

IRAQ BENCHMARK ASSESSMENT REPORT

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

THE SECOND OF TWO REPORTS THAT ASSESSES THE STATUS OF EACH OF THE 18 IRAQI BENCHMARKS, CONSISTENT WITH SECTION 1314 OF THE U.S. TROOP READINESS, VETERANS' CARE, KATRINA RECOVERY, AND IRAQ ACCOUNTABILITY APPROPRIATIONS ACT OF 2007, PUB. L. 110-28



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To the Congress of the United States:

Consistent with section 1314 of the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007 (Public Law 110–28) (the “Act”), attached is a report that assesses the status of each of the 18 Iraqi benchmarks contained in the Act and declares whether satisfactory progress toward meeting these benchmarks is, or is not, being achieved.

The second of two reports submitted consistent with the Act, it has been prepared in consultation with the Secretaries of State and Defense; the Commander, Multi-National Force-Iraq; the United States Ambassador to Iraq; and the Commander, United States Central Command.

GEORGE W. BUSH.

THE WHITE HOUSE, *September 14, 2007*.

BENCHMARK ASSESSMENT REPORT—SEPTEMBER 14, 2007

This report is submitted consistent with Section 1314 of the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007 (Public Law 110–28) (the “Act”). It includes an assessment of how the sovereign Government of Iraq is performing in its efforts to achieve a series of specific benchmarks contained in the Act, as well as any adjustments to strategy that may be warranted in light of that performance. This is the second of two reports to be submitted consistent with the Act and has been prepared in consultation with the Secretaries of State and Defense; Commander, Multi-National Force-Iraq; the United States Ambassador to Iraq; and the Commander, United States Central Command, consistent with Section 1314(b)(2)(B) of the Act. This assessment complements other reports and information about Iraq provided to the 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.

Introduction

Section 1314 of the Act states that the President is to submit to Congress two reports assessing the status of each of the 18 benchmarks contained in the Act and declaring whether, in the President's judgment, satisfactory progress is being achieved with respect to those 18 benchmarks. These benchmarks relate to Government of Iraq actions believed to be important to advance reconciliation within Iraqi society, to improve the security of the Iraqi population, to provide essential services to the population, and to promote its economic well-being. Iraqi Government efforts to achieve these benchmarks complement other U.S. and Iraqi collaborative actions as part of the New Way Forward.

Current U.S. strategy: New Way Forward

Current U.S. strategy—the New Way Forward—recognizes that the fulfillment of commitments by both the U.S. and Iraqi Governments will be necessary to achieving our common goal: a democratic Iraq that can govern, defend, and sustain itself and be an ally in the War on Terror. The building of a strong strategic partnership with the Iraqi Government will be an important part of the effort to achieve this end state, which remains a long-term goal, and requires the application of all elements of national power, including especially diplomatic, economic, political, and military power.

Our overarching strategy continues to emphasize a transition of responsibility to the Iraqi Government and its security forces. The New Way Forward recognized that, in response to the upsurge in sectarian violence in 2006, it was necessary for Coalition Forces to temporarily play a greater role, in conjunction with the Iraqi Secu-

rity Forces, in securing the Iraqi population. This is not meant to replace Iraqi efforts to provide security but to help provide the necessary time and space with which the Iraqi Government can continue to build its own capacity; can intensify efforts against the accelerants of the violence, especially al-Qaida in Iraq (AQI) and some segments of the Jaysh al-Mahdi (JAM); and can meaningfully address the all-important issue of reconciliation among the various segments of Iraqi society. The strategy recognizes that the levels of violence seen in 2006 undermined efforts to achieve political reconciliation by fueling sectarian tensions, emboldening extremists, and discrediting the Coalition and the Iraqi Government. Amid such violence, it became significantly harder for Iraqi leaders to make the difficult compromises necessary to foster reconciliation.

At the same time, we have increased our efforts to help build the capacity of the Iraqi Security Forces (ISF). Relying on lessons learned from our experience in training and equipping the ISF, we have significantly enhanced our training and mentoring commitment. We will continue this commitment through a combination of partnering Coalition units with Iraqi Army and Police organizations and embedding transition team personnel with the majority of ISF units. U.S. commanders are committed to helping the Iraqi government expand the size of the ISF to make it a more capable counterinsurgency force.

We are also increasing our efforts to build Iraqi governmental capacity not just at the national level, but at the provincial and local levels as well. Most notably, this has required an expansion of our Provincial Reconstruction Team (PRT) program with 15 new civilian PRTs paired with Brigade Combat Teams (BCTs), and giving PRT leaders and BCT commanders additional authorities, resources, and personnel. These leaders are charged with supporting moderate elements against extremists in their areas of responsibility and launching projects that have an immediate impact in areas cleared of terrorists and insurgents.

As the President explained in January, all of these efforts, together with a new diplomatic offensive in the region, are designed to set the conditions for U.S. troops to begin coming home, without risking a humanitarian catastrophe in Iraq, sanctuaries for international terrorist networks, or a broader regional conflict that would threaten U.S. national security interests for generations. (The strategy is explained in greater detail at <http://www.whitehouse.gov/nsc/iraq/2007/iraq-strategyqv011007.pdf>). While all of those conditions have not yet been met, and the new strategy is still in its early stages, there are encouraging signs that point the way to a more normalized and sustainable level of U.S. engagement in Iraq—with a decreasing number of U.S. combat forces increasingly focused on a core set of tasks, such as counterterrorism operations, and training, equipping, and supporting Iraqi forces.

The next phase: Building on success

In the coming months, the United States will continue to operate along four lines of operation—security, political, economic, and diplomatic—to advance our objectives of protecting the Iraqi population while degrading terrorist and extremist networks; advancing local and national reconciliation; setting the framework for a grow-

ing economy; and expanding international support for Iraq. On the security side, General Petraeus has recommended to the President, and the President has accepted, that beginning in December 2007, we can transition to the next phase of our strategy. During this phase, U.S. forces will gradually transition from surge operations and transfer responsibility for population security to Iraqi forces—but only in a manner that preserves security and builds on success. Any adjustments in the missions of U.S. forces or transitions to Iraqi forces will vary based on local conditions. This approach stresses the need to continue the counterinsurgency strategy incorporated in the New Way Forward—but with Iraqis increasingly shouldering more of the load.

