor to the overall GDP in the country. *Inma*, a major USAID project launched in June 2007, works with the GoI to support the development of agribusinesses and agricultural markets to improve the livelihoods of farmers while energizing Iraq's agriculture industry.⁴

Helping Iraqis transform local economies, *Inma* worked with PRTs on the development of agribusinesses and value-added processing. Specifically, *Inma* improved agricultural quality and productivity by training farmers on modern technical practices to achieve better yields for their crops and more productive livestock. This program helps farmers restore poorly functioning drainage facilities and improve irrigation practices. It also focuses on growing improved seeds, sheep dipping and fertilizer distribution to improve competitiveness and efficiency of Iraqi farmers. *Inma* is also assisting Iraqis to improve food grades and standards for sanitary protocols, inspection



procedures and compliance criteria. Other *Inma* successes are: over 20 Iraqi agribusinesses modernized and operating efficiently with sales revenue up by 150%, perennial horticulture sales up by 50%, meat sales up by 100% in five urban markets, fresh fruit and vegetable sales up by 100%, ten commercial feed lots producing 1,000 heads per week, 12-14 feed mills each producing 25,000 metric tons per year and Iraqi participation in international agricultural conferences and workshops.

Inma is building meaningful linkages between farmers, agribusinesses, financial services and domestic and international markets. Technical advisors support national and local government agencies as they adapt to the rapidly evolving legal, regulatory and public service needs of a free market economy. By promoting public-private partnerships and dialogue, *Inma* stimulates local and national policy-making opportunities. *Inma* predicts employment could potentially grow by nearly 800,000 jobs from increased efficiencies in value chain agribusiness over a five-year period.

Essential Services

Despite many projects to improve the delivery of essential services and increased emphasis by government leaders, Iraqis have seen uneven progress in the delivery of essential services such as electricity, water, sanitation and healthcare. Since the U.S. has transitioned out of large-scale infrastructure reconstruction, and Iraq must now fund the bulk of future reconstruction projects, further improvements are at risk.

Electricity Infrastructure Integrity

The electrical sector continues to suffer from a variety of problems. Fuel shortages, reduced water levels at hydroelectric plants, interdictions, equipment failures, damage to key power line segments, reliance on foreign sources of power and years of system neglect exemplify these challenges. Despite these challenges, there were four consecutive months of record post-2003 electrical output in 2007. However,

the challenges eventually overwhelmed the system and electrical production fell in January 2008. Monthly state-provided electricity output for 2007 averaged 99,000 megawatt hours (MWh), which is a slight increase over 2006 output.

The GoI is working to alleviate these problems. The 46 electrical towers from Baghdad to Diwaniyah and the 85 electrical towers from Baghdad to Mussayib are now hardened. Actions such as these will make these critical distribution lines less vulnerable to attack.

The GoI began importing diesel from Kuwait on December 12, 2007, to help increase electrical generation. As the flow of diesel increases to full contract levels, generated power will increase. Primary fuel delivery will be to the Qudas power plant in order to commission the system generators and initiate operation. Subsequent fuel deliveries will be sent to the Mussayib power plant to complete its commissioning. Additionally, the GoI has authorized the Ministry of Electricity (MoE) to obtain fuel for power generation by procuring it directly (rather than using a cumbersome contracting vehicle) and has allocated US\$400 million for these purchases.

Although electricity production from November 2007 through January 2008 was greater than production from the same period last year, it was less than production in August through October 2007. This fact, coupled with increased winter demand, allowed the gap between supply and demand to grow by 18% from October 2007 to January 2008 and decreased the hours of power available throughout Iraq. With the exception of Baghdad and Irbil, all provinces averaged over 12 hours of power in December 2007. In January 2008, only seven of the 18 provinces averaged over 12 hours of power. Imports of electricity continue to contribute to national supply. Iran currently exports approximately 3,960 MWh per day and plans to increase that amount once Iraq has upgraded its transmission capacity between the Baghdad Ring and

southern Iraq. Turkey had also been exporting to Iraq over 2,400 MWh per day through much of 2007. Iraq's failure to make the final payment of its 2007 contract, and its failure to deliver fuel as contracted resulted in the shutdown of exports on January 2, 2008. This issue has been resolved and Turkey resumed exporting electricity on February 15, 2008.

Development of domestic fuel sources for electrical generation, such as the capture of natural gas flared during oil production, coupled with existing plans for power plant expansion, would help achieve the ICI goal of meeting demand plus 10% by 2015. Significant capital investment in a new pipeline network and the infrastructure to capture and treat the flared gas is required. Maintenance and operating procedures must also improve to maintain and develop gradual gains in electrical generation expansion. The Minister of Electricity estimates it will cost approximately US\$27 billion over six to ten years to develop the capacity to provide 24 hours of power nationwide.

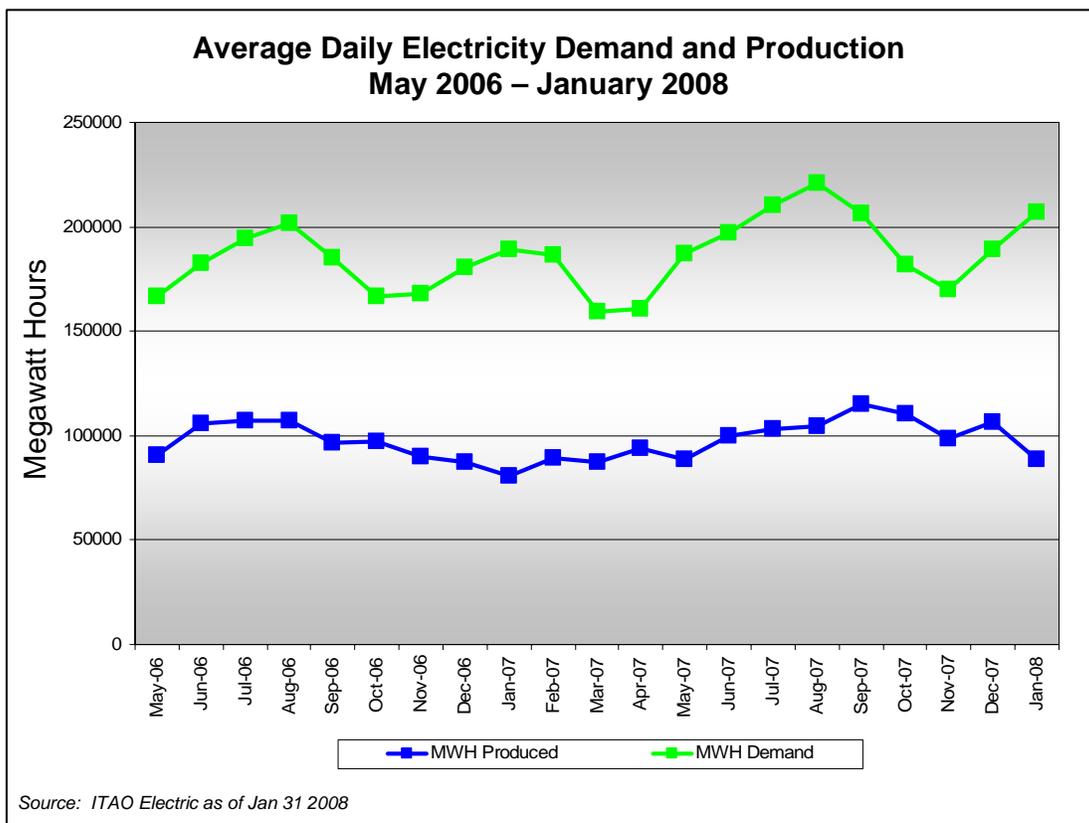
Water and Sewer

As of January 2008, Iraq Relief and Reconstruction Fund (IRRF)-funded projects have added or restored 2.1 million cubic meters per day of potable water treatment capacity—enough to serve approximately 7.4 million Iraqis. The goal for remaining U.S.-funded projects is to add or restore a total of 2.37 million cubic meters per day of treatment capacity to produce potable water. This improvement would serve 8.4 million Iraqis, assuming that pipes and pumps to support water delivery are installed and operational.

During this reporting period, the Baghdad Water Authority coordinated and executed a large chlorine shipment without Coalition assistance that resulted in Baghdad having approximately 130 days of chlorine supply available. This is the largest amount of chlorine that Baghdad has had on-hand in over a year.

Healthcare

The GoI remains committed to increasing the coverage and quality of healthcare, but pre-



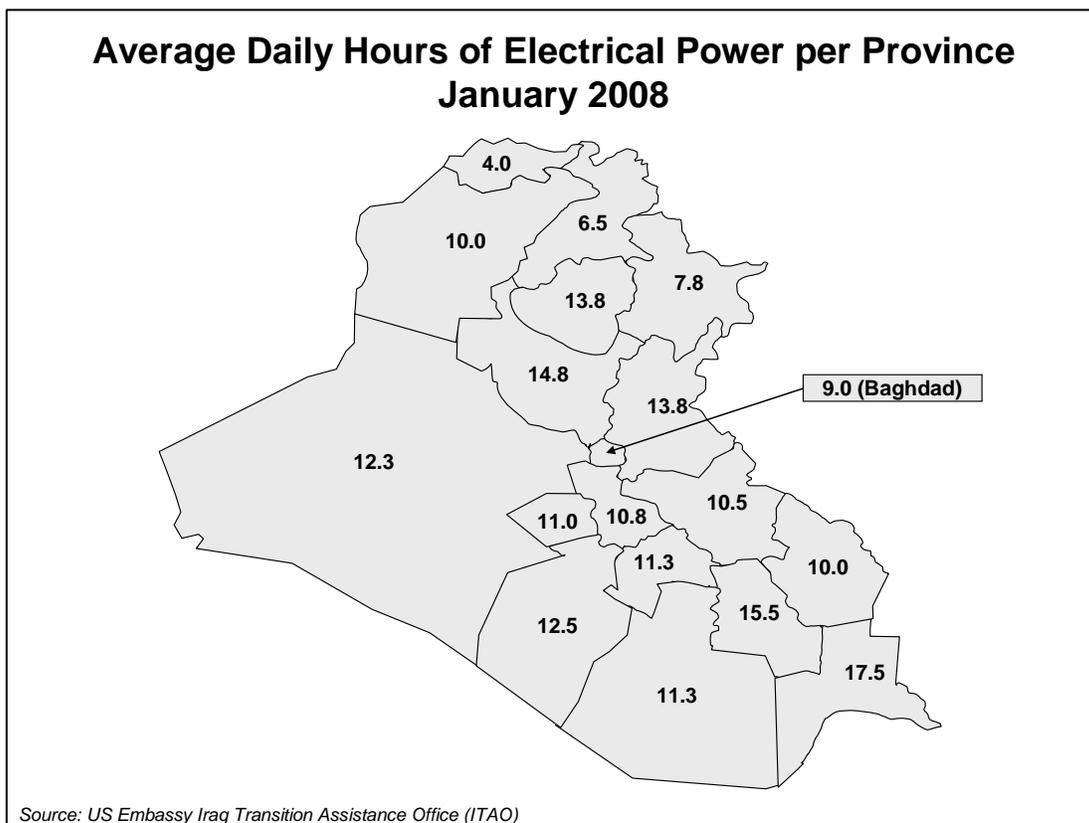
existing medical infrastructure problems and the security situation continue to limit progress. The GoI and the international community have undertaken significant efforts to rebuild and expand Iraq's healthcare infrastructure. However, the unpredictable security situation, a large population of IDPs and refugees, failing building integrity, sporadic availability of water and electricity and shortages of physicians continue to plague the quality, capacity and progression of the country's healthcare system.

On November 26, 2007, Dr. Salih M. Al Hasnawi was formally confirmed as the new Minister of Health. Dr. Salih is refocusing the Ministry of Health (MoH) toward improving the medical supply system, enhancing the quality and number of available medical staff, establishing food and drug quality control systems and further improving the healthcare facilities infrastructure. Dr. Salih is also working to re-build the image of the MoH, which lacked equitable administration of healthcare and accountability when under Sadrist control.

Efforts to enhance the healthcare facility infrastructure include completed construction of 92 of 137 planned Primary Healthcare Centers (PHCs).⁵ The MoH now controls 50 of the completed 92 PHCs and all 50 are open. Another 28 PHCs have been turned over but are not yet open due to a shortage of trained medical staff and security concerns. Seventeen of 25 planned hospital rehabilitation projects have been completed and the PHC program is expected to be complete by September 2008.

Healthcare capability and capacity enhancements suffer from corruption and inefficiencies in the Iraqi medical supply distribution system. Furthermore, the lack of healthcare providers—as nearly half of the 34,000 registered physicians left the country in the wake of sectarian threats and violence—impedes healthcare delivery. With an improved security environment and the appointment of a new Minister, the Iraqi healthcare system has the potential to improve.

The Iraqi Ministries of Defense (MoD) and Health are working on details of an agreement



to hand over the Al-Karkh Al-Jamhuri General Hospital to the military. MoD use of a general hospital dedicated to the Iraqi forces will improve the level of healthcare available to soldiers by focusing on activities to enhance the readiness of military forces and the medical assets that support them. The MoD will continue to rely on the MoH for medical staff until the nationwide demand for medical staff decreases.

Conclusion

The GoI must continue to implement economic reforms and improve its government ministries in order to support continued economic growth, improve delivery of essential services and stimulate investments in its oil and electrical sectors. Local economies are benefiting from the improved security situation, although

growth remains largely tied to central government funding and supply of services. Rejuvenating Iraq's agriculture and agribusiness sectors is one of several promising means of diversifying Iraq's economy. The volume of oil production and oil exports increased slightly this reporting period. The economy has benefited from higher world prices and continuous oil exports from the North. Iraq's continued IMF SBA compliance and its efforts to reduce its Saddam-era debt are also solid achievements. However, the lack of a fully formed legal structure, security instability and endemic corruption discourage substantial foreign investment and private sector development. Reforms will prove essential to attracting foreign investment and developing a robust private sector—both keys to a self-sustaining economy.

1.3 Security Environment

Monthly violence levels at the beginning of 2008 were significantly lower than during the mid-summer 2007 peaks. The overall reduction in attacks, casualties and deaths is the result of multiple factors including the increased operational tempo of Coalition and Iraqi forces made possible by the surge in U.S. and Iraqi combat forces, the growth in the Sons of Iraq, sustained Iraqi and Coalition force presence among the population, increased Iraqi force capability and capacity, increasing rejection of AQI by Sunni Arabs and operations aimed at disrupting terrorist facilitation networks. In combination, these factors resulted in sustained pressure on AQI, militia extremists and insurgents and degraded their ability to carry out attacks. The continuation of Muqtada al-Sadr's August 2007 order to Jaysh al-Mahdi (JAM) to suspend all attacks has also contributed to the decrease in overall violence, though some Iranian-sponsored Special Group (SG) leaders have ignored the order.

During this reporting period, the 3rd Brigade, 1st Cavalry Division (Army Brigade Combat Team) and 13th Marine Expeditionary Unit returned home without replacement, leaving 19 brigade and regimental combat teams and two Marine battalions serving in support of Operation Iraqi Freedom.

Overall Assessment of the Security Environment

While progress in some areas is fragile, the security environment has improved significantly over the past six months. The downward trends that began at the end of the summer continued throughout the remaining months of 2007. Key indicators are at levels last seen consistently in mid-2005 with indirect fire attacks at levels not seen since early 2004. While the Coalition and Iraqi leadership recognize that these hard-fought gains are still reversible, they have seized the opportunities created by increased security to promote greater reconciliation, expand and train Iraqi forces and execute projects that improve quality of life in many parts of Iraq. Evidence

of success in these efforts is reflected in the reopening of schools, clinics and markets and in the increasing availability of essential services. These improvements coincide with the growing willingness of Sunni and Shi'a tribal leaders across Iraq to contribute to the stabilization of Iraq.

Despite these gains, AQI remains a serious threat in parts of the country, particularly in the North, and violent conflicts among communal groups for political power and resources persist. AQI continues its efforts to exacerbate these communal tensions with high-profile attacks and a campaign of murder and intimidation against tribal, political and security force leaders. In addition, broader networked security threats in the form of criminal elements and corruption continue to limit political and economic progress.

Subversive foreign influence continues to affect the security situation in Iraq. Although the Syrian Government has taken steps to reduce the flow of extremists across its borders, foreign terrorists, particularly suicide bombers, still enter Iraq through Syria. Despite Iran's reported assurances that it does not provide lethal aid, the Iranian IRGC-QF continues to use facilitators and proxy networks to train and fund Shi'a extremists.

Sons of Iraq

The Sons of Iraq (formerly known as Concerned Local Citizens (CLCs)) have now grown to include some 91,000 Iraqis who provide security for infrastructure such as roads, municipal buildings, power lines and other key facilities in their local communities under the direction of Coalition and Iraqi forces. The Sons of Iraq are a key component of the counterinsurgency fight due to their knowledge of the local populace and their ability to report activity that might otherwise escape the attention of Coalition and Iraqi forces. When deployed on static checkpoints and security details, Sons of Iraq members allow larger elements of Coalition and Iraqi forces to pursue and engage the enemy. Sons

of Iraq members also provide valuable information on individuals linked to extremists and weapons caches. This local intelligence reduces the enemy's ability to generate attacks and find safe haven and enhances the Coalition and Iraqi forces' combat effectiveness.

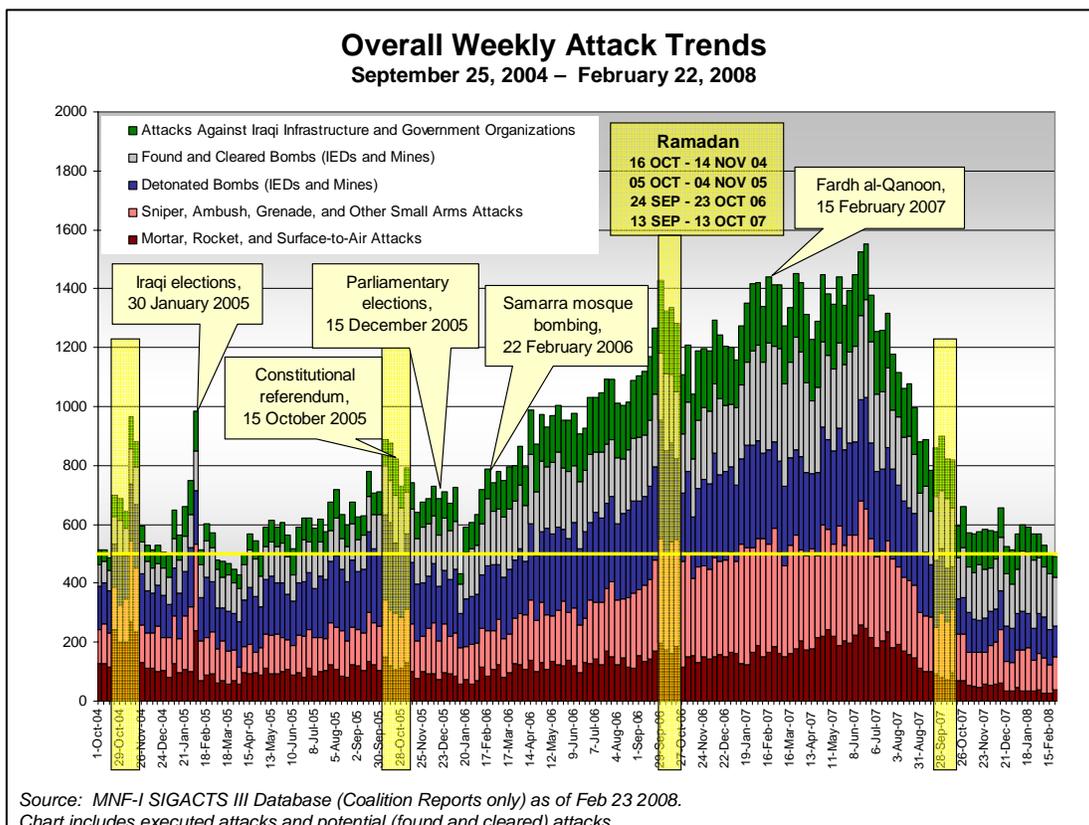
The Sons of Iraq are playing an important role at the local level to quell violence, but they do pose some prospective challenges, including the potential for infiltration by insurgents and lack of a cohesive plan to transition Sons of Iraq to the Iraqi forces and civilian employment. The GoI continues to debate the future of the Sons of Iraq, raising concerns over infiltration by irreconcilable elements, the merits of supporting former insurgents and methods for transitioning Sons of Iraq members into the Iraqi forces, private sector employment or educational programs. Nonetheless, the GoI has supported the integration of more than 9,000 former Sons of Iraq members into Iraqi forces in Baghdad alone with thousands of others having previously joined Iraqi forces in Anbar Province. Approximately 19,000 additional members of Sons of Iraq groups

have expressed their desire to join the Iraqi forces and they await an expansion of the government's integration and training programs. The Iraqi and U.S. Governments are also jointly funding multiple private employment and joint technical education programs focusing on Sons of Iraq members and former detainees.