In this next phase and based on the Government of Iraq's request, we will also begin to develop the framework for an enduring relationship between Iraq and the United States—based on common principles. Iraqi leaders from all communities share the vision for a reduced American presence as soon as conditions allow and in a manner that sustains the gains seen over the course of 2007. They also understand that their success requires U.S. political, economic, diplomatic, and security engagement beyond January 2009, and they have asked to begin defining a long-term relationship between our two countries. We anticipate that the elements of this relationship will set the foundation for an enduring American commitment to Iraq—encompassing strong security, economic, and diplomatic ties—which is in the mutual interests of both the Iraqi people and the American people.

As part of the next phase in our strategy, the President has directed General Petraeus and Ambassador Crocker to update their joint operation plan for Iraq and to adjust our military and civilian resources accordingly. The President has also directed General Petraeus and Ambassador Crocker to provide a fresh assessment to the American people and to the Congress in March 2008 on the situation in Iraq and any adjustments that may be needed to our strategy based on changing conditions. This assessment will address:

- An analysis of mission progress—including security, economic, diplomatic, and political—from September 15, 2007;
- Recommended adjustments to military resources in Iraq, including further force adjustments;
- Recommended adjustments to economic assistance for Iraq, including a status report on the performance of Provincial Reconstruction Teams and governmental capacity-building programs;
- An assessment of regional and international contributions to Iraq and efforts to enhance those contributions;
- An assessment of “bottom-up” political and security initiatives, and whether the national government is supporting them;
- An assessment of “top-down” political and security initiatives, including national reconciliation initiatives; and
- An assessment of institutional adjustments within the United States Government to better support the civilian and military missions in Iraq as we transition to a longer-term posture.

The opening statements of General Petraeus and Ambassador Crocker—as delivered to the Congress on September 10 and September 11, 2007—are attached to this report as Appendices 1 and 2. These documents provide additional detail on the situation in Iraq as assessed by our experts on the ground and elements of the next phase of our strategy.

Summary of achievements and shortfalls

This report provides, consistent with the Act, an assessment of how the Iraqi Government is performing on 18 specified benchmarks, rather than the effects being generated. Some of the benchmarks may be leading indicators, giving some sense of future trends; but many are more accurately characterized as lagging indicators, and will only be achieved after the strategy is fully underway and generates improved conditions on the ground. Still other benchmarks do not fully measure the political accommodations that actually affect violence in Iraq and the direction that country is headed. For example, local political accommodations have dramatically improved conditions in what had been some of Iraq's most violent areas, and we are deploying our resources to help ensure that these trends continue and spread. It will take time, however, for improved conditions locally to translate into broader political accommodations at the national level; what is important is the overall trajectory, which, under our present strategy, has begun to stabilize and turn upward, compared to the deteriorating trajectory seen over the course of 2006. Thus, the assessments in this report should be viewed in a larger context: the discussion below provides a snapshot of achievements and shortfalls that can round out the picture given in the detailed assessment section of this report.

Security: Iraq faces daunting challenges: a complex security situation whose main elements include a communal struggle for power and resources between the Shi'a majority and Sunni, Kurd, and other minorities. Al-Qaida in Iraq extremists continue to act as accelerants for ethno-sectarian violence, and Iranian lethal support to Shi'a militants clearly intensifies the conflict. Foreign support to extremists in Iraq continues to exacerbate the security challenges and frustrate efforts to encourage political reconciliation.

The tempo of military actions to defeat al-Qaida increased in June as the final U.S. surge brigades arrived in Iraq. The surge effort has been complemented by carefully selected counter-terrorist targeting of key leaders of al-Qaida and other extremist groups. Tribal-based anti-terrorist initiatives have also augmented Coalition efforts to combat al-Qaida. Coalition efforts to secure the population against al-Qaida and other terrorists and extremists in Baghdad and other provinces across Iraq show signs of progress, but much hard work and tough fighting remain. Al-Qaida and Iranian-supported extremist groups have not been defeated, though we have made strong progress.

The number of attacks on Coalition forces has been on a downward trend since the middle of June. High-profile attacks (by car bombs, suicide car bombs, and suicide vests) have declined by over one-third since March of 2007. Coalition and Iraqi forces, along with Iraqi tribal elements, have pushed al-Qaida out of several former safe havens. Coalition forces have killed or captured nearly

100 key leaders and over 2,500 rank and file al-Qaida members in the past 7 months. As a result, al-Qaida's ability to coordinate its activities and conduct simultaneous attacks in multiple regions has been reduced. Nonetheless, sporadic high-profile attacks by al-Qaida continue to cause high civilian casualties, demonstrating al-Qaida's intent to use civilian casualties to provoke additional sectarian violence, shape public opinion, and destabilize the Government of Iraq.

Coalition forces report that murders and executions assessed to be ethno-sectarian in nature have declined significantly both in Baghdad and nationwide from their high in December 2006. However, the increase in ethno-sectarian deaths in July and August of 2007—largely a function of three sizable car bomb attacks in Kirkuk and Ninewa provinces—demonstrates the challenge that ethno-sectarian violence continues to pose for Iraq, particularly in rural locations that have light security force presence.

Sunni tribal groups have turned against al-Qaida in al-Anbar and Diyala provinces as well as in the Baghdad-area neighborhoods of Ameriyah, Abu Ghraib, Adhamiya, and Arab Jabour. They are cooperating with Coalition and Iraqi forces in expelling al-Qaida from their areas. Attacks in al-Anbar are now less than one-quarter the rate in January, and al-Qaida's sanctuaries have been greatly reduced. The trend of tribal engagement with the Coalition and the Government of Iraq continues to expand to other areas of Iraq. More than 40,000 concerned Iraqi citizens have volunteered to support local security initiatives since the start of the surge—and that number is growing daily. Prime Minister Maliki is personally involved in decisions to reconcile with these Sunni tribes and citizens willing to fight al-Qaida. He has directed the Government of Iraq to take steps to incorporate them into local security forces—a clear demonstration of the potential of “bottom-up” reconciliation that has occurred since January 2007. In fact, Prime Minister Maliki recently approved hiring approximately 12,000 Sunnis in al-Anbar, and 1,735 local men—including former insurgents—in Abu Ghraib. These events illustrate the growing sense among Iraqis that they need to overcome their natural trepidation and make some form of accommodation with former opponents.