AQI and some Shi'a extremists recognize the strength and influence of these neighborhood security groups and have increased attacks on their checkpoints and leadership. However, these violent attacks and assassinations have not discouraged over 91,000 Iraqis from joining Sons of Iraq programs. Similar movements continue to spread throughout areas where there are inadequate numbers of Iraqi forces to deal with AQI and other security threats.

Joint Security Stations

Coalition strategy is focused on protecting the Iraqi population. The steady improvement in the security environment during the latter part of 2007 and early 2008 is in large part a result of Coalition and Iraqi forces living among the



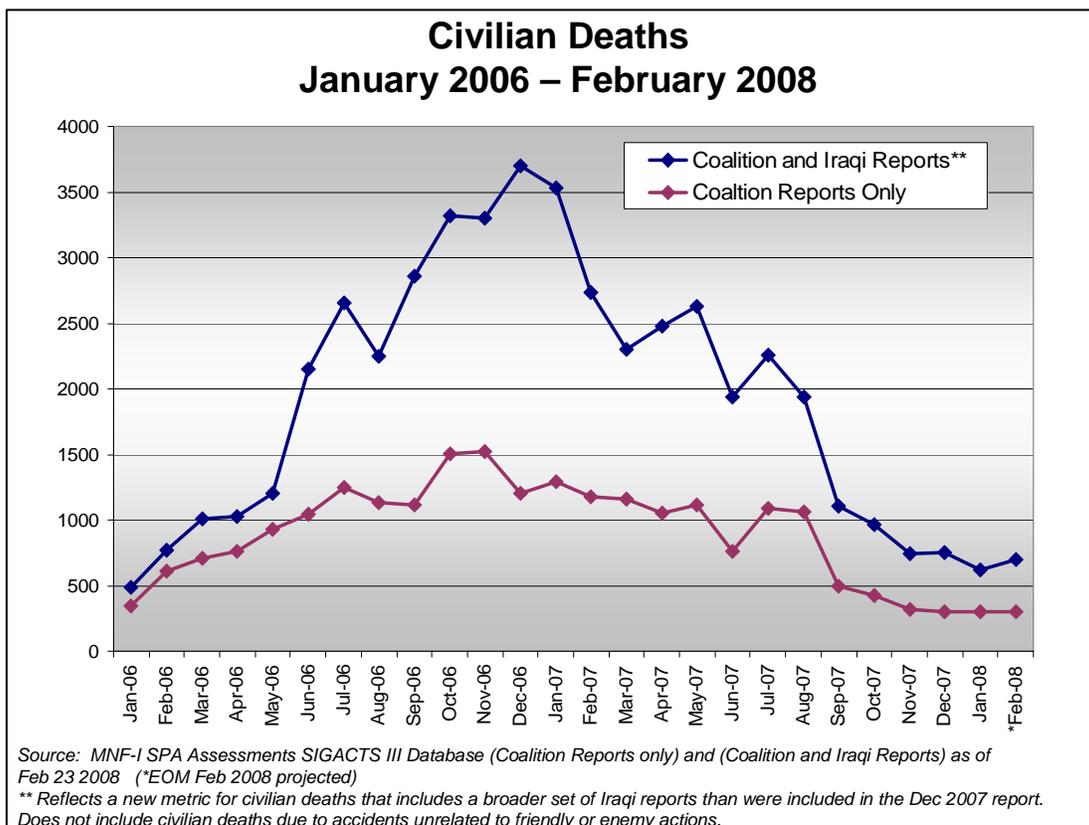
people through the joint staffing of local Joint Security Stations (JSS) and Combat Outposts (COP). This strategy has a stabilizing effect along ethnic fault lines and complements an active engagement program focused on reconciliation of former insurgents while maintaining pressure on domestic and external insurgent elements. Assisted by Sons of Iraq groups, the net result is increased security at the local and national levels. Over time, as Coalition forces decrease in number and move toward an overwatch posture, JSSs and COPs will be turned over to Iraqi forces to maintain the footprint required to secure the population.

Attack Trends and Violence Assessment

Violence levels have returned to levels last seen in 2005. Nationwide attacks in Iraq have fallen by more than 60% since June 2007 and have remained at roughly mid-2005 levels for the four months since the end of Ramadan in October 2007. Particularly noteworthy progress has been achieved in Anbar Province where attacks in all categories have decreased by approximately 90% since January 2007.

Two exceptions to the general downward trend include attacks using explosively formed penetrators (EFPs), which rose in January 2008, and overall attacks in Ninewa Province, which have risen since June 2007 due to infiltration of some AQI and affiliated insurgents into that area.

Overall incidents of violence remained low throughout the religious holidays of Hajj and Ashura. In December 2007, more than 30,000 Iraqi pilgrims traveled from Iraq to Mecca by air and ground in the annual observance of Hajj and reported no violent incidents. The absence of major violence during Ashura in January 2008 was another indicator of the decline in violence in the country. While clashes did occur between Iraqi forces and Shi'a extremists in Basrah and Nasiriyah, the Karbala celebrations, during which 2.5 million pilgrims visited the Shi'a holy city, were peaceful. The relative security during these two holidays was due in large part to the security strategy developed and implemented by the GoI and Iraqi forces with minimal Coalition assistance.

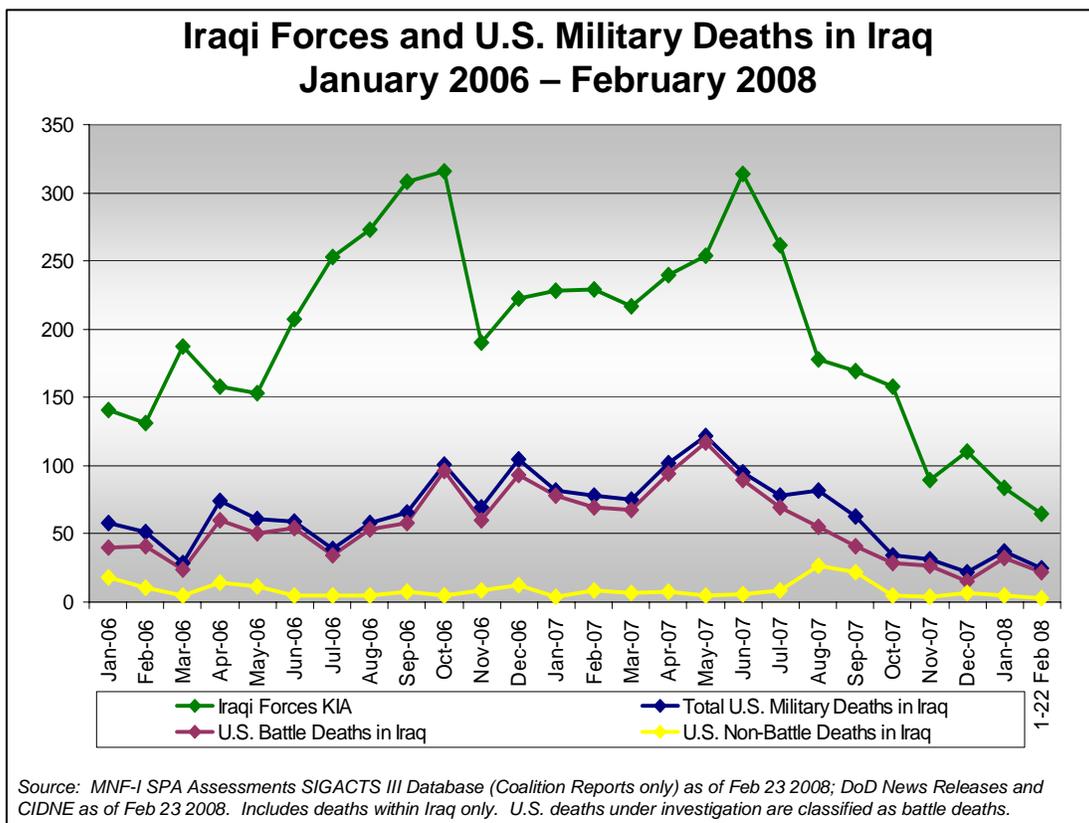


Efforts to improve data collection continue. In conjunction with Multi-National Corps-Iraq (MNC-I) and the Center for Army Analysis, MNF-I recently finished a four-month review of its 218,000-record database for the period between January 2006 (when MNF-I began tracking host nation reports) to January 2008. The review enabled MNF-I to capture civilian deaths in the most comprehensive manner since data has been collected in Iraq. The result is a more accurate measure of the civilian deaths for the period between January 2006 and January 2008. Though the number of civilian deaths during this period has been revised upward by approximately 8,000, the general trends and analytical conclusions previously reported remain valid.

The number of civilian deaths fell by over 72% since July 2007, and it is down over 75% since the peak number in monthly deaths that occurred in the last two months of 2006. There have been periodic high-casualty car and suicide vest bombings throughout the period. However, the downward trends for attacks and civilian deaths illustrates the failure of high-

profile attacks to rekindle the cycle of ethno-sectarian violence that characterized the period from the Samarra mosque bombing in February 2006 until the surge in Coalition forces reached full strength in the summer of 2007 (the Iraqi surge in forces continued throughout 2007 and will continue through 2008). Another important factor in breaking the cycle of violence has been the increased willingness of GoI officials, Iraqi force leaders, sheikhs, imams and other unofficial leaders to issue statements rejecting retaliatory violence after spectacular attacks.

As overall incidents decrease, the number and effectiveness of high-profile attacks is also declining. Both AQI and SG cells remain capable of conducting high-profile attacks across Iraq. In fact, in January 2008, high-profile attacks rose for the first time in five months as a result of a slight increase in person-borne IEDs (PBIEDs) and a slight increase in vehicle-borne IEDs (VBIEDs). However, constant pressure on AQI from Coalition and Iraqi operations has led to a general decline in high-profile explosions in Iraq, falling 67% since its peak in March 2007.



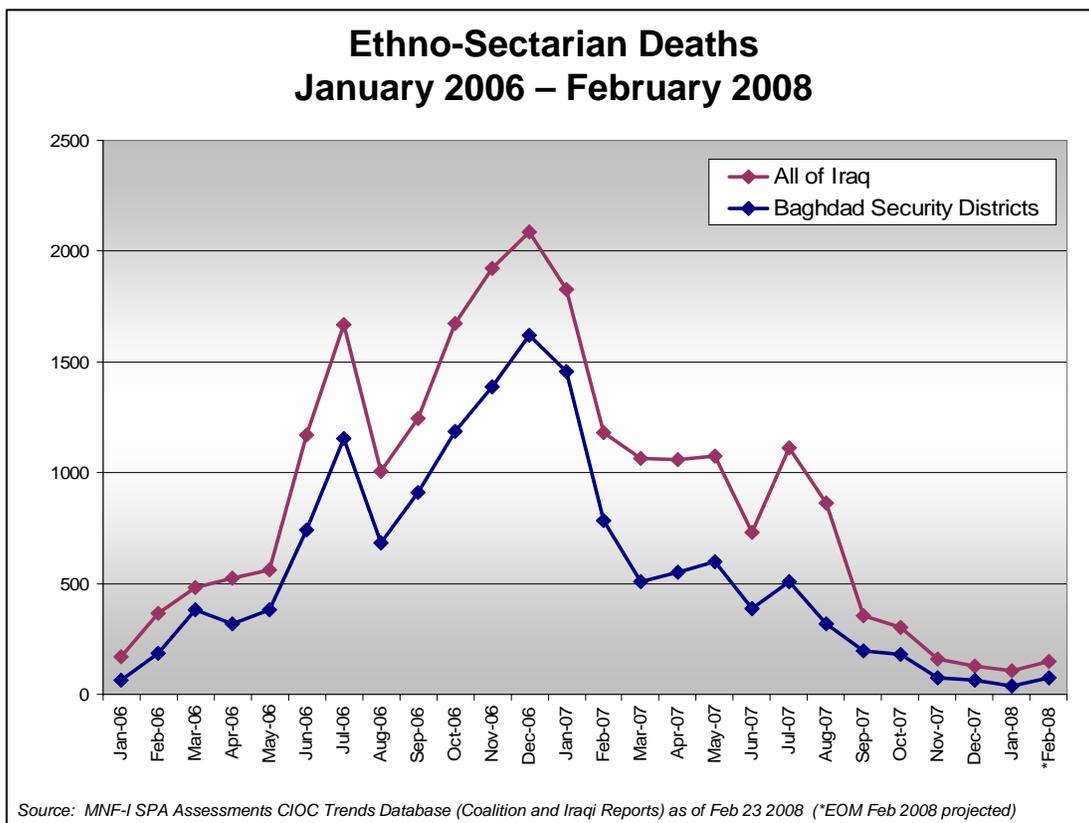
The reduction in ethno-sectarian deaths reflects the improvements in the overall security environment. With fewer and less effective provocative attacks, deaths attributable to ethno-sectarian motives were down 94% Iraq-wide and 97% in the Baghdad Security Districts from January 2007 to January 2008. While ethno-sectarian violence used to occur across most of Baghdad's neighborhoods in large numbers every week, current reports show many fewer incidents occurring in a much smaller subset of neighborhoods.

Coalition and Iraqi forces have benefited from the reduced violence. U.S. military force losses are down 72% since the May 2007 high, while Iraqi forces' deaths have fallen over 70%. The geographic concentration of attacks continues to shift east and north as Coalition and Iraqi forces change focus from clearing AQI and local extremists from their previously secure operating areas closer to Baghdad and operate more in provinces north of Baghdad.

Although the majority of JAM elements in Baghdad appear to have complied with Sadr's

August 2007 order to halt attacks, members of the militia, particularly Iranian-supported SGs, continue to violate this order. Attacks with Iranian EFP IEDs—a trademark weapon of SGs—continued during the ceasefire. The number of EFP attacks was gradually declining through December 2007, but the trend reversed sharply in January 2008, when there were twice as many attacks as in December 2007, and it remains elevated over December numbers in February 2008.

Anti-Coalition violence decreased in Basrah as British forces repositioned to bases outside the city, but occasional outbreaks in attacks against Coalition forces at the Basrah airport still occur. Violence against Iraqi forces and civilians in the province remains a concern, particularly after the Soldiers of Heaven militia clashed with Iraqi forces on January 18, 2008. Occasional indirect fire attacks against the Coalition FOB at the Basrah airport still occur. The leadership of General Mohan of the Basrah Operations Command (BaOC) and Major General Jalil, Basrah Director of Police, and the coordination of their activities through the



BaOC, has been instrumental in improving security force responsiveness in Basrah Province. This was demonstrated by the Iraqi forces' containment of violence sparked by the Soldiers of Heaven incident on January 18, 2008. Nonetheless, Basrah continues to confront numerous challenges from militia and criminal groups that are vying for power and money in the face of growing Iraqi forces' capability.

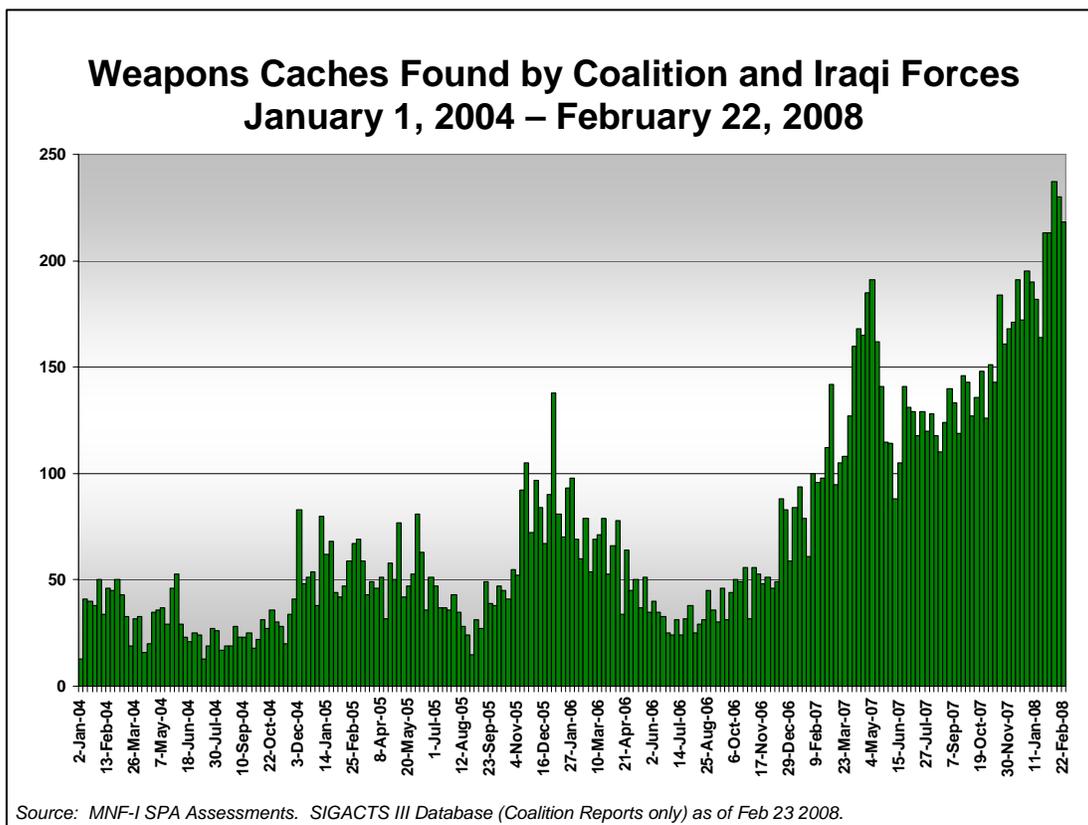
During the reporting period, Coalition and Iraqi forces found and cleared an average of 194 weapons caches per week—well above pre-surge levels and an increase from last reporting period. For the year 2007, Coalition forces found and cleared well over twice the number of caches found in 2006. Caches found and cleared continue at high levels for 2008 with a weekly average of 206 weapons caches found and cleared through February 22, 2008.

Improvised Explosive Devices and Explosively Formed Penetrators

The level of weekly improvised explosive device (IED) incidents in Baghdad and the

surrounding areas fell 55% since the start of Operation Phantom Thunder in late June 2007. The resulting weekly casualties from IEDs are as low as levels last seen in January 2006. This drop in IED incidents and casualties may be attributed to the significant disruption of insurgent networks through the capture or killing of cell leaders, the elimination of their IED-making facilities and the effectiveness of physical security barriers. Additionally, a greater proportion of IEDs are now found and cleared before they can be used. This is due in part to the Sons of Iraq working with Iraqi and Coalition forces to help identify IED caches, factories and emplacements. As a result, the IED found and cleared rate has recently exceeded 55%—the highest in nearly four years. Although IEDs remain the primary cause of Coalition force casualties, the number of Coalition deaths from IED incidents fell in January 2008 to its lowest level since July 2006.