Iran continues to supply Shi'a extremist groups with training, funding, and weapons, including rockets, mortars, and particularly explosively-formed projectile devices, which account for an increasing percentage of U.S. combat deaths. Coalition and Iraqi operations against these groups, combined with a growing rejection of Shi'a violence by top Government of Iraq officials, have led to some progress in reducing violent attacks from Shi'a extremists.

The Iraqi Security Forces (ISF) continue to make progress, but development of their capabilities in some areas has been slower than hoped. Progress by the Iraqi Army has exceeded that of both the national and local police. ISF performance has generally met or exceeded expectations when units are partnered with Coalition forces in combined operations or in tactical overwatch—a potential model for the future. There are still challenges in developing Iraqi institutions to sustain existing forces, delays in obtaining required equipment, persistent ethno-sectarian influences and political interference, a limited pool of trained officers and non-commissioned

officers (NCOs), and attrition from combat. The Prime Minister's initiative to expand the ISF will eventually provide additional necessary forces, but the expansion will further strain the institutions that develop, train, and equip Iraqi forces. Despite these challenges, the ISF are increasingly engaged in providing security for the Iraqi population. They are in the fight. Over the last 18 months Iraqi forces suffered combat deaths three times the number of combat deaths of Coalition forces. We have been further encouraged by the recent downturn in anti-Coalition attacks in Baghdad and southern Iraq since the early September announcement of a stand-down in Jaysh al-Mahdi (JAM) operations. Time will tell whether this has a lasting effect.

Political Reconciliation: Reconciliation in a society marked by nearly four decades of dictatorship will not be linear and will take time, patience, and support from the international community. The Iraqi leadership (and the United States) has sought to set a metric for national reconciliation through a series of laws to be enacted through Iraq's Council of Representatives. Moving these laws forward depends on deal-making among major players in a society divided along sectarian, ethnic, and other lines—and navigation of a nascent democratic system with checks and balances that, while protecting minority groups, also slows legislative progress. For these reasons, most of the major political benchmarks identified in the Act may prove to be lagging indicators of whether or not the strategy is succeeding.

While key national legislation has not yet passed, the objectives of such laws are in some ways already being achieved. For example: there is no revenue sharing law, and yet significant oil revenues are being distributed by the central government to the provinces in an equitable manner. There is no provincial powers law, and yet the provincial governors and councils are making decisions on budget expenditures through engagement with the central government and ministries and are providing essential services for their constituents. There is no amnesty law, and yet immunity is being granted to many former insurgents, who in turn are being recruited to join legitimate security institutions. There is no de-Ba'athification reform law, and yet more than 45,000 former Ba'athist members of the old armed services have been granted pensions or even restored to active duty or Iraqi government service. Amnesty or de-Ba'athification laws were assumed necessary to drive a wedge between nationalist elements of the largely Sunni insurgency and al-Qaida. In fact, Sunnis in record numbers are turning against al-Qaida, reclaiming their communities, and turning towards the central government for additional resources. These are precisely the "effects" the benchmarks were intended to produce, even if the formal benchmarks themselves have not been met. In the coming months, our strategy will increasingly focus on helping the Iraqis knit together this new "bottom-up" progress with the "top-down" political process. It will still remain vital for Iraq's national government to codify what is happening in practice through formal legislation over time.

On that point, political progress at the national level has still been disappointing. The natural tension between groups has been exacerbated by political blocs threatening to withdraw support

from the government. These threats were not fully carried out in most cases, but they have contributed to an environment of mistrust and gridlock. It became clear in July that the fundamental problem at the national level was not the failure to pass legislation but that the principal political groups—Sunni, Shi’a, and Kurd—could not agree on a set of decision-making processes and power sharing arrangements. Consequently, Iraq’s leadership (represented by the Prime Minister, Presidency Council, and the President of the Kurdish Region) met in Baghdad in August to address these more fundamental issues of executive branch decision-making.

These leaders on August 26—following 8 days of meetings—announced a basic agreement on key benchmarks legislation on provincial powers and de-Ba’athification. They also formalized the use of the “3 plus 1 group”, or the Prime Minister and the three-member Presidency Council, for collective decision-making on sensitive and strategic matters. The leaders agreed to streamline executive branch activities to facilitate swift decision-making through an “inner-cabinet” consisting of core ministers, including Oil, Electricity, Defense, and Interior. And, for the first time, they “affirmed the necessity of a long-term relationship with the United States” based on common interests for the future of Iraq. The communiqué issued by these leaders has not solved Iraq’s serious problems at the national level, but it does represent an important step forward in the ongoing struggle to overcome the fear and mistrust now dividing Iraq’s ethnic and religious communities. The leaders’ August 26 agreement is a necessary building block to meaningful political progress—which begins with all major communities coming together for dialogue on resolving key differences.

Diplomatic Engagement: Since the interim Benchmarks report in mid-July, there has been significant diplomatic activity with a focus on working with Iraq’s neighbors to address problems in Iraq, especially security problems. In late July, after two trilateral meetings at the ambassador level, the United States, Iraq, and Iran formed a Security Subcommittee which met for the first time on August 6, 2007 in Baghdad. The Security Subcommittee has focused on curtailing the activities of militias and foreign terrorists in Iraq and developing ways to increase control over Iraq’s borders. Despite these efforts, the Iranian government has shown no signs of curtailing their destructive activities inside Iraq—including the direct provision of lethal munitions and training to Shi’a extremist groups that are attacking Coalition forces and Iraqis. Indeed, attacks by the most dangerous roadside bombs—explosively-formed projectiles (EFPs)—have been on an upward trajectory this year, reaching a high of more than 90 attacks in July.