Following a gradual decline in EFP incidents since late August, the number of EFP attacks and EFPs found and cleared more than doubled



in January, but remains well below the peak levels of July 2007. Reductions during the second half of 2007 may be attributed to effective Coalition interdiction of EFP networks, the partial adherence to the JAM ceasefire and the seizure of caches.

Aggressive Coalition and Iraqi operations targeting VBIED networks, assistance from Sons of Iraq, increased presence of security forces and vehicle checkpoints and improved perimeter security around neighborhoods and markets have decreased the number and effectiveness of VBIED and suicide vehicle-borne IED (SVBIED) attacks. Casualties from VBIED attacks have decreased correspondingly.

Following a downward trend throughout most of 2007, the number of PBIED incidents began to increase during the last three months of the year and into January 2008, possibly in response to AQI's degraded VBIED networks and improvements in population security that reduced the vulnerability of soft targets to VBIED and SVBIED attacks. It is not yet clear

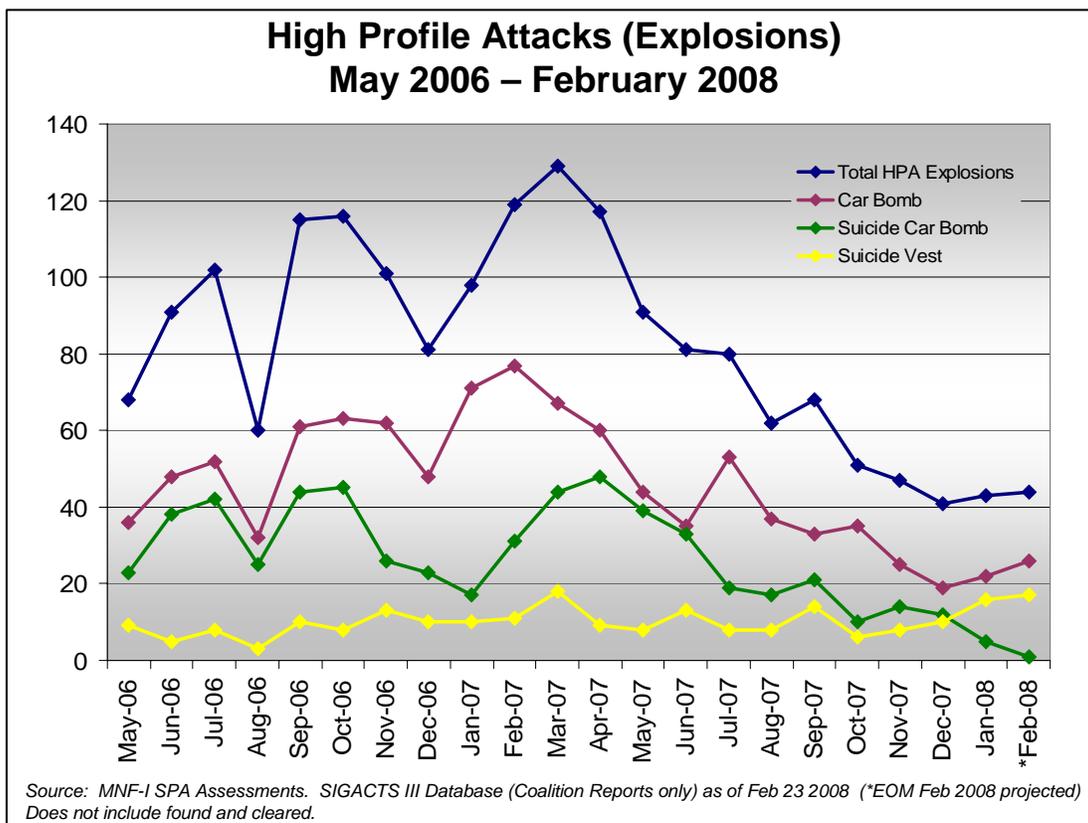
if the near simultaneous remote detonation of PBIEDs in two separate Baghdad markets on February 1, 2008, signals a significant shift in tactics on the part of AQI.

Increasing the protection of Coalition forces is a top priority, and the fielding of the Mine Resistant Ambush Protected (MRAP) vehicle is one response to the threat. As of January 24, 2008, U.S. and Coalition forces have received 1,725 vehicles, representing 14% of authorized MRAPs and a 98% increase in little more than two months. The MRAP has demonstrated that it is much better than other wheeled vehicles in protecting troops from the effects of IEDs, and the newest of the MRAPs has sustained enormous explosions without any breach of the personnel compartment.

Regional Security Assessments

Assessment of the Security Environment—Baghdad

The security environment in Baghdad Province continues to improve. Total attacks fell 46% since the last report. Within the more narrowly defined Baghdad Security Districts, total

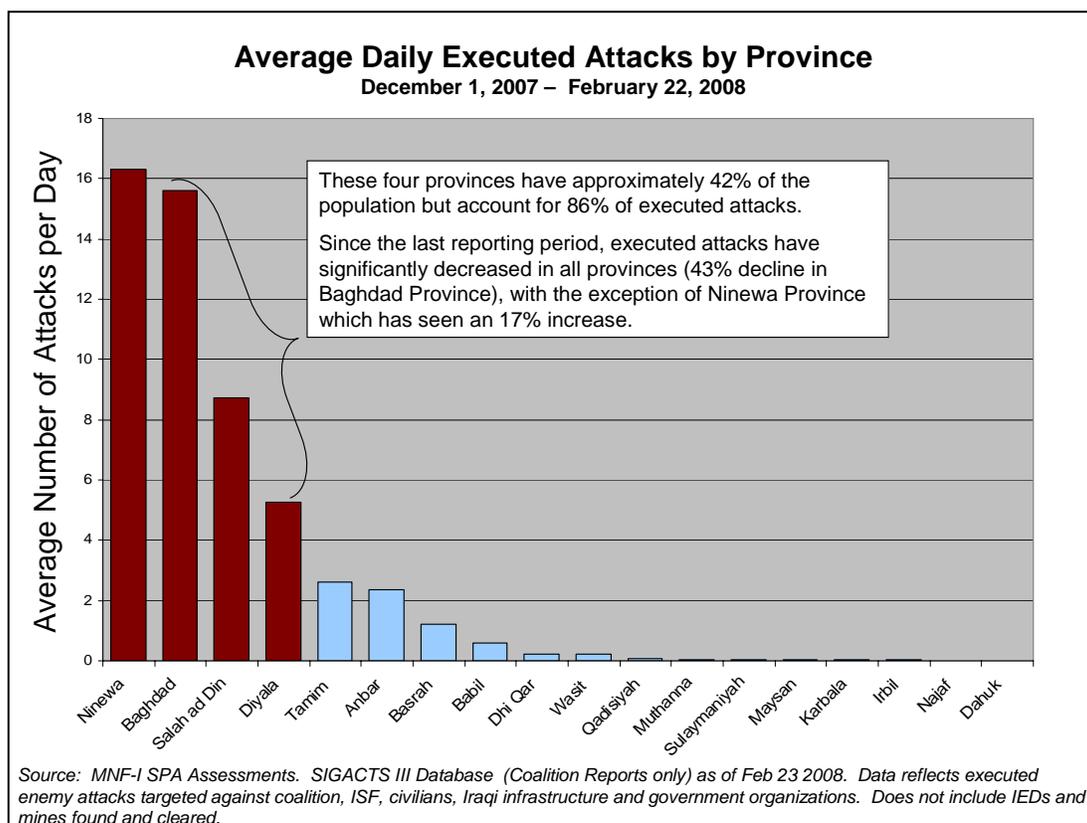


attacks have fallen from an average of almost 225 per week in the summer of 2007 to approximately 57 per week in the last four months. Almost one quarter of the current attacks in the province and security districts include IEDs that are found and cleared before they can be used. These low levels of violence are comparable to levels seen in late 2005 to early 2006. Many factors are at play in this improved security environment. Foremost among them are the extensive Coalition and Iraqi forces' operations to clear extremists from their long-held sanctuary areas, an increasingly effective campaign to degrade AQI's SVBIED and VBIED networks, the expansion of the JSSs and COPs in contested areas of the city, physical security improvements that control access to communities, rejection of AQI by Sunni Arab neighborhoods and the continuation of Sadr's August 2007 order to cease JAM violence. While AQI elements retain the capability to assemble, transport and emplace VBIEDs and SVBIEDs inside Baghdad, the number of these attacks and their effectiveness has been severely degraded. The coordinated PBIED attacks in Rusafa and Karadah on

February 1, 2008, may be an indication that AQI is shifting its IED tactics toward use of more PBIEDs and fewer suicide car bombs.

Assessment of the Security Environment— Western Iraq

Security in Anbar Province has improved dramatically since this time last year. The number of attacks is at its lowest level since 2004. The average number of attacks in Anbar since the last report is now five incidents per day. Due to effective cooperation between the Sons of Iraq and the Iraqi and Coalition forces, AQI is unable to obtain resources or operate effectively in the population centers, forcing them to operate and conduct attacks from the most remote locations in the province, though AQI continues efforts to regain footholds in the Euphrates River Valley. The Iraqi Army has transferred security responsibility for most of the major population centers to the Iraqi Police and is now concentrating its efforts to drive AQI from more remote locations. The tribal movement, *Sahwa al Iraq* (SAI), has largely overcome AQI attempts to target its key leaders.⁶ These attempts further embolden the



tribes to oppose AQI. SAI is attempting to position itself as an alternative to the existing provincial political leaders, deriving much of its credibility from its fight against AQI and the resulting security gains. SAI leadership has also reached out to prominent Shi'a figures in other provinces to promote reconciliation and unity under the theme of "One Iraq."

Assessment of the Security Environment – Central/Northern Iraq

As pressure on AQI in Anbar Province and Baghdad has increased, some AQI leaders and elements have sought refuge in the central and northern Tigris River Valley in Ninewa Province and the Diyala River Valley in Diyala Province. Mosul, in particular, has become a greater focus for AQI operations as they try to retain a base of operations in northern Iraq. As Coalition and Iraqi forces pursue AQI into these areas, attacks have increased such that northern Iraq now accounts for over 60% of daily attacks in Iraq. With the pressure on Mosul, Ninewa Province has become the only province in which attacks are increasing. Although attack levels are higher, Iraqi forces are demonstrating an increased ability to limit the impact of the attacks. The recent establishment of the Ninewa Operations Center and changes in leadership are expected to further improve the coordination and effectiveness of Iraqi forces in the province.

In response to AQI's movement to these provinces, Multi-National Corps-Iraq launched Operation Phantom Phoenix in January 2008. Operation Phantom Phoenix is a series of division-and brigade-level offensive operations in the northern and central provinces to target AQI strongholds, establish an improved security presence with Iraqi forces and support the burgeoning Awakening movements and their corresponding Sons of Iraq programs. Applying a JSS/COP-based strategy in Mosul similar to that employed in Baghdad, the operation has resulted in the death or capture of over 90 high value insurgents and the discovery and clearing of over 568 weapons caches and over 848 IEDs. Although the struggle for control of

Mosul continues, some extremists have either fled or decided to remain inactive in response to this offensive.

Variations of Awakening movements continue to emerge from tribal, familial and, in some cases, nationalist insurgent movements in Ninewa, Salah ad Din and Diyala Provinces. The growth of these programs should serve to further isolate extremists and increase the effectiveness of counterinsurgency operations throughout the area.

Assessment of the Security Environment – Southern Iraq

On December 16, 2007, Basrah became the fourth and final province in Multi-National Division-Southeast (MND-SE) and the ninth province in Iraq to come under Provincial Iraqi Control (PIC). While the number of attacks in the MND-SE provinces accounts for only 3% of all the attacks in Iraq, high-profile attacks, extremist assaults on security forces and assassinations of key government officials, illustrate that the communal struggle for power and resources has yet to be resolved or confined to the political process.

Competition between Shi'a parties and militants for local control continues to be the primary threat to stability in southern Iraq. On December 12, 2007, two VBIEDs exploded in succession in the predominately Shi'a city of Al Amarah as part of what is believed to be criminal extortion activity in the city markets. In December 2007 and January 2008, extremists assassinated Iraqi force leaders in Babil and Dhi Qar in response to the pressure they were exerting on local militia groups. In January 2008, the Soldiers of Heaven cult attacked local security forces during Ashura, attempting to provoke a larger conflict. Throughout this period, Iranian-backed Shi'a extremists and rogue elements of JAM continued to attack Coalition and Iraqi forces in Basrah, Babil and Dhi Qar Provinces.

In response to these threats, senior leaders from the Islamic Supreme Council of Iraq (ISCI) and

Office of the Martyr Sadr (OMS) met to address the growing conflict between JAM and Badr elements in the southern provinces. To date, there have been no significant improvements at the local level from this agreement, though reconciliation attempts continue. The Iraqi forces recently highlighted their increased effectiveness during Operation Lion Pounce—an offensive operation to drive extremists from the city of Diwaniyah. This operation resulted in the capture of a number of high value individuals and weapons smugglers as well as the arrest or flight of most criminal JAM leaders from the area. In addition, the Provincial Director of Operations for Basrah and OMS agreed in December 2007 that JAM was not authorized to carry weapons in Basrah and that Iraqi forces would be responsible for security in the province. Nevertheless, SG and rogue criminal elements continue to broadcast negative radio statements about the Coalition to influence public opinion.

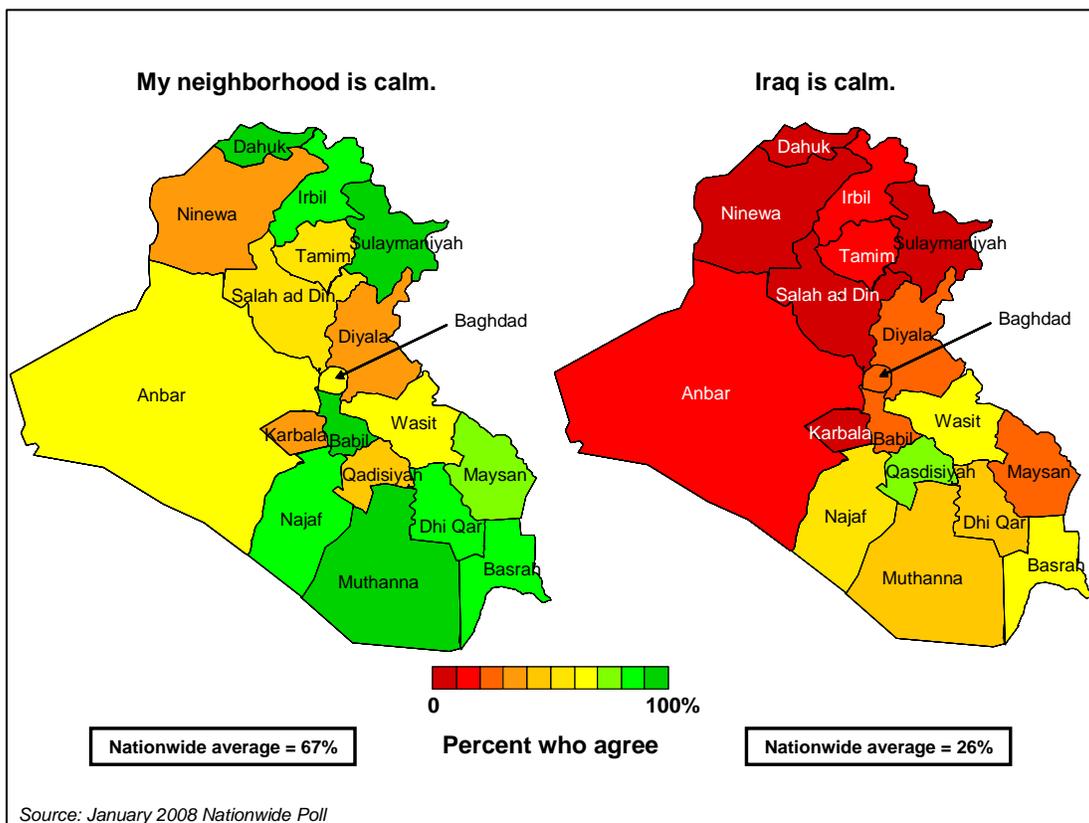
Assessment of the Security Environment – Kurdistan Regional Government (KRG) Area
The KRG region remains the least violent part

of Iraq. The situation within the KRG-controlled territory of Irbil, Dahuk and Sulaymaniyah remained stable with no significant activity since the last reporting period.

Tensions among the KRG, the GoI and Turkey increased over the past two months as Turkey conducted multiple artillery and cross-border air strikes targeting PKK elements. In response to PKK attacks in July 2007, Turkey has continuously stressed that the KRG needs to put additional pressure on the PKK. The KRG has taken some steps to isolate the PKK and reduce border frictions, and it is hoped that this increased attention to the PKK issue will lead to a comprehensive strategy shared between Iraq and Turkey.

Public Perceptions of Security

National polls conducted in January 2008 continue to show that Iraqis believe the security situation is better locally than nationally. When asked to describe the situation today in Iraq, 26% of Iraqis said the country was calm and not violent.⁷ This is an 18 percentage point



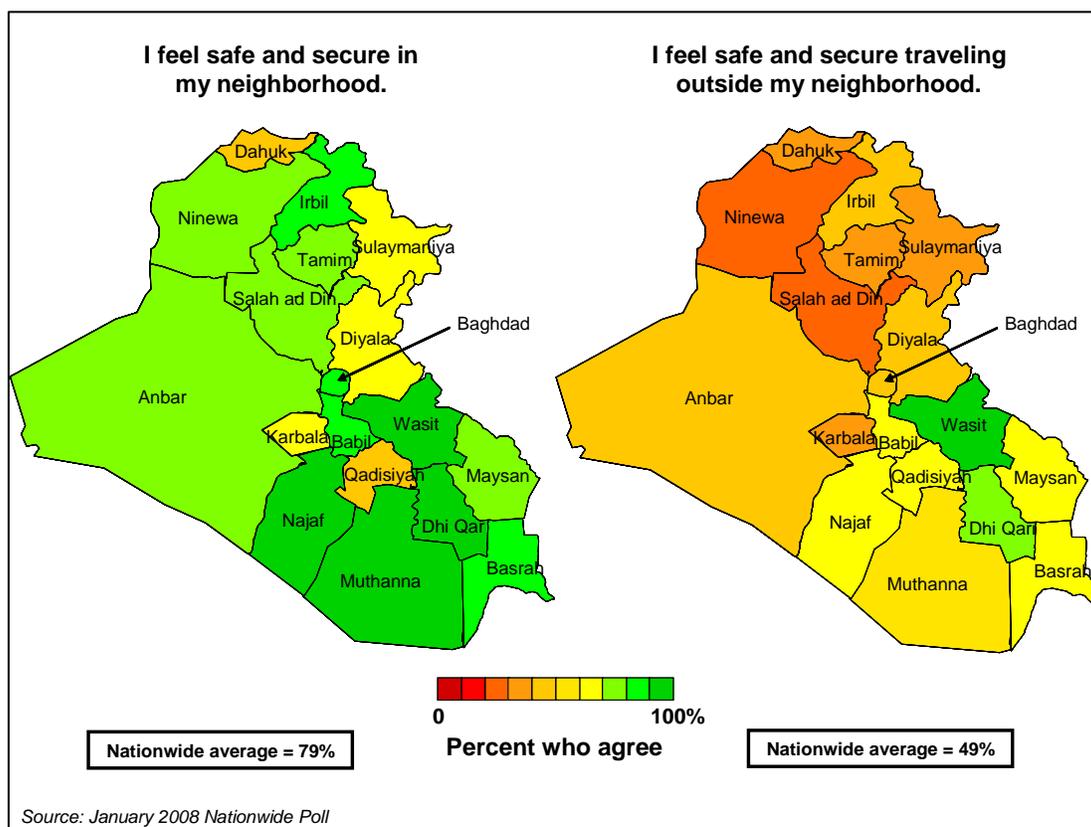
increase from September 2007 when only 8% of Iraqis responded that the country was “calm.” When asked the same question about their province, perceptions of calmness improved to 50%.⁸ When asked about individual neighborhoods, 67% of Iraqis replied that their neighborhoods were calm.⁹ Nationwide polling in January 2008 indicates that 79% of Iraqis feel safe in their neighborhoods, but only 49% feel they can safely travel outside their neighborhoods.¹⁰ Iraqis respond that they feel more secure in their neighborhoods in January 2008 than they did in September 2007. Perceptions of being able to travel safely outside neighborhoods increased four percentage points from September 2007. When Iraqis were asked how they rated the level of peace and stability in Iraq today, 41% of Iraqis felt the country was stable nationwide while only 33% said that Iraq was unstable.¹¹ The percentage of Iraqis who say the country is stable increased 25 percentage points from September 2007 (16%).

When asked if they had confidence in the GoI and Iraqi forces to improve the overall security situation in Iraq, Iraqis placed their highest

confidence in the Iraqi Army at 77%, a ten percentage point increase from September 2007.¹² National polls conducted in January 2008 indicate that 76% of Iraqis have at least some confidence in the Iraqi Army and 74% have at least some confidence in the Iraqi Police to protect their families against threats.¹³ This is a 12 percentage point increase in perceptions from September 2007 for the Iraqi Army, and a 7 percentage point increase for the Iraqi Police. The Iraqi Army and Police continue to engender the highest confidence of Iraqis. In contrast, only 27% of Iraqis trust the Multi-National Forces to protect them.¹⁵ Confidence in the Multi-National Forces has decreased 18 percentage points since September 2007 (45%). National polls also indicate that 51% of Iraqis believe that the Iraqi Police are winning the battle against crime.¹⁶ Similarly, 54% of Iraqis believe the Iraqi Army is winning the battle against terrorists.¹⁷

Conclusion

Overall violence levels have markedly decreased since the last reporting period, including a reduction in virtually all categories



of attack incidents. Day-to-day life for the average citizen has improved in many parts of Iraq as evidenced by the reopening of schools, clinics and markets, as well as in the increase in the availability of essential services compared to the year before. These improvements coincide with the growing willingness of Sunni and Shi'a tribal leaders to cooperate with the Coalition in an effort to reduce violence in their neighborhoods and provinces. Although the progress is encouraging, the overall security

situation in Iraq should still be regarded as reversible. The situation in parts of Ninewa, Diyala, Salah ad Din, Basrah and Baghdad remains challenging. For many Iraqi families, the effects of violence continue to be an everyday concern. To prevent a reversal in this tenable security environment and to help the Iraqi people realize livable communities throughout their country, the GoI must continue to work toward local and national reconciliation to solidify the hard-fought security gains.

1.4 Transferring Security Responsibility

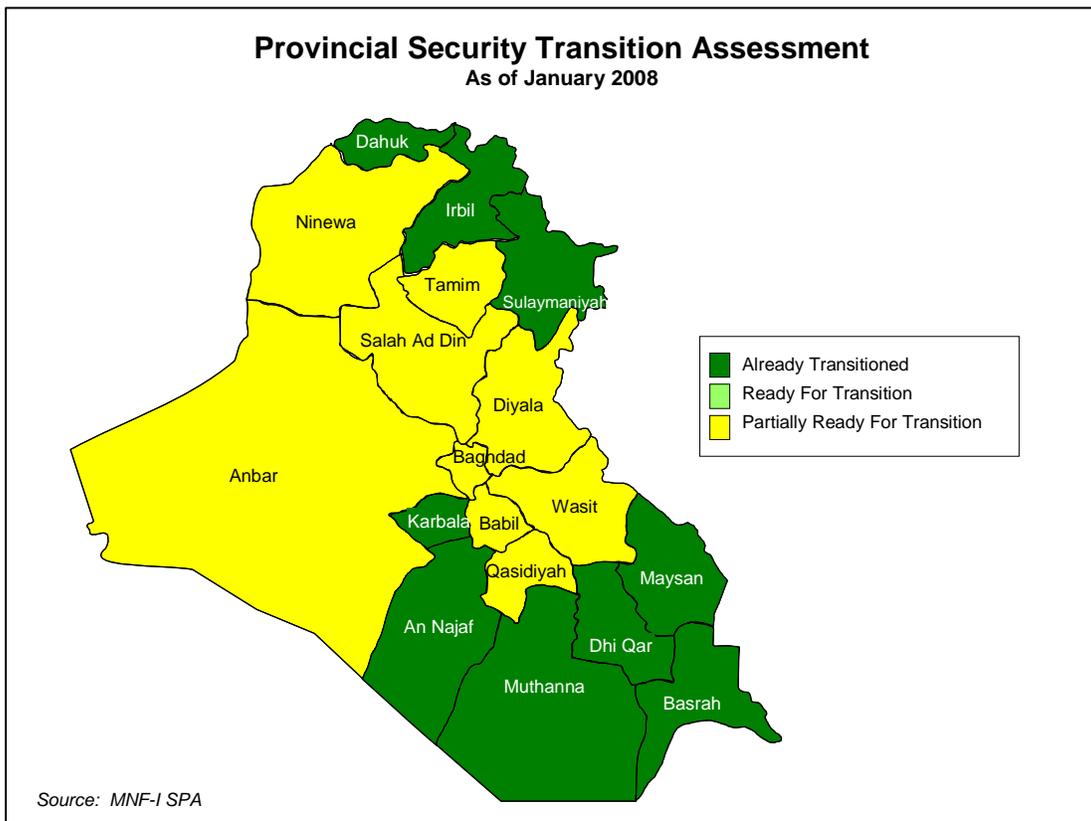
In support of the U.S. Government strategic objective to strengthen the Iraqi forces and transition primary security responsibility to the GoI, Basrah Province transitioned to Provincial Iraqi Control (PIC) on December 16, 2007, bringing the total number of provinces for which the GoI has lead security responsibility to nine of 18 provinces.

The GoI continues to take responsibility and enhance central control for security. In 2007, Prime Minister Maliki activated several operational commands. The intent of these operational commands is to improve coordination between the Iraqi Army and National Police in conducting security operations and to assist the local police in maintaining security until they are capable of assuming full responsibility.

In PIC provinces, Iraqi forces demonstrate varying abilities to maintain domestic order and prevent a resurgence of terrorism. An example of this is the decrease in violence in Basrah Province that continues to be maintained effectively by the Iraqi Army and Police. Iraqi

forces in Basrah have demonstrated their capability to provide an Iraqi solution to provincial security challenges. The Basrah Police Chief implemented a force-wide re-education program and expelled hundreds of personnel with ties to militias in January 2008, promoting security and decreasing overall levels of violence. The preparations and prompt response to the threat posed by the Soldiers of Heaven cult during the Ashura holiday further demonstrated the growing effectiveness of Iraqi forces in the PIC provinces of Basrah, Muthanna, Najaf and Karbala.

Only two of the nine PIC provinces (Basrah and Irbil) have PRTs located in them. PSTs that operate from established bases located outside of the provinces they support, service the other seven PIC provinces. Due to travel and security issues, the five PSTs that operate in southern Iraq (Najaf, Karbala, Qadisiyah, Muthanna and Maysan) have had limited ability to directly interact with the governorates they support. The PSTs that operate out of regional embassy office (REO) Hillah in Babil



Province and support Najaf, Karbala and Qadisiyah Provinces are in the process of moving permanently to those provinces; this should increase their ability to interact with provincial officials.

Forward Operating Base Turnover Status

The current basing footprint supports the counterinsurgency efforts of MNF-I's Joint Campaign Plan as it transitions from 20 to 15

BCTs. MNF-I continues to seek opportunities to co-locate Iraqi forces on existing Coalition FOBs, as Coalition forces transition from leading to partnering to overwatch. On FOBs where a reduction in operating forces is expected, MNF-I is actively seeking partial base turnovers or partial base closures for areas that are no longer required for Coalition support. As of January 2008, MNF-I has closed 63 of 125 FOBs.

Section 2—Iraqi Security Forces Training and Performance

Since late 2003, Coalition forces and the Iraqis have trained over 425,000 Iraqi Ministry of Defense (MoD) military, Ministry of Interior (MoI) police and Counter Terrorism Bureau (CTB) special operations personnel. As of January 1, 2008, Iraqi MoD, MoI and CTB forces numbered approximately 531,616 personnel—an increase of approximately 40,000 personnel since the December 2007 report. This increase includes nearly equal numbers of MoI and MoD forces. MoI increases are attributable to continued police hiring to meet new GoI goals, and MoD increases are attributable to the ongoing generation of new Iraqi Army units.

The GoI continues to incrementally assume broader ownership of Iraq’s defense programs. For the second year in a row, the GoI’s security budget (MoD and MoI combined) is greater than the Iraqi Security Forces Fund (ISFF). With passage of the 2008 Iraqi Budget, this trend continues. The MoD and MoI both run their own training bases and academies. These ministries now pay the salaries of recruits and Iraqi trainers and bear the costs of operations, maintenance and life support at the training bases. In addition, to an increasing degree, the Iraqi security ministries are funding much of the initial entry training and unit equipment. U.S. funding is shifting its focus to developing logistics and sustainment capacity, equipment replenishment, equipment for enabler units such as aviation, engineer and transportation units and construction of facilities including bases for new units. The MoD and MoI increasingly contribute to these efforts and programs. Furthermore, the U.S. and Iraqi funding supports ministerial capacity development and provincial and station-level civilian police advisors.¹⁸

As noted in the December 2007 report, the GoI has assumed responsibility for personnel requirements determination and accounting, so all authorized and assigned personnel reports

Iraqi Security Forces as of January 1, 2008*			
Component	Authorized ^a	Assigned ^b	Trained ^c
Ministry of Interior (MoI) Forces^d			
Police ^e	288,001	275,300	155,248 ^f
National Police	33,670	32,389	41,399
Border Enforcement	38,205	39,649	27,959 ^g
Total MoI	359,876	347,338	224,606
Ministry of Defense (MoD) Forces^h			
Army	186,352	159,938	174,940
Support Forces ⁱ	17,369	18,794	19,750
Air Force	2,907	1,305	1,370
Navy	1,483	1,115	1,194
Total MoD	208,111	181,152	197,254
Counter Terrorism Bureau			
Special Operations	4,857	3,126	3,485
Total	572,844	531,616	425,345
* Numbers do not include ministry staffs.			
a. Numbers reflect GoI authorizations.			
b. Numbers reflect GoI payroll data and do not reflect present-for-duty totals. It is unknown how many personnel trained in U.S.-funded programs remain on the force.			
c. Numbers reflect total Iraqi forces personnel trained to date, some of whom are no longer assigned due to casualties, absent without leave (AWOL), etc.			
d. MoI strength does not reflect non-deployed investigative and administrative forces, such as the MoI headquarters, MoI forensics, Dignitary Protection, Facilities Protection Service or contracted guards.			
e. The Iraqi Police Service consists of all provincial police forces (station, patrol and traffic, and special units) assigned to all 18 Iraqi provinces.			
f. This is a decrease in the number of IPS TRAINED from the previous report. Due to an accounting error, approximately 18,700 IPS basic recruit training graduates were inadvertently double-counted.			
g. This is a decrease in the number of DBE TRAINED from the previous report. Due to an accounting error, 3,472 graduates of Military Occupational Specialty qualification and NCO training were inadvertently double-counted and included in overall trained numbers.			
h. MoD authorized strength is derived from Modified Tables of Organization and Equipment (MTOE), and reflect 20% manning increases based on the Prime Minister’s Initiative.			
i. Re-categorization of support entities, due to on-going force management activities, may result in disparate numbers in the next report.			

now reflect MoD and MoI statistics. Although both ministries track and report the number of personnel trained, they currently focus more on the number of authorized, assigned and present for duty rather than on the number trained. Multi-National Security Transition Command-Iraq (MNSTC-I) advisory teams work with both security ministries to refine the accuracy and frequency of their personnel reporting systems.

The total number of personnel assigned (excluding ministerial headquarters personnel and the MoI Facilities Protection Service (FPS)) exceeds the number of total trained personnel, the result of rapid hiring over the past two years that outstripped training center capacity. The MoD and MoI do not accurately track which personnel are trained as part of U.S.-funded programs, so this number is not reported.

The increase in authorized MoD and MoI end strength from the previous report to 572,844, reflects the GoI's upward reevaluation of force ratio calculations originally developed by the Coalition in the 2003-2005 timeframe. For the MoD, it represents five new divisions including the previously reported two divisions of the Prime Minister's Expansion Initiative, as well as three additional planned divisions. For the MoI, requests by provincial governments to increase police authorizations have driven significant growth in several provinces. These increases also reflect the GoI desire to have security forces whose size and capability allow them to assume more security responsibility as conditions permit.

MoI and MoD basic combat and police training facilities continue to operate at or near capacity. Even with programmed training base expansion, the shortage of leaders will take years to close. Furthermore, the possible addition to the Iraqi forces—mainly to the police—of over 19,000 of the 91,000 Sons of Iraq currently working with Coalition forces will exacerbate the challenge of training all police who are on the force.

Previous analyses of future force structure requirements project that the total size of the Iraqi forces—military, police and special-operations forces—in 2010 could grow to between 601,000 and 646,000.¹⁹ Ultimately, the GoI will decide force levels based on national security requirements and its fiscal capacity to sustain a significantly expanded force structure. The MoI is projected to grow to a total force of approximately 389,000 employees—Iraqi Police Service (IPS),

National Police (NP) and Directorate of Border Enforcement (DBE)—by the end of 2008; this reflects the impact of the changing security situation on the ground. The MoD continues its focus on the first stage of its force generation, fielding the Counterinsurgency (COIN) force. The COIN force will include 13 Army divisions (twelve infantry, one armored) along with supporting forces, a Navy of 1,500 personnel, an Air Force of 4,000 personnel and a 5,750-man Iraqi National Counter-Terror Force (INCTF). The second stage of force generation will focus on the force modernization and transition to a military force capable of defending Iraqi territory against external threats. This second stage is a longer-term effort and not the current focus of activity. Ultimately, the GoI will decide force levels based on national security requirements and its fiscal capacity to sustain a significantly expanded force structure.

2.1 Assessed Capabilities of the Iraqi Forces

Iraqi forces continue to improve their capabilities, particularly in terms of operations. However, support and sustainment capabilities still lag. The Iraqi Army (IA) fought capably alongside Coalition units engaged in Operation Phantom Phoenix. Similarly, the IPS demonstrated its competence, notably working alongside IA units to defeat the Soldiers of Heaven cult disruptions in southern Iraq during the Ashura holiday. As their readiness levels improve, Iraqi forces will be able to secure Iraq with proportionally reduced Coalition support. Such a transition remains constrained, however, by MoD and MoI leadership shortages at all operational and tactical levels, as well as deficiencies in logistics, combat support functions and combat enablers.

The Coalition's four broad areas of emphasis in developing the MoD and MoI and their forces remain unchanged from the previous report. They are: (1) support the force generation and force replenishment of MoD and MoI forces, (2) improve the proficiency of the Iraqi forces, (3) build specific logistic, sustainment and training capacities, and (4) develop ministerial

and institutional capacity. Challenges within these areas include leader shortfalls, logistics deficiencies (including maintenance and life support), dependence on Coalition forces for many combat support functions, corruption, a lack of professionalism and sectarian bias.

There are four near-term areas of special emphasis through 2008. The first is to ensure that Iraqi forces are mostly self-sufficient in logistics, maintenance and life support. Increasing MoD emphasis on logistics is evident in the growth of trained support forces—from 15,449 to 19,750—since the last report. Second, ensuring the appropriate size, capability and leadership of Iraqi forces such that they can assume additional battlespace from Coalition forces. Third, enhancing the capabilities of Iraqi special operations forces. Finally, ensuring that Iraqi Air Force and Navy growth are on track.

Ministerial Capacity

In order to align its structure more effectively to support building MoD and MoI capacity in these key institutional functions, MNSTC-I reorganized—effective January 1, 2008—into the following directorates and teams: a Directorate of Defense Affairs (DDA), a Directorate of Interior Affairs (DoIA), an Intelligence Transition Team, an Iraqi National Counter-Terror Force (INCTF) Transition Team and a Functional Capabilities Directorate. The DDA is led by a U.S. Air Force Brigadier General and advises the MoD and the Joint Headquarters (JHQ) through the MoD and JHQ Advisory Teams (formerly known as transition teams). It also advises the military services through the Coalition Army Advisory Training Team (CAATT, formerly CMATT), the Coalition Air Force Transition Team (CAFTT) and the Maritime Strategic Transition Team (MaSTT). The DoIA is commanded by a U.S. Army Major General who advises the MoI and its associated police forces. The Intelligence Transition Team (INT-TT) is led by a Senior Executive Service-level DoD civilian intelligence professional. It advises the key intelligence organizations within the security

ministries—the MoD Directorate General for Intelligence and Security (DGIS) and the JHQ Intelligence Directorate (JHQ M2)—as well as the MoI National Information and Investigation Agency (NIIA). The INCTF-TT is led by a U.S. Navy Rear Admiral who advises the Counter-Terrorism Bureau (CTB) and Command (CTC), as well as Iraqi special operations forces. The DDA, the DoIA, the INT-TT and the INCTF-TT focus on building valued relationships with key security ministry personnel, and on-site training and advisory support to their Iraqi counterparts. The new Functional Capabilities Directorate focuses on developing Iraqi capacity and providing subject-matter expertise to both security ministries in the developing areas of force management, personnel acquisition and management, materiel acquisition, resource management, sustainment, training and development.

In February 2008, because of these initiatives, MNSTC-I won the Department of Defense Managers' Internal Control Program "Most Improved Process Award" sponsored by the Deputy Secretary of Defense. To sustain and refine these accounting and oversight practices, MNSTC-I has partnered with the Defense Finance and Accounting Service (DFAS) to create an accounting cell augmented by two DFAS accountants working at MNSTC-I.

The Iraqi JHQ is making progress in its capacity to develop strategic level policies and plans, including the National Military Strategy, service plans, contingency plans and the development of integrated capability lists for force development. The JHQ Operations Directorate (JHQ M3) is effective within the limits of the current command and control structures for the Iraqi forces, although significant command and control challenges remain. In addition, Coalition forces conduct some of the strategic and operational level planning in conjunction with the Iraqi armed forces. As an area for further development, Coalition and Iraqi forces will increasingly conduct combined planning to

increase Iraqi capacity for operational and strategic level planning and execution.

Iraqi Forces Proficiency

As of February 1, 2008, 123 army combat battalions are conducting operations, an increase from 117 in the last report. Another 37 battalions are currently in, or planned for, force generation. Four Special Operations Battalions are capable of conducting operations with minimal Coalition support. Of the 17 infrastructure battalions scheduled for redesignation as infantry units, six have completed training and are operational infantry, one is currently undergoing transition training and seven of the remaining ten are already capable of conducting operations with varying levels of Coalition support. Of all formed Iraqi Army units, 77% are rated as being able to plan, execute and sustain operations with minimal or no assistance from Coalition forces. Since December 2007, six additional units have improved their proficiency and can now conduct COIN operations with Coalition support.

The National Police (NP) also continues to increase its proficiency. The number of authorized operational NP battalions is 38. There are nine battalions capable of planning, executing and sustaining operations with Coalition support. This is an increase of three from the last report.