We have encouraged the Government of Iraq to engage in discussions with the Government of Syria to express its serious concerns about foreign terrorists, especially suicide bombers. In early August, the United States participated in a Border Security Working Group meeting in Damascus as part of the Neighbors Process. The participants discussed the issue of foreign terrorists continuing to use neighboring territories as a main transit route to Iraq and agreed to establish an experts’ group to work on specific border control measures. Prime Minister Maliki followed up with a sepa-

rate visit to Syria later in August, during which the Syrian Government committed to implementing border control measures. Although there has been some improvement, it remains too early to determine whether these Syrian actions have been effective in reducing foreign fighter flows into Iraq, which account for many of the high-profile terrorist attacks in Iraq aimed at instigating sectarian violence. Moreover, Syria continues to provide safe-haven to Ba'athist insurgents and financiers, and may be providing support to extremist political elements who are opposed to political reconciliation.

In addition to his visit to Syria, Prime Minister Maliki traveled to Turkey and Iran in August 2007 for discussions on security, energy, and other bilateral issues. Several other senior Iraqi government officials have traveled in the region as Iraq continues to increase its economic and diplomatic relations with neighboring states. For the first time in years, Iraq is exporting oil through Turkey. Iraq is nearing agreement on a commercial deal for Kuwait to supply critically needed diesel fuel. Jordan issued a statement welcoming the Iraqi leaders August 26 communiqué. Saudi Arabia is planning to open an Embassy in Baghdad—its first since the fall of Saddam.

The International Compact with Iraq, an initiative jointly sponsored by the United Nations and the Government of Iraq, was signed on May 3, 2007 in Sharm el-Sheikh, Egypt. The following day the Expanded Neighbors ministerial conference took place and was attended by the Permanent Five members of the U.N. Security Council, the Arab League, the Organization of Islamic Conference, and the G-8. Both events helped provide more international and regional support for Iraq. Plans are underway to create a standing secretariat for the Neighbors Process and a second ministerial-level conference is scheduled for late October in Turkey.

On August 10, the United Nations Security Council unanimously adopted UNSCR 1770, extending the mandate of the United Nations Assistance Mission for Iraq (UNAMI). The renewed UNAMI mandate provides an expanded role for the U.N. in advising, supporting, and assisting the Government of Iraq. UNAMI is also empowered to assist in the provisions for resolving disputed internal borders.

These international developments may appear independent of one another, but they are in fact part of an interrelated effort to establish a new international framework for supporting Iraq. This framework will take time to develop and mature, but its three primary components—the Expanded Neighbors Process, the International Compact, and the expanded Security Council mandate for UNAMI—provide promising new platforms for drawing the international community closer to Iraq with the full support and assistance of the Iraqi government.

Economics and Essential Services: The economic picture in Iraq continues to improve, though very significant challenges remain. Key macroeconomic indicators paint a modestly improved picture—non-oil real growth is projected to be 5 percent in 2007, non-fuel inflation has further abated (year-on-year core inflation has declined to 16 percent and overall inflation to 30 percent in July 2007, while 2007 year-to-date inflation is 5 percent), and the unem-

ployment rate appears to be easing. Government revenue remains above target due to high oil export prices.

A national investment commission head has been appointed to promote increased private sector activity and legal and regulatory reform. Idle yet viable state-owned factories have signed loan agreements to restart operations. Reopening these factories will create new private business opportunities for suppliers located near the factories. An auction of the cell phone spectrum in August netted the Government of Iraq a better-than-expected sum of \$3.75 billion. However, lack of adequate security remains the largest impediment to increased private economic activity, and a major economic turnaround remains unlikely until the security picture improves.

The provision of essential services at the provincial level is generally improving. However, provincial government performance remains mixed, with those provinces experiencing continued violence and kinetic operations finding it more difficult to provide services. On average, the provinces are obligating funding for essential services and infrastructure projects at a rate faster than in 2006. The improvements are most dramatic in provinces such as al-Anbar, where security gains have, for the first time since 2003 created an environment conducive to delivery of government services. At the national level, the Ministry of Oil has finally begun the process of investment spending, but much higher rates of investment are still necessary to promote growth, fund future investment, and contribute to better quality of life.

Iraq has maintained satisfactory performance on its International Monetary Fund (IMF) Stand-by Arrangement. The IMF Executive Board completed a successful review of the program on August 1 and extended the program until December 2007. IMF Executive Board members praised the Iraqi authorities for their commitment to implementing difficult economic reforms in a dynamic political and security environment. Iraq will negotiate a new program with the IMF before the end of the year.

The Government of Iraq remains similarly committed to the International Compact with Iraq, which provides a reform framework for Iraq to become financially self-sufficient within 5 years. A semiannual review of the Compact occurred at the U.N. on July 20, during which Iraq presented a report on key developments since the Compact was signed on May 3, 2007. Of Iraq's 262 actionable benchmarks under the Compact, 169 are in progress and on track. Delegates from the international community praised the report and welcomed Iraq's efforts to implement its reform commitments. Several participants also called for greater assistance for Iraq, especially through faster progress on concluding debt relief agreements.

Congressional benchmarks

Broad context is necessary for assessing the performance of the Iraqi government with respect to the 18 benchmarks identified in the Act. Iraqi leaders face a daunting challenge, and they and their families take great risks daily. We continue to encourage and press them to achieve established benchmarks, since we believe that those efforts will contribute over time to Iraq's stability, to its ability to provide for its own security, and to the international effort

to counter violent extremism. Nonetheless, our efforts in Iraq extend far beyond these benchmarks, as the recent testimony of Ambassador Crocker and General Petraeus explained in more detail. Every day, our Embassy and military officials work with the Iraqis to establish the strategic environment in which security and meaningful reconciliation can develop and take root—in ways not easily measured by benchmarks based heavily on adopting legislation.

Standard of Measurement: Section 1314(b)(2)(A) states: “The President shall submit an initial report to Congress, not later than July 15, 2007, assessing the status of each of the specific benchmarks established above, and declaring, in his judgment, **whether satisfactory progress toward meeting these benchmarks is, or is not, being achieved.**” Section 1314(b)(2)(D) further provides that “[t]he President shall submit a second report to the Congress, not later than September 15, 2007, following the same procedures and criteria outlined [in the paragraphs] above.”

To make this judgment (i.e., whether “satisfactory progress * * * is, or is not, being achieved”), we have carefully examined all the facts and circumstances with respect to each of the 18 benchmarks and asked the following question: *As measured from a January 2007 baseline, do we assess that present trend data demonstrate a positive trajectory, which is tracking toward satisfactory accomplishment in the near term?* If the answer is yes, we have provided a “Satisfactory” assessment; if the answer is no, the assessment is “Not Satisfactory.” Where benchmarks contain more than one element we have provided assessments for each element. As a result, some benchmarks show mixed progress, with some elements assessed satisfactory and other elements judged not satisfactory. Two benchmarks could not be fully assessed at this time because the preconditions for achieving them have not been reached. For benchmarks receiving a not satisfactory assessment, we have explained what, if any, strategic adjustments may be required to improve the present trajectory.

The current assessment indicates additional progress has occurred since the initial report of July 2007. In that report, the Iraq government made satisfactory progress on eight benchmarks and eight benchmarks were assessed as unsatisfactory, including two with mixed progress. Today’s report is based on data available as of September 1 and reflects that the Iraqis have made satisfactory progress since January 2007 on nine benchmarks, including on de-Ba’athification reform which in July was assessed as unsatisfactory. In addition, while the current report assesses seven benchmarks as not satisfactory, this includes four benchmarks with progress on some aspects while not on others. In both the July report and today’s assessment, two benchmarks are not rated because the necessary preconditions are not yet present.

It is important to note that the metric used in this report differs from that employed by the Government Accountability Office (GAO) in its August 2007 report. Legislation mandating this GAO report required a determination of **whether or not the Government of Iraq has met or not met** each benchmark and the status of achievement of these benchmarks. Additionally, the GAO report took account of information only through July 31, 2007. This

report takes account of information through September 1, 2007 and evaluates whether the Iraqi government has made satisfactory progress on each benchmark.

The present analysis and assessment of the 18 benchmarks follows.

ASSESSMENT OF THE BENCHMARKS

*Section 1314 (b)(2)(A) The President shall submit an initial report, in classified and unclassified format, to the Congress, not later than July 15, 2007, assessing the status of each of the specific benchmarks * * * and declaring, in his judgment, whether satisfactory progress toward meeting these benchmarks is, or is not, being achieved.*

Section 1314 (b)(2)(C) If the President's assessment of any of the specific benchmarks established above is unsatisfactory, the President shall include in that report a description of such revisions to the political, economic, regional, and military components of the strategy, as announced by the President on January 10, 2007. In addition, the President shall include in the report the advisability of implementing such aspects of the bipartisan Iraq Study Group, as he deems appropriate.

Section 1314 (b)(2)(D) The President shall submit a second report to the Congress, not later than September 15, 2007, following the same procedures and criteria outlined above.

*Section 1314 (b)(1)(A) The United States Strategy in Iraq, hereafter, shall be conditioned on the Iraqi Government meeting benchmarks * * * including:*

(i) Forming a Constitutional Review Committee and then completing the constitutional review.

The Council of Representatives (COR) formed the Constitutional Review Committee (CRC) on November 15, 2006, and constitutional review is underway. The CRC, in a May 2007 interim report, offered a range of amendments for COR consideration and in addition highlighted the need to resolve outstanding issues concerning: (i) Presidential powers, (ii) the powers of the regions vs. the central government, and (iii) the status of Kirkuk (Article 140 of the Constitution).

Assessment: The Government of Iraq has made satisfactory progress toward forming a Constitutional Review Committee (CRC) and then completing the constitutional review. The Embassy has engaged the CRC Chairman and the COR Speaker and Deputy Speakers on the need to develop a well-defined plan for the COR debate on the recommendations of the interim report. Despite the COR's August adjournment, the CRC continued to work on the three additional unresolved constitutional issues described above.

(ii) Enacting and implementing legislation on de-Ba'athification reform.

De-Ba'athification reform is potentially the most emotional issue being discussed by the Government of Iraq. Legislation necessary to reform and implement certain de-Ba'athification programs involves competing concepts of justice, accountability, reconciliation, and economic compensation. The public discussion of these issues tends to polarize Iraqis even as many of the proposed changes take place on the ground. For example, former Ba'ath party members who served in the army have been granted pensions. While the de-Ba'athification legislation is debated at the highest levels in Baghdad, more than 45,000 former army personnel have been granted pensions or reinstated to active duty.

In Recommendation 27, the Iraq Study Group emphasizes the need for United States Government support of reintegration of former Ba'athists and Arab nationalists into civic life, and the New Way Forward strategy makes de-Ba'athification reform an integral part of the United States Government's Iraq policy. The Embassy has pressed hard on all political elements to move forward.

On August 26 the leaders of Iraq's five major political groups announced an agreement had been reached on, inter alia, draft de-Ba'athification legislation. While the agreed-upon draft still must pass the hurdles of debate and adoption in the Council of Representatives, the work accomplished by the leaders on this legislation is a significant sign of progress.

Even in the absence of legislation, limited political accommodation remains possible, particularly when pursued through outreach by local political leaders.

Assessment: The Government of Iraq has made satisfactory progress toward enacting and implementing legislation on de-Ba'athification reform. The fact that legislation has not yet passed the COR should not diminish the significance of the agreement reached by the leaders or the re-integration of former Ba'athists taking place on the ground. The overarching goal of de-Ba'athification reform is political accommodation between the Shi'a and Sunni communities. The leaders' agreement combined with the return of former Ba'athists to civic life is a significant step in that regard. Debate on this draft law in the COR is an integral part of developing the broad political acceptance needed to promote real reconciliation.

(iii) Enacting and implementing legislation to ensure the equitable distribution of hydrocarbon resources to the people of Iraq without regard to the sect or ethnicity of recipients, and enacting and implementing legislation to ensure that the energy resources of Iraq benefit Sunni Arabs, Shi'a Arabs, Kurds, and other Iraqi citizens in an equitable manner.

The Hydrocarbon Framework Law and the companion Revenue Sharing Law are fundamentally important to defining federalism in Iraq. If adopted, they would: catalyze new sources of investment capital and technology for the oil and gas sector; facilitate substantial near term increases in government revenues which could be used for the benefit of Iraq's people; and serve as a vehicle for political reconciliation between regions and communities.

Iraq's political leaders continue to be actively engaged in developing these laws.

The United States has provided technical advice, both to the Government of Iraq and to the Kurdish Regional Government (KRG), and has encouraged all parties to approve the draft laws and submit them for consideration to the full COR.