The three security ministry intelligence institutions assisted by the MNSTC-I INT-TT continue to build capacity and improve performance. They have made significant progress in developing an Iraq-wide secure intelligence communications architecture that enhances intelligence reporting and sharing among agencies. Ministerial-level approval of organizational structures and recent hiring initiatives has improved manning levels across the community. They have made progress in establishing infrastructure in Baghdad; however, challenges remain in many of the provinces. They have also developed some intermediate and advanced intelligence

training, yet much work remains in this area. Finally, personnel vetting and associated security procedures—while improving—are not yet sufficiently mature.

Logistics, Sustainment and Training Capacities

Developing logistics and sustainment capabilities remains an essential task for the Iraqi forces. The MoD-directed transition to life-support self-reliance occurred on December 1, 2007. The Iraqis continue to face challenges to the change in life-support procedures, though the implementation process has been able to provide essential requirements for both operating forces and the institutional training base. This is a large effort and will continue through most of 2008.

At the end of 2007, MoD and JHQ approved plans to develop and build fixed-site base support units (BSUs) for each division. Eight logistics bases now exist. These bases will be expanded and manned to a newly authorized Modified Table of Organization and Equipment (MTOE). Construction of the remaining five bases and associated BSUs should be complete by the end of 2008. Construction of national-level maintenance and warehousing facilities at the Taji National Maintenance and Supply Depots will come on line sequentially beginning in spring 2008. The full set of depot capabilities should be complete by the summer of 2009. Once completed, the Taji National Maintenance and Supply Depots—coupled with BSUs and deployable logistics battalions—will provide the MoD with a nationwide operational supply and distribution system. To support this end-state, the MoD, JHQ, Iraqi Ground Forces Command (IGFC), IA Divisions and MNSTC-I continue to work on the process of training logisticians for combat, base support and depot level positions. The plan to locate divisional logistics battalions at support bases features an emphasis on the recruitment and training of specialized trades required to execute logistics operations.

The MoI is proactively establishing and enforcing logistics procedures and expanding

its logistics capability by hiring additional personnel and constructing warehouses; this should be completed in March 2008. The MoI has also shown improvement in procurement capability and establishing independent service contracts.

Both ministries still receive substantial logistics support from the Coalition, mostly in the form of U.S.-funded contracts, and, to a lesser degree, as direct support. Iraqi forces remain partially dependent on Coalition support to move supplies to BSUs and police warehouses. This dependency will diminish over time with the fielding of motor transport regiments. Ten regiments have been fielded and three will be fielded throughout 2008. Once at the BSU or police warehouse, Iraqi forces distribute commodities to the end user. Both the MoD and the MoI are now increasingly capable of supplying fuel to their units. However, the Ministry of Oil (MoO) still does not allocate sufficient fuel to these ministries for them to execute all mission requirements. Senior Coalition and Iraqi officials are addressing this issue.

Operational events, as well as significant coordination of logistics systems and procedures between the MoD, the JHQ, and MNSTC-I, have altered the national logistics timeline conceived in 2006, as well as the MoD Logistics Action Plan and the Coalition-developed MoI Concept of Support. As conditions change, the MoD develops updated plans in close coordination with key security ministry officials. To normalize direct support, the Coalition and the MoD continue discussions on an Acquisition and Cross Servicing Agreement (ACSA) for the reciprocal provision of logistic support, supplies and services on a reimbursable basis.

Foreign Military Sales (FMS) deliveries have continued to increase since the previous report. The expanded MNSTC-I Security Assistance Office is working with the GoI to develop and refine Iraqi security requirements and FMS cases. December 2007 deliveries marked the

successful completion of the first U.S. FMS weapons cases, which include 21,108 M16A4s, 1,834 M4s, 536 M203s and 208 12-gauge shotguns. Deliveries on the second U.S. weapons cases, to include 4,000 M16A4s, began in January 2008. Shipments of VHF radios to Iraq have begun, with more than 2,500 radios delivered to date. Technical installation and programming is ongoing, and radio fielding will continue monthly until delivery of all 13,000 radios is complete by the end of May 2008.

In December 2007, the first King Air Light Transport Aircraft was delivered to the Iraqi Air Force. This is the first delivery of an aircraft purchased by Iraq and represents a major investment in their capability. In December 2007, the MoD also signed a US\$189 million FMS case for 14 Counter-Terrorism helicopters, with the first two scheduled for delivery in February 2009.

In short, Iraqi purchases of military equipment and equipment deliveries under FMS continue to grow. The MoD has over US\$1.5 billion in FMS cases pending, split roughly between offered Letters of Acceptance (LOA) and LOAs in development. Approximately US\$859 million of FMS goods have been delivered or are being processed for delivery to the MoD. An additional US\$352 million of FMS goods have been delivered or are being processed for delivery to the MoI (US\$272 million) and the Ministry of Justice (MoJ) (US\$80 million).

In early January 2008, the Minister of Defense signed nine force generation Letters of Request (LORs). These LORs support the continued expansion of the planned COIN force and include headquarters units and additional infantry brigades. Appropriate agencies in Washington are reviewing these requests, and finalized LOAs for Iraqi signature are in development.

MNSTC-I has also been working closely with MNC-I and the Iraqi security ministries to

develop a fielding and distribution plan for the purchase of 8,500 up-armored High Mobility Multi-purpose Wheeled Vehicles (HMMWVs) with ISFF money. These vehicles will be distributed to both MoD and MoI units according to agreed upon Iraqi and Coalition operational priorities. Current plans call for the transfer of 4,244 HMMWVs in calendar year (CY) 2008 and the rest in CY2009. These HMMWVs will significantly increase the protected mobility of MoD and MoI forces in combat operations. HMMWV refurbishment to fully mission capable status, operator and mechanic training and unit set fielding plans are all in place to ensure the Iraqi forces are prepared to receive, operate and sustain this additional capability. The Iraqi forces are using this refurbishment process as a platform to accelerate the training of their mechanics and maintenance supervisors.

The MoD and MoI are taking on greater responsibility for life support and for the operations and maintenance of their existing communications networks. The MoI also signed a LOA for life support at the Baghdad Police College. The MoI is reviewing another life-support contract for most of the activities on Camp Dublin. Other life-support contracts are in development.

The Iraqi Army and Police expansion of basic combat and police training facilities has led to noticeable increases in the overall percentages of assigned unit strength. The leader-to-led ratio has also steadily improved. Between March 2007 and January 2008, for example, the percentages across all MoD leader authorizations to which personnel are assigned increased from 33% to 69% for non-commissioned officers (NCOs) and from 43% to 73% for officers. This remains a key developmental area for both security ministries.

Force Expansion

Iraqi forces expanded to a current assigned strength of over 531,000 personnel during this period. This is a result of three major factors. The first is an opportunity to take advantage of

operational successes and set the conditions to recruit from local “tribal Awakenings.” The second is the consolidation of units from various government agencies and ministries under the command and control of the Iraqi security ministries. The third factor is the GoI’s reassessment of the size of an Iraqi force necessary to assume more responsibility for security as the situation allows.

2.2. Ministry of Interior

MoI forces consist largely of the Iraqi Police Service (IPS), the National Police (NP) and the Directorate of Border Enforcement (DBE). Pending passage of the FPS Reform Law, the MoI is preparing to absorb FPS personnel currently spread among other ministries.

Ministry of Interior Transition Issues

Ministry Capacity Development

Although the Minister of Interior remains committed to reforming the MoI, Coalition advisors continue to report steady, but sometimes inconsistent, improvement in the MoI’s ability to perform key ministerial functions such as force management, personnel management, acquisition, training, logistics and sustainment and developing and implementing plans and policies. Reducing corruption and improving professionalism are also focus areas. In 2007, the MoI Directorate of Internal Affairs opened 6,652 cases against ministerial employees. Of those cases, 6,159 were closed during the year. Upon adjudication of these cases, the MoI fired 1,112 employees, disciplined 438 and forced another 23 into retirement. The terminations and forced retirements constitute 17% of the total disciplinary action taken against ministry employees.

One area that has shown improvement is the MoI Contracting Directorate. The MoI Contracts Director is committed to improving the productivity of all MoI contracting offices and has documented its policies and procedures. During 2008, the MoI plans to implement an important training initiative focused on implementing the MoI’s procedures at the national and provincial level.

Another area that has shown improvement is strategic planning. With the support of the MNSTC-I Ministry of Interior Transition Team (MoI-TT) and the United Kingdom's Department for International Development, the MoI has made significant progress in developing a strategic plan to consolidate its plans across the organization. This plan represents a significant boost for MoI strategic planning and coordination and addresses such issues as human resource strategy, administrative and training reform, equipment procurement, infrastructure investments and funding strategies. This plan includes coordinated goals and objectives for each directorate and a comprehensive 2008 budget and capital investment strategy for the MoI. The MoI-TT anticipates plan approval and implementation during 2008 and continues to work with its counterparts to improve the 2009 plan.

Force Management

During this period, the MoI added personnel to the hiring rolls, but police force expansion has continued on an un-programmed basis. The MoI has no mechanism that correctly matches funding with valid requirements and growth projections. The Implementation and Follow-up Committee for National Reconciliation delayed the timely accession of new police recruits, but those processes are now clarified and have begun to produce faster results. The MoI's effort to reconcile police payrolls by identifying and removing ghost employees is making progress. 2,500 of these employees were removed from rosters nationwide in December 2007. The Baghdad IPS expansion plan is meeting goals for recruitment, hiring and equipping. However, limited basic recruit training capability at the Baghdad Police College represents a continuing limitation on program execution. Expanded training bases are planned to mitigate this training limitation. As of January 1, 2008, 8,500 new Baghdad police were hired and the plan is on track to reach the hiring goal of 13,075 new police for Baghdad in March 2008.

Resource Management

The 2008 budget, approved on February 13, 2008, by the CoR, includes separate accounts for the Baghdad Police College, the Higher Institute, the NP, the FPS, the DBE and the Patrol Police. The MoI 2008 budget request to the GoI was US\$7.8 billion, of which the Ministry of Finance (MoF) approved US\$3.8 billion. Even though this represents a 51% reduction of the submitted request, it represents a 21% growth over the 2007 MoI budget.

On January 8, 2008, the Iraqi Council of Ministers approved the MoI's transfer of US\$420 million in excess CY2007 funds to the 2008 FMS account, allowing execution of these funds. The MoI is now working closely with the MoF to transfer those funds in order to ensure continued support and avert a gap in FMS equipment deliveries and subsequent fielding. With transfer of these 2007 FMS funds, the MoI will effectively achieve a 98% 2007 budget execution rate, compared to a 77% execution rate for 2006.

The use of manual systems to report ministry expenditures is a systemic problem for the MoI. In many cases, the MoI receives monthly reports well over two months late. This reduces the usefulness of the information for decision makers. Through the end of CY2007, on-time expenditure reporting has averaged only 65%. To improve performance for 2008, the MoI will insist upon electronic reporting from its spending units and undertake administrative measures to reinforce timely reporting. Additionally, the MoI's nascent strategic planning structure will help sustain positive trends in budget execution. The MoI Finance Directorate, which has expressed interest in developing processes to conduct execution-year budget status reviews, will be a critical element within this new structure. This is a welcome indication of inter-ministerial cooperation. Such senior ministerial level emphasis will reinforce proper and timely budget execution.

Personnel

The MoI's "E-ministry" initiative—an Iraqi-funded system that will link human resource (HR) and payroll actions—is designed to address most personnel accountability issues. "E-ministry" is the result of a MoI HR committee plan to reform ministerial HR systems, with particular focus on linking HR, payroll and training management. Currently, "E-ministry" is in Phase I of a three-phased fielding plan, and the MoI HR department has started populating its database. In December 2007, the MoI called for a complete stand-down of "E-ministry" implementation until completion of off-site training in Amman, Jordan. This off-site training should be completed by February 2008, at which time the MoI will resume "E-ministry" implementation. The "E-ministry" program is projected to be operational prior to January 2009.

Materiel Acquisition

In December 2007, the MoI received large shipments from both the 2006 U.S. FMS program, as well as the initial delivery of a large ammunition and weapons contract brokered independently with China. These deliveries demonstrate that the MoI is increasing its capability to execute Iraqi-funded procurement methods, rather than relying on ISFF. Additionally, the MoI continues expanding its acquisition capability by contracting with Iraqi state factories for uniforms and is moving forward with a purchase of 1,373 additional vehicles.

Logistics and Sustainment

The MoI uses a civilian model for logistics and therefore does not have logistics units, nor does it track personnel by occupational specialty. Once hired, police receive additional training to assume administrative or logistical duties as required. The one notable exception is the recently conceived NP Sustainment Brigade. This brigade serves as a critical enabler to achieve the long-term vision for the NP to project police capabilities nationwide. With an authorized end strength of 2,500, the force generation of this brigade should be complete

by the end of 2008. Currently, the brigade consists of a headquarters company with 721 personnel assigned. The Sustainment Brigade, with its organic mobility, will be capable of accomplishing a wide range of logistical missions: line haul transportation, deployable maintenance, supply receipt storage and issue for NP Divisions, combat health treatment and mobile fuel storage and distribution. The major equipment requirements for this unit are included on a signed LOR for a planned FMS case valued at US\$37 million. The FMS LOA for the case is in development and is the subject of ongoing negotiations with the MoI.

In order to develop a pool of trained MoI mechanics, Coalition-funded ISFF maintenance programs include mechanic training as part of their schedule. Thirty-two mechanics graduated from the latest mechanics course that concluded January 10, 2008. Twenty-four personnel graduated from supervisory mechanics courses in December 2007 and January 2008. Because this is a nascent training program, MoI organic maintenance capability cannot yet sustain the level of maintenance required to keep vehicles operationally ready. As a result, two Coalition contracts are in place to maintain operational readiness rates at or above 85%. These maintenance contracts expire on March 28, 2008, and May 30, 2008, respectively.

Measured progress in contracting for goods and services is creating new challenges with storage capacity and supply distribution. Large deliveries received in December 2007 have challenged MoI throughput capacity. As a result, there is a backlog of some ISFF-funded items at the MoI central warehouse and the ISFF-funded Coalition general support warehouse. As distribution plans were developed and items issued to subordinate units, improvements in weapons, ammunition and vehicles on hand are expected in the next few months.

In order to begin addressing these backlog issues, a Coalition-funded contractor has

started construction on eight new MoI warehouses. The construction projects should be completed by the end of March 2008. In order to increase throughput capacity, the MoI Director of Logistics has received authority to increase his workforce.

The Coalition has contributed approximately US\$68 million for equipment, infrastructure, supplies and training to develop a MoI health-care capability focused on NP and DBE forces. The Coalition purchased over 90 ambulances and constructed clinics at seven locations in the Baghdad area. Despite efforts to establish a MoI healthcare system amidst a nationwide shortage of healthcare professionals, the MoI currently has only 12 physicians, three dentists and approximately 270 medics, technicians and staff assigned to NP and DBE forces. The majority of MoI employees rely on services from the MoH for their healthcare.

Training and Development

There are currently 17 MoI training institutions throughout Iraq. Fourteen of the 17 are under full control of the MoI. The remaining three (Numaniyah, Camp Dublin and the Baghdad Police College) remain a shared responsibility. The Iraqi instructor cadre at the Baghdad Police College handles all basic officer and enlisted recruit training and continues to accept an increasing proportion of the specialized and advanced course load. International Police Advisors (IPAs) and MNSTC-I advisors serve an advisor, overwatch and quality control function. The National Police will assume responsibility for the Numaniyah training center in the spring of 2008.

Overcoming the MoI training backlog faces significant challenges. Consequently, the MoI and the Coalition have formed a joint working group to develop options for training base expansion. The MoI training base is capable of training 77,740 enlisted police and 4,828 officers per year, using a total student capacity of 24,810 at any given time. With the MoI Training Base expansion plan currently in progress through mid-2009, seat capacity will

increase to enable yearly throughput of 117,100 enlisted personnel and 5,377 officers. The increased training will address three needs. First, increased capacity will help reduce the backlog of untrained police, allowing the MoI to reach authorized force levels in a reasonable timeframe. Second, operating a training institution in each province allows for wider recruiting efforts to ensure that training centers operate at or near capacity. Third, the increased capacity is required to handle anticipated force attrition rates associated with the expanded authorizations, as well as providing a broader range of professional training courses in the future.

The MoI training base expansion plan includes the construction of 12 new training centers and the expansion of seven existing training centers. These include new officer colleges in Mosul, Irbil and Basrah, new provincial training centers in Muthanna and Maysan Provinces and the expansion of facilities at the Baghdad Police College, Mosul Provincial Training Center and Habbaniyah. All training centers will eventually share a common curriculum to standardize training. Levels of violence hampered previous expansion efforts.

The MoI continues to maximize officer generation by recalling select former Iraqi Army and Police officers into the force. These recalled personnel become officers after completing a three-week Officer Transition Integration Program (OTIP). Since July 2007, the MoI has completed six OTIP courses, one six-month officer course and one nine-month course. Through these courses, 901 new officers joined the force. In addition to officer and basic enlisted recruit training, specialized training is ongoing in fields such as leadership and technical skills. The MoI Training and Qualification Directorate, working with the MoI HR Directorate, seek to link such professional training with career progression.

Combating Corruption

The MoI shows steady progress in training Internal Affairs and Inspector General

Personnel. Across 2007, the MoI trained 344 Internal Affairs and 140 Inspector General Personnel across five training courses: basic internal affairs, interview and interrogations, anti-corruption, first-line supervisor and an internal affairs advanced course. Finally, Internal Affairs work is inherently dangerous. In November and December 2007, the MoI suffered four Internal Affairs officers killed and another three wounded. Throughout 2007, 14 Internal Affairs officers were killed with another 14 wounded. This remains a key focus area for both the Coalition and the MoI.

The MoI is also taking positive action to ensure accountability of current weapons distribution and to gain visibility of weapons issued prior to the establishment of standardized accountability procedures. In 2006, the MoI established procedures to account for pistols to the individual level. Concurrently, it established a national registry of all MoI-issued weapons and a system of administrative fines for lost weapons.

Embedded Advisory Support

There are 263 Police Transition Teams (PTTs) assigned to the Iraqi Police, covering police commands from local police stations up through the district and provincial levels. There are 28 border transition teams assigned to about two-thirds of the DBE units at the battalion level and above. There are 40 NP TTs assigned to over 80% of the NP units at the battalion level and above, and the MoI-TT has 96 advisors assigned to the various directorates in the MoI, composed of Coalition military, Department of State (DoS) civilians and contracted personnel. Approximately 17% of the required number of PTTs for MoI forces are not yet established due to the unavailability of Coalition Military Police units around which the PTTs can base.

Ministry of Interior Forces

Operational Planning and Execution

The Operations Directorate continues its successful participation in joint planning for major national events. Its contributions to the

Hajj plan and the Police Day celebration led to incident-free events. In the case of the Hajj, successful planning enabled over 30,000 Iraqis to move throughout the country and fulfill their religious obligations without incident. Iraqi command personnel, Coalition members, Danish Police and North Atlantic Treaty Organization (NATO) trainers are refining command-and-control systems through assessment visits to Provincial Joint Command-and-Control Headquarters (PJCC). Four PJCCs were assessed during this period, while the remaining 14 will be assessed in 2008.

Iraqi Police Service

The Iraqi Police Service (IPS) consists of approximately 275,300 patrol, station and traffic personnel. The IPS mission is to enforce the rule of law, safeguard the public and provide local security. As noted in prior reports, the IPS challenges in executing this mission relate to militia and criminal influence, as well as the combat loss, normal wear, attrition, maintenance and theft of equipment. These factors, as well as growth of police authorization levels, will require improvements in equipment support, which underlines the importance of a responsive FMS program. In order to increase its number of trained personnel, the MoI decentralized the authority to conduct Baghdad Basic Recruit Training to the Provincial Director of Police (PDoP).