The Hydrocarbon Framework Law was approved by the Council of Ministers in February 2007 and reviewed by the Shura Council (a legal body) in the spring. Two versions of the law were submitted to the COR in July. The companion Revenue Management Law was agreed to by Kurdish and Shi'a Arab political parties in June 2007 and in July was submitted to the Shura Council for review. The Revenue Management Law must be approved by the

Council of Ministers (COM) before submission to the COR. Discussions among Iraqi political leaders are ongoing, and this legislation remains a primary focus for political party leaders.

Assessment: The Government of Iraq has not made satisfactory progress toward enacting and implementing legislation to ensure the equitable distribution of hydrocarbon revenue. Passage of the national laws remains a high priority for the United States and the Government of Iraq and could be accomplished relatively quickly if a consensus in support can be constructed. Many Sunni leaders (and some Shi'a as well) continue to disagree on the appropriate balance between national and regional control of hydrocarbon exploration and production. Meanwhile, the Kurdish Regional Government has sought to reinforce its own position on the national law by passing a new hydrocarbons licensing regime through its regional parliament. Given the fluid nature of the Iraqi political process, it is difficult to predict what further progress might occur once the COR reconvenes. Despite this uncertainty, the Government of Iraq is already distributing significant oil revenue on an equitable basis to the provinces and KRG through the Iraqi budget.

(iv) Enacting and implementing legislation on procedures to form semi-autonomous regions.

In line with the Iraqi constitution, the COR enacted a "Regions Law" in October 2006 that establishes procedures for the formation of federal regions in Iraq. The legislation delayed the effective date of implementation for a period of 18 months after enactment, which means no steps can be taken to form federal regions before April 2008. The United States Government encouraged Iraqi political parties to reach a compromise on this law and believes that the 18-month delay in implementation was in the interests of Iraq and the United States, given current political conditions in Iraq.

Assessment: The Government of Iraq has made satisfactory progress toward enacting and implementing legislation on procedures to form semi-autonomous regions. The COR passed the Regions Law with a delayed effective date. Implementation of this legislation could take place after provincial elections are held and after the passage of an updated elections law.

(v) Enacting and implementing legislation establishing an Independent High Electoral Commission, provincial elections law, provincial council authorities, and a date for provincial elections.

On January 23, 2007, the COR passed the Independent High Electoral Commission (IHEC) Law, which the Presidency Council (the President and two Deputy Presidents) signed into law on February 27, 2007. On April 28, 2007, the COR appointed the nine IHEC Commissioners in a process that the U.N. deemed fair and transparent. The Commissioners have completed appropriate training and are in the process of selecting representatives to oversee elections in the provinces.

The mid-August high-level meetings produced agreement among the leaders of Iraq's five major parties on a draft law delineating provincial powers. Draft legislation is expected to be submitted to the COR shortly. This law lays out the authorities of provincial

governments and their relationship to the national government in Baghdad.

In Recommendation 29, the Iraq Study Group emphasizes the need for provincial elections at the earliest possible date. Iraqi officials said in August that a provincial powers law was a prerequisite for setting a date for provincial elections, and therefore they await movement from the COR. The United States Government and the United Nations Assistance Mission for Iraq (UNAMI) are strongly encouraging the Government of Iraq to set a date for provincial elections. Additionally, the United States Government is working with Iraq Security Forces to ensure that they are adequately prepared to provide security for free and fair elections when a date is set.

Assessment: There are multiple components to this benchmark, each deserving its own assessment.

- *Establishing the IHEC Commission:* The Government of Iraq has made satisfactory progress toward establishing an IHEC Commission.
- *Elections Law:* The Government of Iraq has not made satisfactory progress toward establishing a provincial elections law.
- *Provincial Council Authorities:* The Government of Iraq has made satisfactory progress toward establishing provincial council authorities, which are encapsulated in the Provincial Powers law.
- *Provincial Elections Date:* The Government of Iraq has not made satisfactory progress toward establishing a date for provincial elections.

There remains no mechanism to address the marked under-representation of Sunnis on four provincial councils. Nevertheless, in some places, such as al-Anbar, local authorities appointed additional provincial council members in November 2006 to ease problems of a lack of representation through non-electoral means. In passing an expanded mandate for UNAMI on August 10, the United Nations Security Council reaffirmed its commitment to assist the IHEC prepare for the next round of elections. This situation does not necessitate a revision to our current plan and strategy, and positive action on this issue is one of our highest priorities.

(vi) Enacting and implementing legislation addressing amnesty.

The preconditions for a general amnesty do not yet exist. That said, the Government of Iraq established a high-level Reconciliation Committee to support and oversee efforts by groups that want to oppose al-Qaida in Iraq and other extremist elements. This committee is working with a joint U.S. Embassy/MNF-I group that is facilitating such actions in coordination with other anti-terrorist efforts on the ground. In the absence of legislation, the Government of Iraq—at the direction of the Prime Minister—has initiated a program of limited immunity for individuals who have turned away from supporting al-Qaida and have now pledged support to the government. While this program may not meet the requirement for enacting and implementing legislation, on-the-ground programs of limited immunity are accomplishing some of the desired effects of this benchmark.

Assessment: No assessment can be made until the necessary preconditions have been reached for implementing a general amnesty. However, a process of local accommodation and limited immunity has been developed and effectively implemented in al-Anbar province, Abu Ghraib, and other locations where local volunteers, including some Shi'a, have been approved for hire by the Minister of Interior or Defense while awaiting completion of the reconciliation committee's screening. Although the Government of Iraq has not enacted or implemented amnesty legislation, these local programs may be creating preconditions for future amnesty legislation. The Embassy continues to engage the Government of Iraq at the highest levels on questions of amnesty.

(vii) Enacting and implementing legislation establishing a strong militia disarmament program to ensure that such security forces are accountable only to the central government and loyal to the constitution of Iraq.

The necessary preconditions for a Disarmament, Demobilization, and Reintegration (DDR) program in any post-conflict society are steep, and key elements such as political reconciliation and security provided by the government do not yet exist, despite considerable efforts by the Government of Iraq, MNF-I, and the United States Embassy. Although a DDR Committee has been established, there is limited momentum toward developing and implementing a comprehensive disarmament program for militia members while Iraq faces a combination of sectarian violence, terrorist attacks, and a continuing insurgency. However, there are signs that certain programs and projects designed at the local level to re-integrate certain individuals and small groups back into the population are achieving some modest success. In general, these projects include education-based programs for former detainees.

The 2007 budget of the Government of Iraq includes \$150 million for DDR. However, the funds will not be released until the Government of Iraq enacts legislation and establishes a satisfactory program for implementation.

In Recommendation 38 and 39, the Iraq Study Group proposes that neutral international experts act as advisors to the Government of Iraq and that the United States Government fund and support a single office to provide assistance to these experts. The study also notes that "solving the problem of militias requires national reconciliation" and states that, as a party in the conflict, the United States Government should not be directly involved in a DDR program's implementation.

Consequently, the United Nations Security Council Resolution 1710 expanded UNAMI's mandate to include "advise, support, and assist * * * the Government of Iraq at an appropriate time and in connection with progress on reconciliation efforts, on planning, funding, and implementing reintegration programs for former members of illegal armed groups."

Assessment: No assessment can be made until the necessary preconditions have been reached for implementing a strong militia disarmament program. However, the Government of Iraq has initiated a process that reintegrates former militia members into the Ministry of Defense and Ministry of Interior

architecture. In effect, this may be facilitating the necessary conditions for a future DDR program.

(viii) Establishing supporting political, media, economic, and services committees in support of the Baghdad Security Plan.

Through its February 2007 establishment of the Executive Steering Committee (ESC) and related subcommittees, the Government of Iraq has established supporting political, media, economic, and services committees in support of the Baghdad Security Plan (Operation Fardh Al Qanoon). The United States Embassy and MNF-I will remain intensively engaged with the ESC to continue to improve its effectiveness and ensure that the subcommittees fulfill the purpose for which they were created.

Assessment: The Government of Iraq has made satisfactory progress toward establishing supporting political, media, economic, and services committees in support of the Baghdad Security Plan. Since the July 2007 assessment period, the ESC and related subcommittees have continued to meet weekly in their efforts to coordinate and synchronize policies, services, and other non-kinetic aspects of Operation Fardh Al Qanoon with security operations.

(ix) Providing three trained and ready Iraqi brigades to support Baghdad operations.

The Ministry of Defense has generated a total of eight Iraqi Army Brigade Headquarters and 27 Iraqi Army Battalions to support Baghdad operations. These units are actively involved in joint and independent operations throughout Baghdad and the Baghdad belts. The Government of Iraq provided the number of units required, and they were trained to the proper individual and collective baseline. As unit manning and composition issues were identified, the Government of Iraq addressed them. For example, in order to compensate for the number of soldiers absent during Operation Fardh Al Qanoon for leave or other reasons, the Government of Iraq expanded combat unit manning to 120 percent of authorization, thus achieving higher present for duty strength. Current present for duty rates are now 75 percent of authorized strength, which is within Iraqi Army standard.

Some of these units have performed exceptionally well, voluntarily extending their deployments up to 270 days and raising their operational readiness ratings. Over the past 2 months the units serving with Coalition forces in the Baghdad Area of Operations—the 6th and 9th Iraqi Army Divisions—have conducted almost 400 combined operations, 700 independent operations, and more than 7,000 independent patrols. Some units have been less impressive, suffering from a variety of issues related to a lack of leadership and equipment to support their assigned missions.

Overall, Coalition ground commanders who work side by side with these units are generally pleased with their performance and are witness to their continual development and growing confidence as they gain experience in the counterinsurgency effort. That said, Iraqi Security forces are not yet able to assume responsibility for security throughout the country. Placing that burden on the Iraqis before they are ready risks sacrificing the gains we have made. The

ISF will require additional training, equipping, and logistical support.

It was an impressive achievement for the Government of Iraq to provide the equivalent of three additional trained and ready brigades to Baghdad. Programs are in place to ensure they remain capable of sustaining this level of effort through scheduled rotations and a robust training pipeline.

Assessment: The Government of Iraq has made satisfactory progress toward providing three trained and ready Iraqi brigades to support Baghdad operations.

(x) Providing Iraqi commanders with all authorities to execute this plan and to make tactical and operational decisions in consultation with U.S. Commanders, without political intervention to include the authority to pursue all extremists including Sunni insurgents and Shiite militias.

The Prime Minister has provided Iraqi commanders the necessary authority to conduct security operations and continues to reaffirm his commitment to support these authorities. ISF continue to prosecute targets across Iraq, including in operations throughout Baghdad and in provinces that have already been turned over to Provincial Iraqi Control. The Prime Minister and senior commanders increasingly recognize the threat to long-term security posed by Shi'a militia extremists and continue to support targeting such elements. In late August, the Prime Minister removed the Shi'a commander of the Karbala Operations Command, ordered the arrest of three prominent Shi'a militia extremists who were in Karbala for the 12th Imam Commemoration, ordered an Iraqi Special Forces raid on key JAM cells in Karbala, and the strong response from the Iraqi government—as well as the public outrage at the violence—appears to have led to Muqtada al-Sadr's call for his extremist militia to halt all attacks against Coalition forces.

The Iraqi Army as an institution continues to appear more nationally oriented and less susceptible to political interference than the Iraqi National Police or local forces, although some reform of the National Police has occurred. The degree of JAM influence within police forces is largely dependent upon the region or city. Within Baghdad, Iraqi Police in Sadr City and parts of Kadhamiyah are complicit with JAM activity. JAM influence is also strong in the cities of Al Amarrah, Hussaniyah, and Diwaniyah due to heavy infiltration of JAM members. Police activities in those areas that have been cleared and retained by Coalition and Iraqi forces appear to be the most even-handed.

Coalition military leaders who work closely with their Iraqi counterparts to plan and conduct security operations have seen uneven progress on efforts to reduce political interference in military decisions. Where Iraqi security forces are fighting alongside Coalition Forces or manning joint security stations, ISF tactical commanders generally act on mission orders from their established chains of command.