National Police

The National Police (NP) serves as a bridging force between the local IPS and the Army. Eventually, the NP will allow the Interior Minister to project police capabilities nationwide. NP leadership is engaged in addressing many of the challenges it faces. As a result, NP assigned strength has increased from 60% of 70% of authorization. Under its plan to increase the share of officers in its ranks, the NP received 193 new officer graduates from the nine-month Officer Course at the Baghdad Police College in late 2007, increasing the share of NP officers in the force from 39% to 44%. The NP is continuing its efforts to achieve ethno-sectarian balance within the

force so that force demographics reflect the Iraqi population. For example, on January 21, 2008, 1,829 NP basic recruits graduated from the Numaniyah Training Center. These graduates included 48% Sunni, 46% Shi'a and a mix of Kurds, Turkmen and Christians.

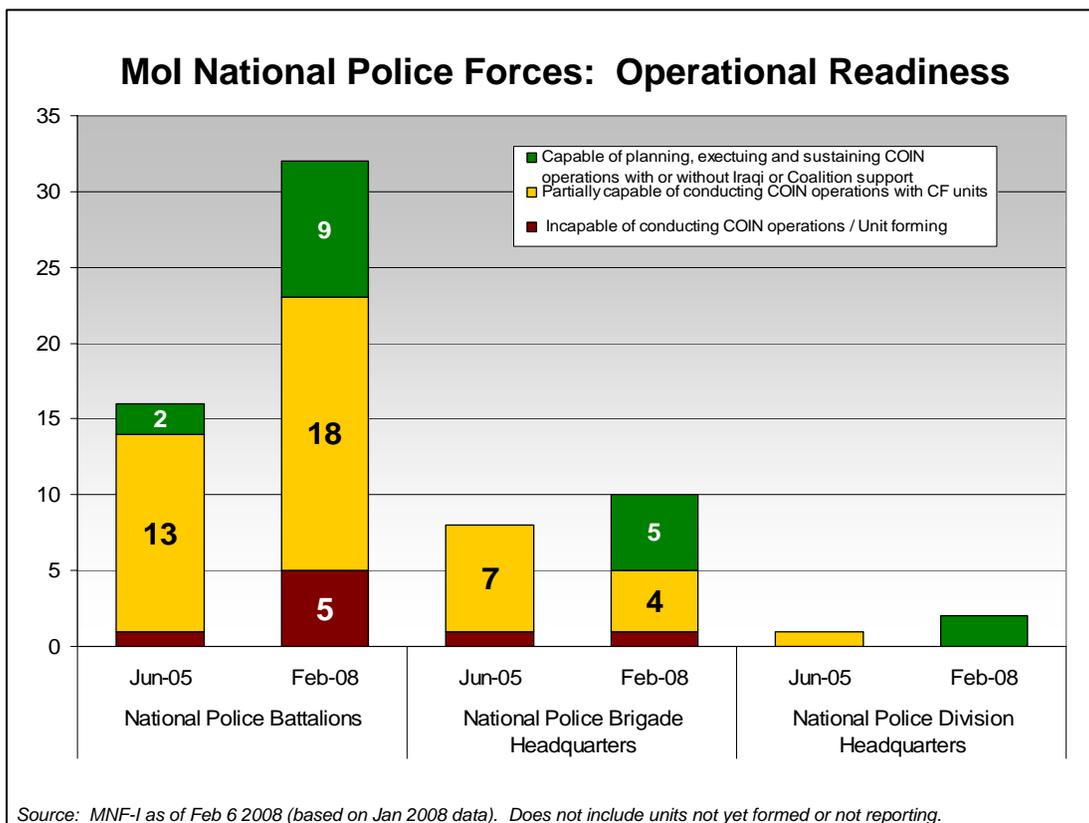
The Coalition continues to support the MoI's four-phased MoI NP Transformation Program intended to address the previously high degree of sectarian behavior in the NP and its limited progression in operational readiness. Phase II of the NP Transformation Program is complete. The first class of Phase III training concluded in late-December 2007, with 430 graduates completing the seven-week curriculum taught by the Italian *Carabinieri*. This training incorporates transitional policing skills that are not currently available in the NP. This training supports the efforts of the NP in becoming a multi-skilled, well-trained professional organization. The second battalion is currently in training with battalion-sized unit training rotations continuing through the spring of 2009. Phase IV of the NP transformation involves basing NP units in areas-of-operation outside

Baghdad. Over time, as NP unit requirements diminish in Baghdad, the NP will "regionalize" within Iraq and establish permanent bases in select provinces. The Prime Minister has directed formation of a third NP division that will be based in Salah ad Din Province.

Directorate of Border Enforcement and Directorate of Ports of Entry

The Directorate of Border Enforcement (DBE) supports two key missions: Ports of Entry (PoE) policing to ensure the smooth transition of legal goods and persons and interdicting illegal traffic—including smuggling and movement of terrorists and foreign fighters—within and between PoEs. The DBE has five regional commands, each responsible for both PoE control and border overwatch and patrol within its area. This results in a border police force structure of 12 brigades and 44 battalions spread across the five DBE regions.

The MoI appointed a permanent Director of Ports of Entry in August 2007 following an 18-month period during which acting directors—all of whom were ineffective in developing and



implementing plans—headed the PoE Directorate. The PoE Directorate is improving its management of 17 land PoEs, seven airports and five seaports. These improvements are part of a larger effort to disrupt the cross-border flow of foreign terrorists and facilitators and to provide the Iraqi border forces with an improved capability to enhance border and PoE security. Based on the recently passed 2008 budget, the proposed DBE CY2008 budget is approximately US\$407.5 million (approximately US\$401 million for operating expenses and US\$6.5 million for capital expenditure). Phase II, which directs improvements at Zurbatiyah, Muntheria, Shalamsha and Al Sheeb is underway and scheduled to be completed in August 2008.

The Director General released the DBE three-year plan in January 2008. He is in the process of manning and constructing additional border forts and annexes to establish a line-of-sight perimeter around Iraq. The envisioned end-state requires an increase to 712 border forts and annexes with a line-of-sight of five to six kilometers, as well as increasing DBE authorized strength from 38,000 to 46,000.

The DBE continues to make progress towards securing Iraq's borders. Units demonstrate an ability to plan and execute all tasked operations. Civil customs inspectors have improved their inspection procedures. Despite these improvements, funding issues continue to hamper the DBE. Its units suffer from officer and NCO shortages, inadequate fuel supplies, lack of maintenance capability, poor logistical support, poor maintenance of facilities and equipment shortages. Many DBE personnel are locally recruited in the border areas and are sometimes complicit with smuggling efforts. Any un-programmed growth of border police within the DBE will exacerbate funding shortfalls for logistics and sustainment.

Facilities Protection Services

The current version of the Facilities Protection Service (FPS) Reform Law awaits CoR approval. The FPS Reform Law provides

authority to consolidate all non-MoI FPS under the MoI, enhancing unity of effort, command and control and common standards. The MoI Legal Advisor conducted another review of the law to consider modifications.

A joint MoI FPS-Coalition steering group meets weekly to discuss consolidation actions and issues while working groups address issues in the functional areas of HR, training, finance, logistics, communications and information technology. Coalition forces have assisted the MoI and FPS in developing a training plan to increase training capacity from 320 per month to over 1,000 per month. The first class under this program will began training in February 2008. Coalition advisors continue to work with the FPS on budget-related issues and increasing the MoI's capacity to train FPS personnel as they assimilate into the MoI.

The MoI FPS directorate conducted an inventory of all personnel assigned to other Ministries and provincial FPS that will be consolidating under the MoI. This inventory included verification of a contract for each individual that will consolidate into the MoI. Based upon this inventory, the anticipated strength of the new FPS will be 107,970 (18,968 currently assigned to MoI FPS and 89,002 FPS from other Ministries).

National Information and Investigation Agency

The National Information and Investigation Agency (NIIA) is the lead intelligence apparatus of the MoI. The organization consists of a National Headquarters, 15 provincial bureaus, six regional bureaus, 56 district offices and offices at 11 PoEs. NIIA analysis and investigations enable intelligence supported police operations across MoI.

At the end of CY2007, NIIA had 4,700 of 7,000 authorized personnel on hand. Increased personnel numbers have measurably improved NIIA capabilities. An end-of-year shipment of 159 vehicles raised its vehicle fill from 62% to 84%. However, NIIA effectiveness remains

hampered by inefficient logistics processes, weak command-and-control systems and a primitive training base. However, improvements in these areas are anticipated based on several ongoing initiatives and projects. The installation of the Iraqi Intelligence Network (I2N) throughout the Agency by the end of 2008 will provide a secure intelligence dissemination means and will facilitate command and control from the Baghdad headquarters to the provincial and border offices. The construction of the new

headquarters and the Baghdad Bureau complex is on track, with completion anticipated in June 2008. To combat militia infiltration, foreign intelligence penetration and corruption, the NIIA is developing a Personnel Assurance Program that includes organic polygraph capability. Ongoing initiatives to improve manning, basing, equipping and training begun in 2007 will translate into improvements in NIIA's intelligence and law enforcement capabilities in 2008.

2.3 Ministry of Defense

The GoI authorizes approximately 208,000 personnel in the MoD, with over 181,000 personnel assigned. The Iraqi Army (IA) has 11 infantry divisions and one mechanized infantry division. In addition, as part of his expansion initiative, the Prime Minister has directed the establishment of one additional division, which is currently being generated. The MoD has made solid gains in institutional capacity and force generation—particularly unit set fielding—during this reporting period but is still developing capacity in other areas. The Joint Headquarters (JHQ) has significantly restructured its command and control arrangements. Coalition assistance provides fielded forces with some logistical support, but the MoD has assumed life-support responsibilities and is working to attain self-sufficiency in maintenance and logistics. The MoD is showing genuine, but sometimes inconsistent, progress in its acquisitions processes. The MoD also demonstrates an increasingly joint and inter-service approach to the planning and management of all ministry requirements. However, lapses in coordination between the largely civilian-staffed MoD and the JHQ continue to occur.

Ministry of Defense Transition Issues Ministry Capacity Development

The MoD continues slow, uneven progress to refine and institutionalize its internal processes, eliminate corruption, strengthen cross-MoD/JHQ relationships and more effectively engage with external stakeholders. Overall, the MoD is assessed as “partially effective” at force management, resource management, personnel, acquisition, logistics and sustainment and training and development, but with an increased capacity to self-manage. The MoD has shown some progress in the areas of FMS management oversight and performing requirements-based budgeting. However, there will continue to be

Iraqi Ground Forces Personnel as of January 17, 2008			
Unit	HRIMS Authorized ^a	Assigned as percent Authorized	Present-for-Duty as percent Authorized
Iraqi Ground Forces Command HQ	1,145	59%	59%
1st Division	11,652	111%	74%
2nd Division (including 6th IAIB ^b)	13,152	100%	68%
3rd Division	8,463	94%	77%
4th Division (includes 4/4 & 13 IAIBs)	24,969	108%	72%
5th Division	9,963	119%	88%
6th Division (includes 16th IAIB)	16,902	117%	82%
7th Division	9,213	107%	70%
8th Division (includes 17th IAIB)	10,152	159%	125%
9th Division (includes 11th IAIB)	11,585	116%	78%
10th Division	9,213	135%	114%
11th Division	8,393	96%	71%
14th Division	6,774	109%	69%
Total Fielded Ground Forces	141,576	113%	81%
Additional Units Planned or In Generation, and 120% manning initiative^d	50,561		
Total Ground Forces Fielded and Planned	192,137		
a. Data is derived from the MoD Human Resource Information Management System (HRIMS), which tracks MoD manpower and payroll data.			
b. IAIB = Iraqi Army Infrastructure Battalion.			
c. HRIMS does not yet account for the 12 th IA Division.			
d. The table represents what TOTAL FIELDDED GROUND FORCES (141,576 – ALMOST ALL ASSIGNED to IGFC) and what is PLANNED or in generation, etc., WRT ground forces (50,561).			

a need for Coalition assistance to provide fielded forces with required logistical and support services until MoD ministerial force management, resource management and sustainment processes mature.

Force Management

MoD force management efforts experienced limited success during this reporting period in the areas of force planning, recruiting and

command and control. The MoD has adopted a process in which new units emerging from collective training are equipped in unit sets. This results in cohesive units formed at higher states of readiness than previous efforts. This process is now part of MoD and JHQ force generation procedures. This approach will continue in 2008 as the means to generate new IA units. The MoD and JHQ staffs continue developing their capabilities to program force generation in accordance with MoD 2007 force generation priorities, but the challenge of integrating activities across functional lines remains significant. The JHQ Chief of Staff has approved the 2008 Force Generation Priority List. However, senior MoD executives—including the Secretary General and the Minister of Defense—have yet to approve it, though they are working from it. While this inaction hinders the ability of MoD and JHQ staff to deliver a coordinated program, force generation is proceeding as scheduled.

Although command, control and coordination are sufficient at the operational and tactical levels, planning and inter-ministerial coordination are often shallow and slow at the strategic level. The defense policies and directives that flow from these immature processes are often labored, insufficient and vague. The Integrated Resource Requirements and Oversight Committee (IRROC) has served as a forum for coordinating the efforts of the various MoD directorates, though its proceedings often lack structure. However, the MoD is currently reviewing the IRROC portfolio, further exacerbating problems with coordination and the uneven quality of staff work within the MoD.

Resource Management

The MoD 2008 budget allocation is approximately US\$5 billion. This results in a 2008 MoD funding shortfall of approximately US\$3.0 billion, based on service plan requirements. This shortfall will require additional GoI funding support or re-programming capability acquisition into 2009 or beyond.

Personnel

The MoD continues to develop a comprehensive personnel management program. Many policies and processes are now in place to support life-cycle personnel functions from recruitment to retirement. Underpinning much of this work has been the development of a robust electronic personnel and payroll system. The system provides salary payments to MoD personnel and auditable accounting records that feed directly into the MoD budgetary system.

Various expansion and replenishment initiatives during 2007 attempted to generate force-manning levels to 120% of required authorizations for IA divisions—primarily to accommodate regular leave schedules. This figure has increased to 135% for the 2nd through 5th IA divisions. As of January 17, 2008, IA divisions have reached an average of 113% of authorized strength for all operational units. This average consists of 157% of authorizations for enlisted personnel, just over 69% of authorized NCOs and just under 73% of authorized officers. Air Force and Navy manning are 45% and 75% of authorization, respectively. IA monthly attrition averages 3.6%, in part due to casualty rates two to three times higher than that of Coalition forces. On average, 2,000 soldiers become absent without leave (AWOL) each week, though an unspecified number return for duty. This equates to an average monthly AWOL rate of approximately 1.2%. Based on available CY 2007 data, approximately 24,500 soldiers were dropped from the IA rolls for desertion or AWOL.

In addition to service-specific personnel programs, the MoD is improving its leader-to-led ratios through its re-joining initiative. During this reporting period, the MoD successfully vetted nearly 500 officers and 9,212 NCOs from the former regime, allowing them to re-join the IA. Prior-service officers and NCOs attend a three-week re-joining course to prepare them for service in the IA. It is expected that up to 1,500 officers and 13,000 NCOs will ultimately enter the force based on the current re-joining effort. As the GoI imple-

ments the Accountability and Justice Law, even more officers and NCOs from the former regime are expected to re-join the IA. As the IA screens “re-joiners,” they capture and record individual biometric data. This screening facilitates achieving important security-related objectives. For example, MoD forces use this data for Identification Cards and to associate issued weapons with individual service members.

Materiel Acquisition

MNSTC-I continues to assist the MoD in purchasing and distributing critical equipment for the Iraqi forces. Through the FMS program, the MoD was able to acquire roughly 90% of all its 2006 requirements by the end of 2007. The Iraqi Direct Contracts Department filled the remaining 2006 requirements. Little improvement occurred in the Direct Contracts Department in 2007 and approval authority continues to be highly restricted and centralized. Due to cumbersome internal processes, the MoD completed only two direct acquisitions in the last six months of 2007. The Minister of Defense personally authorizes all MoD acquisition contracts exceeding 50 million Iraqi Dinar (approximately US\$42,000). For routine spending, MoD officials are reluctant to exercise such authority for fear of corruption allegations, although they have been granted authority to approve expenditures to a given threshold.

On December 30, 2007, the Budget Execution and Acquisition Requirements Operations Center (BEAR-OC) became operational. MoD and Coalition action officers, contracts and acquisition specialists, jointly staff the BEAR-OC. It will help MoD more efficiently equip and sustain the Iraqi armed forces and implement a genuine force generation program. The BEAR-OC will bolster MoD planning, execution and oversight of acquisitions, in particular the FMS effort. In addition to its acquisition tracking tasks, the BEAR-OC will enable MoD leadership to monitor FMS case progress from requirements identification to

materiel delivery; this will improve internal management of FMS actions.

The MoD and MNSTC-I have made some progress in negotiations to secure an Acquisition and Cross Servicing Agreement (ACSA) that will facilitate the reciprocal provision of logistic support, supplies and services on a reimbursable basis between the MoD and the U.S. Government. This will provide the MoD with the opportunity to meet its priority logistics and support needs where there is a requirement for which normal acquisition processes are not sufficiently responsive. The MoD Secretary General has agreed to the ASCA test, and the GoI Special Economic Committee will consider the ACSA in February 2008. An ACSA agreement is expected to be signed in 2008.

Logistics and Sustainment

MoD’s limited logistic and sustainment capacity is improving, but it remains a key area for development. The MoD still requires significant Coalition assistance, especially in warehouse and depot operations. Plans are underway to transfer responsibility for ammunition and supply warehouse operations from the Coalition to Iraqi control. These plans stipulate the transfer of responsibility of national supply and ammunition depots from the Coalition to Iraqi forces by the end of 2008 and maintenance depots by the end of 2009. Furthermore, plans are in place to create motor transport units for new divisions that MoD will generate in the coming months. The MoD has decided that it will develop 13 fixed-site logistics BSUs—one to support each Iraqi Army division. Eight such logistics bases currently exist. Construction of all BSU infrastructure should be complete by the end of 2008.

The ability of the MoD forces to maintain accountability for U.S.-provided equipment remains a challenge. Battlefield attrition, normal wear and tear from a high operational tempo and maintenance shortfalls have resulted in equipment attrition. Without fully capable

IA, JHQ and MoD logistics systems, accounting for the effects of this attrition is difficult. JHQ, IGFC and MNSTC-I continue their combined efforts to reconcile differences between issued and on-hand quantities of equipment through 100% inventories conducted by joint accountability inspection teams.

MNSTC-I involvement with issuing mission-critical items to the Iraqi forces has decreased at the same time as the numbers of these items issued by the MoD has increased.²⁰ In December 2007, the JHQ established a Combined Logistics Operations Center (CLOC) to collect and track the amount of issued, on-hand and fully mission capable equipment, comprising the key pacing items of IA divisions. With the assistance of Coalition advisors, new reporting procedures are being developed to execute this mission. The MoD continues to receive delivery of, and train units on, U.S.-standard equipment, supporting ammunition and repair parts through FMS cases using MoD funds.

The MoD implemented a Life-Support Self-Reliance (LSSR) program for military food preparation and services effective December 1, 2007. The MoD provided initial funding to Divisional Commanders to procure basic equipment and establish local food vendor support. The MoD will provide an increased allocation of funding for LSSR in a phased manner. The MoD has formed committees to audit the funds used to pay for the food and services and to evaluate the quality of food and life-support services provided to the soldiers. The long-term component of the LSSR program involves procuring the infrastructure needed, and training soldiers in the skill sets required, for current and future units, BSUs and training units.

The MoD continues to receive monthly fuel allocations from the MoO that are below required levels. In December 2007, the MoO authorized an 80% increase in its allocation to the MoD, bringing the total amount supplied to 20 million liters of diesel and six million liters

of benzene per month. However, shortfalls will increase as the IA fields new vehicles and as the force structure continues to grow. Because of this, the Coalition has found it necessary to provide emergency fuel supplements.

MNSTC-I is coordinating with the MoD to establish strategic-level ammunition self-sufficiency. The transition of the National Ammunition Depot (NAD) at Bayji from contract operations to mostly Iraqi control should occur during 2008. The MoD has identified the location of a second NAD at Najaf, which features existing ammunition storage facilities. The MoD approved the establishment of a Sea Port of Debarkation at Umm Qasr and an Air Port of Debarkation at Baghdad International Airport to support ammunition transfer and handling. Coalition and contractor personnel, with assigned Iraqi personnel under their instruction, operate the ammunition supply points at BSUs.

IA maintenance procedures have shown improvement, and data indicates that the maintenance backlog figure has stabilized. These procedural improvements have enabled the MoD to transition responsibility for eight of ten "third-level" maintenance sites from the contractor to the IA. The Coalition-funded Iraqi Army Maintenance Program (IAMP) contract was extended through the end of May 2008. This extension allows three things. First, it allows work to continue on a substantial backlog of vehicles at the eight sites that transitioned to IA maintenance. Second, it enables Iraqi vehicle maintenance at the two sites not transitioned to the IA. Third, it allows the Iraqis to develop parts warehouse management operations at all ten sites. The MoD plans to transition the last two sites before the contract expires. MoD has submitted requests for US\$80 million in FMS contracts for the procurement of vehicle spare parts. The MoD does not yet have an automated system, however, to ensure accurate and timely parts replenishment.

Training and Development

Through the Ministerial Training and Development Center, the MoD has begun to address the training deficiencies among its civilian and military work force within the MoD. There were 26 MoD civil servant courses taught and 547 students trained from July to December 2007. The CY2008 course catalog identified courses to be taught in accordance with the Civil Service Development program.

The MoD is implementing a new training system. Previously, training was largely limited to the institutional training base (entry-level, military occupational specialty qualification courses, "re-joiner" training, and officer and NCO training courses). The new IA Training System incrementally builds on the IA's existing institutional training base by adding a home-station training capability at Divisional Training Centers (DTC) and a Combat Training Center (CTC) collective training capability. The availability of additional courses, such as the Corporal's Courses and organizational maintenance courses, and upgraded range and training facilities at Regional Training Centers (RTCs) have all served to improve institutional training. The IA has also established an enhanced collective training capability at CTC Besmaya. MNSTC-I advisory teams have been instrumental in enabling their Iraqi counterparts to conduct their own basic combat training, leadership training and specialty training. By the end of 2008, contractor teams will augment advisory teams in the training centers. These contractor teams will assist Iraqis training development of individual leader skills, squad through company collective tasks and battle-field operating skills and battalion staff collective task skills. Through this effort, the IA will be better able to conduct individual leader, unit collective and battalion staff training with limited Coalition support.

The IA has also started to improve specialized training by establishing 37 Military Occupation Specialty Qualification (MOSQ) courses.²¹

The IA teaches these courses at RTCs and DTCs. By the end of 2008, the IA plans to offer 35 additional MOSQ courses, which will increase IA capacity to add trained and skilled soldiers to the force by greater than 50%. The IA Service and Support Institute (IASSI), located at Taji, offers 23 specialized logistic courses for level 1 and level 2 training. Three separate organizational level 1 and level 2 courses exist at RTC Kirkush, RTC Habbaniyah and Old Muthanna. A supervised on-the-job training program has also been instituted at the Taji National Depot to train level 3 mechanics. In addition, specialized enlisted and officer training is conducted separately at the Armor, Engineer, Signal, Combined Arms, Medical, Intelligence, Military Police, Bomb Disposal and Logistics schools.

In coordination with the Iraqi JHQ, MNSTC-I is examining IA MOSQ requirements to expand required capabilities to support specialized training. The IA conducts the Iraqi Small Arms Weapons Instructor Course, a five-week advanced course at RTC Habbaniyah. The IA continues to conduct explosive ordnance disposal training at the CTC Besmaya Bomb Disposal School, which opened on September 30, 2007, and has an annual training capacity of over 800 soldiers. The IA Trauma Training Course trained four MoD physicians and ten other health personnel in trauma care procedures during this period. Of the eight training sites offering Basic Medic Course (BMC) training this quarter, only one has reported course statistics. For that site, 31 students graduated BMC, increasing the number of MoD-trained medics to 1,606. Collectively, these actions will enable IA self-sufficiency in logistics, combat support and specialized combat arms tasks and missions.

As part of the IA training base expansion, training capacity will continue to increase in support of force modernization and service plans. The current capacity at RTCs, DTCs and CTCs is 18,830 soldiers per cycle. The annual IA basic combat training capacity is now 118,000 soldiers. The IA plans three new

DTCs for 2008, which will together provide an additional capacity of 2,000 soldiers per cycle. These DTCs and RTCs will continue to provide capabilities for home-station training to their supported units—including individual, squad-and-platoon collective and staff and leader tasks.

In 2007, through its specialty training, basic combat training and Re-joiner Leadership Training, the IA trained 76,862 soldiers. Formal officer training and development has marginally improved, but the quantity remains limited. The IA has just started a training needs analysis for their officer education requirements. The results of this analysis are expected by April 2008 with a follow-on plan to resource increased capacity thereafter.

Several nations have made offers to conduct training courses outside Iraq. The MoD is reviewing the procedures for selection of Iraqi officers for this training. In 2007, the MoD failed to fill 262 seats offered by nine nations and NATO, most of which were officer professional education courses. This equates to approximately US\$6 million in lost training opportunities for the Iraqi MoD.

Many courses offered by Coalition forces require English language proficiency, though the MoD continues to lack an effective English language training program. Though English is taught at various locations in the MoD, some Iraqi officers and MoD employees often do not meet the English language requirements for courses offered outside Iraq. This contributes to lost training opportunities. The MoD Iraqi Defense Language Institute (DLI) lacks focus and support. Recently, the NATO Training Mission-Iraq (NTM-I) and MNSTC-I have joined to invigorate English language training. The C-130 Hercules FMS case has some embedded English language training, and the U.S. and UK also recently provided English language instructor courses that graduated 13 qualified candidates. Currently, the Iraqi DLI and NTM-I are conducting a thorough training needs analysis that should pave the way for a

comprehensive plan to develop an English language training program.

Military Justice

Since the passage of the Military Justice and Penal Laws in September 2007, the Iraqi military justice system has met or exceeded Coalition expectations creating an emerging military justice system that can effectively promote good order and discipline. Military Courts are functioning in Baghdad and Basrah. Judges have been appointed in Mosul, Ramadi and Najaf. The first courts-martial have been conducted in Baghdad. The Iraqis are planning their own training courses for newly appointed military judges. The Coalition is also helping the Iraqis build an effective military justice reporting and management tool.

The JHQ Inspector General (IG) office continues to improve under new leadership and is currently focused on IA division unit readiness. In 2007, the JHQ IG conducted initial inspections of all but two IA division headquarters, as well as the IGFC headquarters, several Iraqi Air Force bases and the Iraqi Naval Base at Umm Qasr. In January 2008, the JHQ IG also completed inspections of the 2nd, 8th and 11th Division headquarters, as well as the Iraqi Special Operations Forces headquarters. The JHQ has also conducted several special investigations and handled numerous soldier assistance cases. For the first half of 2008, the JHQ IG is teaching and training military inspectors at each IA division. In order to improve the effectiveness and professionalism of these military inspectors, the JHQ IG is developing detailed inspection checklists based on IA standards and procedures. These checklists will standardize inspections and give division military inspectors a baseline from which to conduct internal division inspections. As training of division military inspectors is completed, the JHQ IG will focus on compliance inspections of division military inspector offices.

Embedded Advisory Support

Advisory Teams (ATs) embed with the MoD and the JHQ. A Senior Executive Service-level UK MoD civil servant has led the MoD-AT since 2004. The MoD-AT consists of approximately 17 advisors including four U.S. military personnel, six British and two Australian civil servants. An Australian general officer leads the 31-person JHQ-AT. The JHQ-AT comprises primarily U.S. military advisors with the remainder a mix of U.S. civilian contractor and military personnel from other Coalition countries. Both ATs report through the Directorate of Defense Affairs to MNSTC-I and provide advisory and mentoring support to senior officials in developing the Iraqi capacity to manage key ministerial functions. Transition Teams also embed with the IGFC and most division, brigade and battalion headquarters. At the tactical level, the Military Transition Teams (MiTTs) assigned to MNC-I usually consist of about ten personnel who advise Iraqi commanders and staff on planning processes and combat operations. The requirement for MiTTs is one per battalion and above, with 207 teams presently fielded with these units.

The Coalition Air Force Transition Team (CAFTT), headed by a U.S. Air Force Brigadier General, has advisor teams at the strategic (Air Staff), operational (Air Operations Center) and tactical (individual squadrons at bases) levels. CAFTT is responsible for assisting the Iraqi Air Force (IqAF) to develop near-term airpower capabilities to support the COIN fight while setting the conditions for a credible and objective air defense force in the long term. This includes advising along the full spectrum of IqAF activities from building, training, equipping and sustaining to flying operational and training missions.

The Maritime Strategic Transition Team (MaSTT), headed by a British Royal Navy Captain, advises the Iraqi Head of Navy and Iraqi Headquarters Staff and is assisting in the development of a capable and responsive Iraqi

Navy. Its Naval Transition Team (NaTT) embeds with the Iraqi Navy at the Umm Qasr Naval Base and supports generation of a properly organized, trained and equipped naval force.

Ministry of Defense Forces

Joint Headquarters – Command and Control

The ability of the Joint Headquarters (JHQ) to deliver and execute operational plans and advise at the strategic level remains nascent. The lines of command remain opaque and serve to encourage control at the highest level. Between operational and strategic boundaries, multiple conflicting lines exist—the Baghdad Operations Center reports to the Prime Minister, the Basrah Operations Center reports to the MoD and the IGFC reports to the JHQ. While currently manageable, transfers of additional provinces to PIC will increase the operational requirement on the Defense Minister and the Prime Minister, whose focus should be on strategic, not operational, issues. The need exists for a national security architecture with clear chains of command and formal delegation of authority. Coalition force advisors are working with GoI officials on these issues.

Iraqi Army

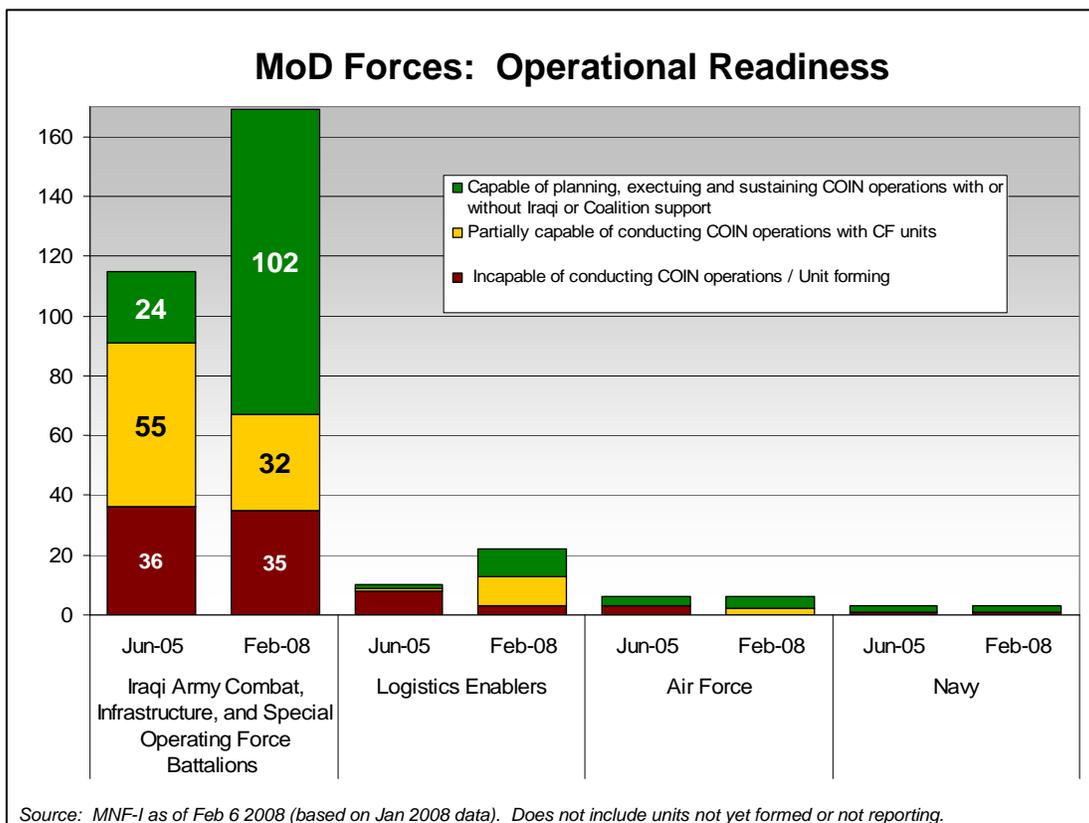
As of January 1, 2008, divisions in the Iraqi Army (IA) consist of approximately 141,000 assigned soldiers and officers. These divisions are currently manned at 113% of authorized strength in order to bolster present-for-duty strength (81% of authorized strength), compensating for the policy of monthly leave. Despite significant increases in the percentage of officers (43% to 73%) and NCOs (33% to 69%) assigned to IA units, a shortage of approximately 18,200 officer and NCO leaders exists and future requirements mean that an additional 20,000 will be required in 2008. As of January 2008, 10,086 former officers (“re-joiners”) are currently serving in the IA.²²

IA monthly attrition rates average approximately 3.6% due to casualties and other factors. In 2007, approximately 24,500 Iraqi soldiers were dropped from the rolls for desertion or being AWOL. IA AWOL reporting typically lags other personnel accounting by over a month. Based on extant trends, once final CY2007 AWOL data is available, up to 27,000 personnel are expected to be dropped from the rolls. Current reporting methods used by the JHQ Personnel Directorate (JHQ M1) do not track specific reasons for soldiers going AWOL. Although soldiers take leave to bring their pay home, there is no factual or anecdotal evidence to support claims that this policy leads to increasing AWOL rates. Some soldiers travel significant distances from their units to go home on leave, and this issue does contribute to low present-for-duty rates over extended periods. In recognition of this problem, the MoD is attempting to reduce extended leave and travel time by assigning soldiers to the same general areas from which they were recruited.

The IA has developed, and is starting to

implement, several concepts to increase the number and quality of leaders. These initiatives include accelerated officer commissioning programs for university graduates, waivers to current time-in-grade or time-in-service promotion requirements and active recruitment of former Iraqi officers and NCOs. Additionally, the top 10% of each Basic Combat Training class attends a “fast-track” Corporal’s Course. To improve leader quality, the IA has initiated a comprehensive process to document required leader competencies, policy, training support, promotions and training delivery for both officers and NCOs. The IA will conduct a pilot course for a revised Sergeant’s Course in May 2008. This “proof-of-principle” will train 40 sergeants who will become a training cadre to establish a new Sergeant’s Courses at each RTC. Lessons learned from this developmental process will refine the remaining NCO and officer leadership courses.

A number of units are currently in force generation, including one division headquarters, five brigade headquarters and 22 battalions, including an Engineering



Infrastructure Battalion. By the end of March 2008 two additional brigades, six support companies, five infantry battalions and a motor transport regiment will begin the force generation process. The IA continues to build units as planned, and the MoD and JHQ work together to prioritize force generation units and to determine resourcing requirements for equipment, basing and training. Logistics unit development and generation is progressing at an accelerated rate based on projected 2008 IA force generation growth. This generation includes 13 logistics BSUs—one aligned to each IA division. Additionally, the generation of Motor Transport Regiments and Headquarters Service Companies for two additional divisions continues on schedule. These logistics units are necessary for the IA to achieve more complete self-sufficiency. Coordination with the MoD and JHQ focuses on the continued effort to maximize the training bases to full capacity to meet the requirements for force generation and replenishment.

By the end of March 2008, three battalions will train with and field BMP light tanks. Selected battalion personnel will receive 25 days of individual training on communications, driving and maintenance and gunnery operations. The remaining battalion personnel will conduct dismounted infantry training at the squad, platoon and company level. At the conclusion of the training cycle, the battalion will conduct a three-day live fire exercise. The first of these BMP equipped battalions began operations in January 2008.

Upon completion of the training phases, new battalions and brigades conduct unit set fielding. Through this Iraqi-led training and fielding process, the brigade and battalions receive their unit equipment and participate in marksmanship qualification (individual and crew served), maintenance and drivers training, close-quarters-combat and squad level collective tasks. Unit set fielding has proven to be a valuable combat multiplier by entering units into the battlespace at a higher level of manning, training and equipping readiness.

The IA conducts unit set fielding at multiple locations, leveraging existing training capabilities.

At the tactical level, the IA's ability to plan and execute deployments steadily progresses. A number of units are able to plan and operate with minimal Coalition support, as evidenced by Operation Lion Pounce in Diwaniyah, successful planning and execution of the Hajj security plan and the on-going Mosul security plan. The current deployment of over 20 battalion or brigade headquarters from their traditional areas of responsibility shows an increased capability for the IA to assess and deploy troops where they are needed. There are still improvements to be made in their abilities to specify command relationships and properly sustain these units. As of February 2008, the IGFC has assumed command-and-control of 12 IA divisions including 40 brigade headquarters and 122 battalions. The 6th and 9th Divisions have been subordinated to the MoD Baghdad Operations Command for tactical control with IGFC retaining administrative control. Operational commands have expanded to include Ninewa, Karbala, Samarra, Basrah and Diyala. The IA plans an additional operations command for Anbar in 2008. These actions may ultimately result in the establishment of four Corps headquarters—an Iraqi-conceived concept that is still in development.

The Iraqi Army Infrastructure Battalions (IAIBs) are conducting a retraining and reequipping process that will transform them into regular IA Battalions. The MoD decided to convert these units to a light infantry structure, trained in infrastructure protection using equipment on hand. The first six IAIBs and two brigade headquarters programmed for transition into regular IA units have completed training. The Engineering Infrastructure Battalion (EIB) is currently training at Taji training center. The MoD, MoE and MoO are coordinating on the development of this unit, and it will generate in two phases between December 2007 and May 2008. Phase I will include generation of a Headquarters and

Service Company, two Security Companies and an Electric Repair Company. In Phase II, a Pipeline Repair Company will force generate and receive specialty training assistance from the MoO. This unit will provide the IA critical capability to repair damaged electrical power lines and oil pipelines in unsecured areas, with the support of the mobile security companies. The two security companies will undergo unit set fielding at Combat Training Center Besmayah. Equipment funding is being provided via a joint effort between MNSTC-I and the Embassy's ITAO.

Eight of ten Iraqi maintenance sites have completely transitioned to self-reliance. The IAMP has reduced the HMMWV backlog from 324 in September 2007 to 82 in January 2008. CAATT is enhancing training by providing HMMWVs, recovery vehicles, trucks necessary to conduct effective hands-on maintenance training for 2nd and 3rd Line Maintenance, as well as driver training.

The IA has expanded fielding of units and training on U.S.-standard weapons such as M16A4s and M4s, which the MoD has procured through FMS. Accountability of M16A4s and M4s is enforced through a process that uses multiple forms of identification, including biometric technology. To date, the IA and MNSTC-I have fielded approximately 15,593 M16A4 and M4s and have conducted weapons familiarization. In conjunction with the M16A4 and M4 fielding and training, the IA and MNSTC-I have trained up to 1,614 IA officers and NCOs as trainers on these weapon systems, and up to 210 IA soldiers as weapons maintainers to date.

Iraqi Navy

The Iraqi Navy has 1,115 assigned officers, sailors and marines. In late January 2008, the Iraqi Navy graduated 223 additional sailors and marines into the force. By third quarter 2008, the Navy will increase by another 300 sailors and 100 marines, taking it to 76% of its projected 2010 manpower requirement. The Navy headquarters element at the MoD

continues to improve its effectiveness in the day-to-day management of the Iraqi Navy, its interaction within the MoD and enforcement of the strategy illustrated in the comprehensive Navy Plan. The Iraqi Navy operates out of a single base in Umm Qasr. It consists of an operational headquarters, one squadron afloat, one support squadron and one battalion of marines who provide point defense of the offshore oil platforms. The Iraqi Navy operates five small Patrol Boats and ten fast insertion craft in support of continual surveillance operations and protection of the Al Basrah and Kwhar al Amaya oil terminals. Additionally, the Iraqi Navy conducts patrols and boardings from their fast craft in the Khwar Abd Allah Waterway approaches to Umm Qasr. Typically, the Iraqi Navy conducts 28 to 32 independent patrols, resulting in 12 boardings, per week. This represents an increase of nearly 80% since the last report.

Future Iraqi Navy planned procurement includes 21 major vessels and 50 fast insertion and interdiction craft necessary by 2011. During this reporting period, Iraqi contracts have been signed and shipbuilding has commenced for two offshore support vessels, with the first due in March 2009; four patrol ships, with the first due in June 2009; three patrol boats, with the first due in February 2009; and 36 fast interdiction craft, which will commence coming on line in late 2008. The Navy has made further progress with Iraqi-funded FMS projects for major Sea Wall and Pier construction in Umm Qasr to support the new fleet, the next batch of six patrol boats and numerous smaller projects ranging from spare parts to new uniforms. In addition to these efforts, work continues to provide a functioning BSU—with sufficient billeting and dining facilities to meet growing naval manpower needs—by the end of the first quarter of 2008.

Despite these positive steps, the Iraqi Navy still faces challenges in matching its training needs in leadership, operations, navigation, technical skills, and Command and Control (C2) systems to its ambitious acquisition program.

Responses to these challenges include the additional 2008 FMS projects that are pending to address C2 requirements and the continued Coalition advising and development of the Iraqi Navy. In order to meet the maritime transition goals set for late 2010, the Navy may conduct some sophisticated training in other countries.

Iraqi Air Force

There are 1,305 personnel assigned to the Iraqi Air Force (IqAF), representing 45% of authorized strength. The IqAF currently has 56 assigned aircraft and 146 total pilots. The IqAF flew approximately 120 sorties in January 2007, 1,004 sorties in November 2007, and 1,205 sorties in December 2007. These sorties include intelligence, surveillance and reconnaissance (ISR), transport and training missions.

The two training institutions in the IqAF are the Flight Training School in Kirkuk and the IqAF Training Wing at Taji. The IqAF Training Wing at Taji Air Base is responsible for four schools (Basic Military Training school, Basic Technical Training school, Air Force Academy and the Air Force Officer Course at the Iraq Military Academy al Rustamiyah), all of which were stood-up in 2007. Flight training takes place at the Flight Training School in Kirkuk. Training pipeline throughput continues to increase. In December 2007, the IqAF commissioned 74 officers. In January 2008, 116 new IqAF warrant officers—the first since Operation Iraqi Freedom (OIF)—graduated. The current IqAF annual capacity for technical training is 960, while annual pilot training capacity is 135. There are 14 IqAF training staff members assigned to these schools while CAFTT provides 56 personnel.

The IqAF took delivery of its first of six King Air 350 aircraft in December 2007. This aircraft is critical as it adds training capacity not currently available to the IqAF for the five additional advanced ISR-version King Air 350's to be delivered in 2008. This will increase IqAF ISR fleet size by 38%, with concomitant growth in time-over-target capability. The IqAF rotary-wing fleet of 35

helicopters is located at Taji Air Base. The Mi-17 helicopters of 4th Squadron continue to have very limited employment capability due to defensive system limitations. However, modifications are scheduled to begin in March. Fourteen Mi-17's will arrive in 2008. There are 22 counter-terrorism-version Mi-17s that have been purchased; they will begin arriving in March 2009. The 23rd Squadron at New al-Muthanna Air Base has three C-130E aircraft on which IqAF technicians perform routine maintenance with minimal Coalition support.

The IqAF achieved Initial Operational Capability (IOC) for non-kinetic COIN in December 2007, providing the GoI with proven mobility and ISR collection and dissemination capability. Exercise First Star demonstrated this capability on November 12-14, 2007. First Star was the first IqAF-planned exercise since OIF. The IqAF also declared IOC of its Air Operation Center in December 2007, providing increased command and control for its forces. The IqAF continues expanding its ISR coverage across the nation, and, in late-December 2007, four entirely IqAF-manned Mi-17s deployed to Basrah to conduct reconnaissance and "show-the-flag" missions. In January 2008, the IqAF flew surveillance missions in support of the Ashura pilgrimage to Karbala. One IqAF ISR mission identified rogue militia checkpoints in Nasiriyah and coordinated with Iraqi ground forces as the latter made several insurgent arrests. Finally, the IqAF continues to perform surveillance of electric lines and oil pipelines.

2.4 Iraqi National Counter-Terrorism Forces (INCTF)

Transition of the Iraqi Special Operations Forces (ISOF) Brigade command and control from Coalition forces to the Iraqis at the Counter-Terrorism Bureau (CTB) and Counter-Terrorism Command (CTC) is on track. The 1st ISOF Brigade has been formed, equipped and provided with initial trainees. It is currently organized under the CTC, with formal command of the Brigade transitioning to the CTB and CTC in 2009. Initial secure communications between

the CTB, the CTC and the ISOF Brigade are operational. Funding to purchase secure tactical communication equipment has been approved and it will be fielded in 2008. The CTB and CTC achieved IOC in January 2008 and have entered Phase III transition, which means combined U.S.-Iraqi command and control with personnel conducting side-by-side ground operations. The current projected start of Phase IV transition—Iraqi command and control of ground operations with U.S. oversight—is in the summer of 2008.

Currently, CTC and CTB are manned to 79% and 53% of authorizations respectively. The ISOF brigade consists of an Iraqi National Counter-Terrorism Force (INCTF) battalion, three Commando battalions, a support battalion and a special reconnaissance unit. The training of new INCTF special operators occurs at the ISOF Brigade Iraqi Special Warfare Center and School (ISWCS). This is the only organic training institution within the INCTF structure. INCTF training capacity for non-operator, support personnel and specialists relies on acquiring soldiers and training from MoD schools. INCTF training capacity is constrained by the rigorous vetting, assessment and selection process required for all ISOF personnel. Despite this constraint, the ISWCS remains capable of producing the special operators required to fill the ISOF Brigade.

Four regional commando battalions are currently in generation as an expansion effort to increase ISOF presence and nationwide capability to conduct CT operations. INCTF is establishing these 440-man battalions in Basrah, Mosul, Diyala and Al Asad. Their development remains on track with ISWCS training currently underway to complete fielding of the first two sites: Basrah and Mosul. As of January 2008, the Commando Battalions at Basrah and Mosul have reached 80% manning, achieving IOC to conduct local CT missions. Diyala and Al

Asad will achieve IOC by May and July 2008 respectively, and construction of permanent basing to support the four regional commando battalions should be complete by February 2009.

The GoI plans to establish an ISOF Brigade Garrison Support Unit (GSU) to provide combat service support, facility and security support for the ISOF Brigade. The statement of requirement and the MTOE are in the review process, and GSU force generation is approved for funding with ISFF. When fully fielded, the GSU will consist of a 766-man unit co-located with the ISOF Brigade HQ. It will also provide 60-man regional support unit detachments permanently deployed in support of each of the four regional commando battalions.

Regional CT Centers (RCCs), similar to Joint Interagency Task Force (JIATF) organizations, will be established at all four regional commando bases as infrastructure construction is completed. The RCCs will work for CTC to develop terrorist network mapping for the region and will support intelligence fusion efforts in the regional commando battalion battlespace. The RCCs at Basrah and Mosul regional commando bases will achieve IOC in January 2008, with follow-on in Diyala and Al Asad by the summer of 2008.

In February 2008, Coalition Air Force Advisors and the IqAF began night vision goggle (NVG) training as the basis for future CT pilot training. Potential CT pilots and aircrew will undergo NVG flying introduction in order to select the best pilots for advanced CT aviation training as early as April 2008. Selected pilots will continue to log NVG training hours in order to attain a proficiency level that prepares them for Advanced Special Operations specific training as early as late summer 2008. Once fielded, this special operations aviation capability will reside in the IqAF 15 Squadron.

Annex A

List of Acronyms and Abbreviations

AQI	al Qaeda in Iraq
ASCA	Acquisition and Cross Servicing Agreement
AT	Advisory Team
AWOL	Absent Without Leave
BCT	Brigade Combat Team
BaOC	Basrah Operations Command
BEAR-OC	Budget Execution and Acquisition Requirements Operation Center
BMC	Basic Medic Course
BOC	Baghdad Operations Command
BSU	Base Support Unit
C2	Command and Control
CAAT	Coalition Army Advisory Training Team
CAFTT	Coalition Air Force Transition Team
CCC-I	Central Criminal Court of Iraq
CLOC	Combined Logistics Operations Center
COP	Combat Outposts
CoR	Council of Representatives
CLC	Concerned Local Citizen
CMATT	Coalition Military Assistance Training Team
COIN	Counterinsurgency
CRC	Constitutional Review Committee
CSP	Community Stabilization Program
CTB	Counter Terrorism Bureau
CTC	Counter Terrorism Command
CY	Calendar Year
DBE	Directorate of Border Enforcement
DDA	Directorate of Defense Affairs
DDR	Demobilization, Disarmament, and Reintegration
DFAS	Defense Finance and Accounting Service
DGIS	Directorate General for Intelligence and Security
DLI	Defense Language Institute
DoIA	Directorate of Interior Affairs
DTC	Divisional Training Center
EFP	Explosively Formed Penetrator
EIB	Engineering Infrastructure Battalion
ePRT	Embedded PRT
FMS	Foreign Military Sales
FOB	Forward Operating Base
FPS	Facilities Protection Service
GDP	Gross Domestic Product
GoI	Government of Iraq
GSU	Garrison Support Unit
HJC	Higher Juridical Council
HMMWV	High Mobility Multipurpose Wheeled Vehicle
HR	Human Resources
I2N	Iraqi Intelligence Network

IA	Iraqi Army
IAIB	Iraqi Army Infrastructure Battalions (formerly SIB)
IAMP	Iraqi Army Maintenance Program
IASSI	Iraqi Army Service and Support Institute
ICI	International Compact with Iraq
IDP	Internally Displaced Person
IED	Improvised Explosive Devices
IG	Inspector General
IGFC	Iraqi Ground Forces Command
IMF	International Monetary Fund
INCTF	Iraqi National Counter-Terrorism Force
INT-TT	Intelligence Transition Team
IOC	Initial Operating Capability
IPA	International Police Advisor
IPS	Iraqi Police Service
IqAF	Iraqi Air Force
IRGC-QF	Iranian Islamic Revolutionary Guard Corps - Qods Force
IRRF	Iraq Relief and Reconstruction Fund
IRROC	Integrated Resource Requirements and Oversight Committee
ISF	Iraqi Security Forces
ISFF	Iraqi Security Forces Funds
ISCI	Islamic Supreme Council of Iraq
ISOF	Iraqi Special Operations Forces
ISR	Intelligence, Surveillance, and Reconnaissance
ISWCS	Iraqi Special Warfare Center and School
ITAO	Iraq Transition Assistance Office
JAM	Jaysh al-Mahdi
JHQ	Joint Headquarters
JIATF	Joint Interagency Task Force
JSS	Joint Security Station
JTERP	Joint Technical Education and Reintegration Program
KRG	Kurdistan Regional Government
LAOTF	Law and Order Task Force
LOA	Letter of Acceptance
LOR	Letter of Request
LSSR	Life-Support Self-Reliance
MaSTT	Maritime Strategic Transition Team
mbbl/d	Million Barrels Per Day
MCC	Major Crimes Court
MiTT	Military Transition Teams
MNC-I	Multi-National Corps-Iraq
MND-SE	Multi-National Division-Southeast
MNF-I	Multi-National Force-Iraq
MNSTC-I	Multi-National Security Transition Command-Iraq
MoD	Ministry of Defense
MoE	Ministry of Electricity
MoF	Ministry of Finance
MoH	Ministry of Health
MoI	Ministry of Interior

MoIM	Ministry of Industry and Minerals
MoI-TT	Ministry of Interior Transition Team
MoJ	Ministry of Justice
MoLSA	Ministry of Labor and Social Affairs
MoO	Ministry of Oil
MOSQ	Military Occupational Specialty Qualification
MRAP	Mine Resistant Ambush Protected
MTOE	Modified Table of Organization and Equipment
MWh	Megawatt hours
NAD	National Ammunition Depot
NaTT	Naval Transition Team
NCO	Non-Commissioned Officer
NIIA	National Information and Investigation Agency
NP	National Police
NTM-I	NATO Training Mission - Iraq
NVG	Night Vision Goggle
OIF	Operation Iraqi Freedom
OMS	Office of the Martyr Sadr
OTIP	Officer Transition Integration Program
PAC	Procurement Assistance Center
PBIED	Person Borne Improvised Explosive Device
PDOP	Provincial Director of Police
PHC	Public Healthcare Centers
PIC	Provincial Iraqi Control
PJCC	Provincial Joint Command and Control Headquarters
PoE	Directorate of Ports of Entry
PKK	Kurdistan Worker's Party
PRT	Provincial Reconstruction Team
PST	Provincial Support Teams
PTT	Police Transition Team
REO	Regional Embassy Office
ROLC	Rule of Law Complex
RTC	Regional Training Center
SAI	<i>Sahawa al-Iraq</i>
SBA	Stand-By Arrangement
SG	Special Groups
SIB	Strategic Infrastructure Battalion
SOI	Sons of Iraq
SVBIED	Suicide vehicle-borne IED
TF-BSO	Task Force to Improve Business and Stability Operations-Iraq
UN	United Nations
UNAMI	United Nations Assistance Mission Iraq
UNSCR	UN Security Council Resolution
USAID	United States Agency for International Development
VBIED	Vehicle-borne IED

¹ This report also meets all requirements of Section 609 of Public Law 110-161.

² The data cutoff date for this report is February 26, 2008.

³ Headline inflation in 2007 was 4.7%, compared to 2006 headline inflation of 65%. Headline inflation includes fuel, electricity, transport and communications.

⁴ *Inma* translates as “growth” in Arabic.

⁵ Five PHCs have been deprogrammed, reducing the total planned from 142 to 137.

⁶ *Sahawa al Iraq* translates as “Awakening Movement of Iraq” in Arabic.

⁷ Nationwide poll, January 2008: “How would you describe the security situation today in the country?” Nationwide, 26% said “Calm,” 35% said “Violent,” and 38% said “Sometimes calm and sometimes violent.” Sample size: ~12,000. Margin of error: ~1%, <8% provincial.

⁸ Nationwide poll, January 2008: “How would you describe the security situation today in your province?” Nationwide, 50% said “Calm,” 14% said “Violent,” and 34% said “Sometimes calm and sometimes violent.” Sample size: ~12,000. Margin of error: ~1%, <8% provincial.

⁹ Nationwide poll, January 2008: “How would you describe the security situation today in your neighborhood?” Nationwide, 67% said “Calm,” 9% said “Violent,” and 22% said “Sometimes calm and sometimes violent.” Sample size: ~12,000. Margin of error: ~1%, <8% provincial.

¹⁰ Nationwide poll, January 2008: “Do you agree with the following statements? I feel safe and secure in my neighborhood and I feel safe traveling outside my neighborhood.” Nationwide, 79% of respondents agree that they feel safe inside their neighborhoods and 49% feel safe traveling outside their neighborhoods. Sample size: ~12,000. Margin of error: ~1%, <8% provincial.

¹¹ Nationwide poll, January 2008: “How would you rate the level of peace and stability in Iraq today?” Nationwide, 41% of Iraqis rate the country as “Stable,” 33% rate the country as “Unstable,” 22% rate the country “Neither Stable or Unstable,” and 4% “Unsure or Did Not Answer.” Sample size: ~8400. Margin of error: ~ 1.5%, <10% provincial

¹² Nationwide poll, January 2008: “How much confidence do you have in the following to improve the overall security situation in Iraq? Iraqi Army” Nationwide, 77% of Iraqis answered “I have confidence in the Iraqi Army’s ability to improve the overall security situation.” Sample size: ~8400. Margin of error: ~ 1.5%, <10% provincial.

¹³ Nationwide poll, January 2008: “How much confidence do you have in the following to protect you and your family against threats? Iraqi Army.” Nationwide, 76% of Iraqis had at least a little/some confidence in the ability of the Iraqi Army to protect them/their family against threats. 16.8% said “Not Confident.” Sample size: ~8400. Margin of error: ~ 1.5%, <10% provincial.

¹⁴ Nationwide poll, January 2008: “How much confidence do you have in the following to protect you and your family against threats? Iraqi Police.” Nationwide, 74% of Iraqis had at least a little/some confidence in the ability of the Iraqi Police to protect them/their family against threats. 20% said “Not Confident.” Sample size: ~8400. Margin of error: ~ 1.5%, <10% provincial.

¹⁵ Nationwide poll, January 2008: “How much confidence do you have in the following to protect you and your family against threats? Multi-National Force.” Nationwide, 27% of Iraqis had at least a little/some confidence in the ability of Multi-National Force-Iraq to protect them/their family against threats. Sample size: ~8400. Margin of error: ~ 1.5%, <10% provincial.

¹⁶ Nationwide poll, January 2008: “Do you think the Iraqi Police are winning or losing the battle against fighting crime?” Nationwide, 51% of Iraqis answered “Winning.” Sample size: ~8400. Margin of error: ~ 1.5%, <10% provincial.

¹⁷ Nationwide poll, January 2008: “Do you think the Iraqi Army is winning or losing the battle against terrorists?” Nationwide, 54% of Iraqis answered “Winning.” Sample size: ~8400. Margin of error: ~ 1.5%, <10% provincial.

¹⁸ U.S. appropriated funds used for generating Iraqi military and police forces include US\$5 billion in the fiscal year (FY) 2004 Iraq Relief and Reconstruction Fund (IRRF). It also includes US\$5.4 billion in FY2005 for the Iraq Security Forces Fund (ISFF) followed by additional injections of US\$3 billion in 2006, US\$5.5 billion in 2007, and projected expenditures of US\$3 billion in 2008—a total of US\$21.9 billion.

¹⁹ Four separate analyses informed these Iraqi force end-strength estimates. The first was the May 2007 MNSTC-I In-stride Assessment of the Iraqi force growth required in 2008 to protect the population, overmatch the enemy, provide the depth necessary to deploy forces across the country, and implement an annual retraining and reconstitution program. The second was Iraqi military Service plans focused on the 2010-2015 period and MoI Plans that addressed near-term police force growth. The third was an MNC-I assessment of the Iraqi Army’s required enduring posture by 2010. The fourth was a MNSTC-I directed, MNF-I sponsored Iraqi force analysis conducted by the Center for Army Analysis. The primary objective of this assessment was to determine if the projected, near-term (2010) Iraqi forces were capable of overmatching the anticipated threat. The assessment concluded that Iraqi forces were incapable of overmatching the threat and recommended additional force structure growth and specific capabilities.

²⁰ Mission critical items include up-armored HMMWVs, armored vehicles, wheeled Armored Personnel Carriers, heavy weapons and fuel trucks.

²¹ These 37 MOSQ courses presently consist of seven Medical, four Transportation, four Maintenance, five Military Police, four Administration, four Supply, four Signal and five Armorer courses

²² The December 2007 report indicated that 11,932 former officers are serving in the IA. However, based on accounting errors in the MoD pay system, the IA inadvertently counted some officers as former regime personnel when in fact they were not “re-joiners.” This is the reason why more “re-joiners” are counted in the December 2007 report than in this report.