There are no reported instances of political interference in operations directed against Sunni insurgents. However, there is evidence of political officials attempting to limit the effectiveness of independent Iraqi operations against Shi'a extremists. Political interference typically emanates from individuals in the Government

of Iraq below the level of the Prime Minister, and the Prime Minister has taken actions to limit such interference. For example, the Prime Minister was recently provided evidence of arrest lists for Sunni targets generated by an office below him that bypassed operational commanders. The Prime Minister responded by reorganizing and reducing the size of the office. As far as we can determine, any previous restrictions on targeting certain sects are no longer present.

There also is still evidence of political interference with ISF operations from both the Ministry of Interior and the Office of the Commander in Chief (OCINC). Questionable judicial warrants by the OCINC have been used to try to replace Sunni officers who demonstrated effectiveness against Jaysh al-Mahdi operations in Baghdad and in southern provinces. In Muthanna province, there is evidence that Ministry of Interior officials have used de-Ba'athification laws to replace effective Sunni police officers with Shi'a officers. JAM-associated Ministry of Interior officials continue to exert such a significant influence over the Basra Police that the new Basra Provincial Director of Police raised this issue at a meeting with the Ministerial Council on National Security.

There is strong evidence of efforts to remove sectarian commanders in the National Police. Since the start of this year, all Division Commanders, all Brigade Commanders, and 17 of 27 battalion commanders in the National Police were relieved of duty due to allegations of sectarian activity. In addition, a former Police Division Commander reassigned due to serious allegations has since been removed from his follow-on assignment as well. This is a signal that the Government of Iraq is committed to taking action with regard to sectarian bias.

While the recent interventions by the Prime Minister and other government officials to curb sectarian bias are encouraging, the fear of being replaced for political or sectarian reasons remains and continues to influence commanders' decisions on which operations to undertake. Given the importance of this issue, we will need to continue monitoring the activities of government officials for signs of interference with ISF commanders' abilities to make tactical and operational decisions.

Assessment: The Government of Iraq has made satisfactory progress toward providing Iraqi commanders with all authorities to execute this plan and to make tactical and operational decisions in consultation with U.S. Commanders, to include the authority to pursue all extremists. However, there has not been satisfactory progress towards eliminating political intervention by leaders throughout the chain of command. The historical prejudices inherent to Iraq remain a challenge that will only be fully solved by time and the experience of democratic government.

(xi) Ensuring that Iraqi Security Forces are providing even-handed enforcement of the law.

Individual Iraqi Army and National Police units that work closely with Coalition Forces generally act responsibly. The achievements of the 30 joint security stations and 31 Coalition outposts throughout Baghdad neighborhoods provide clear evidence that the Iraqi police and army are capable of fairly administering the rule

of law under a partnering construct. The actions of many individual Iraqi commanders demonstrate that they independently act in a fair and professional manner. For example, operations against insurgent cells seem to be even-handed—targeting both Sunni and Shi’a elements. In the last week of August, Coalition and Iraqi Special Forces jointly killed or captured more than 100 cell members, about one third of whom were JAM members who had committed criminal actions.

Education and training have been key ingredients in improving enforcement of the law. Under the National Police Transformation plan, eight of the nine National Police brigades have completed a month-long training course on the rule of law, professionalism, and policing techniques. The latest class of 1,800 National Policemen just graduated from the Numaniyah National Police College on 20 August. Initial indications show that even seasoned units perform better after completing such a “re-bluing” program. Similar programs are also used for local police. Still, some police units operating outside of close Coalition supervision tend to gravitate to old habits of sectarianism. In late August, the Minister of Interior had to issue an arrest warrant for a police company commander and several in his command for sectarian behavior. This indicates both the persistence of the problem and a genuine desire by the leadership to clean up the image and performance of the police force.

Improvements within the Iraqi legal system are providing the Government of Iraq with new ways to handle rule of law issues. The government introduced a new military justice system, trained 16 judges and 4 prosecutors, and established a unit training program for Commanders and Disciplinary Officers that is administered by almost 100 trained legal advisors assigned across all Iraqi Army divisions. Within the past month, high-profile and high-ranking offenders within the ISF—both Sunni and Shi’a—have been arrested and are currently under investigation, pending trial for their sectarian-based crimes. Judges in the secure Rusafa Rule of Law Complex have already shown their determination to impose tough justice on both Sunni and Shi’a members of sectarian death squads. Since the start of the year they have sentenced roughly equal numbers of Sunni and Shi’a criminals to death.

Through continued mentoring and partnership, additional training of ISF units, and increased emphasis by the Government of Iraq, even-handed enforcement of the law may increasingly become the norm, even in the absence of Coalition oversight. We expect Government of Iraq actions, not Coalition oversight, to hold the ISF to a high standard in the future.

Assessment: The Government of Iraq has made satisfactory progress in ensuring that the Iraqi Army is providing even-handed enforcement of the law, though much remains to be done in this area. However the Iraqi Police has not made satisfactory progress, as some elements still act with a sectarian bias. The replacement of 28 National Police Commanders, as well as the “re-bluing” training for National Police Brigades, should produce improvements in this area over the coming months.

(xii) Ensuring that, as President Bush quoted Prime Minister Maliki as saying, “the Baghdad Security Plan will not

provide a safe haven for any outlaws, regardless of [their] sectarian or political affiliation.”

In accordance with the promise made by Prime Minister Maliki, the Government of Iraq has allowed Coalition forces to conduct operations in all areas of Baghdad.

Almost 3 months into surge operations, the coordinated offensive operations of ISF and Coalition forces have made significant progress against terrorist and extremist elements, particularly in Baghdad, the surrounding “belts,” and Diyala. In Baghdad, the focus of operations has been along the fault lines between Sunni and Shi’a neighborhoods, where economic and social conditions make the population most susceptible to extremism. Our counterinsurgency strategy relies on establishing joint security stations in troubled neighborhoods, continuous joint ISF and Coalition Force security operations, Coalition outposts to expand the reach of Coalition forces, and reconstruction programs to restore quality of life. These actions have resulted in a steady improvement in population security, increasing trust of Baghdad residents, and a decrease in the number of areas where terrorists and extremists can operate. In late March 2007, only about 10 percent of Baghdad neighborhoods were secured by Iraqi and Coalition forces. By the end of August more than three-quarters of the city’s neighborhoods had been cleared and now benefit from the continued presence of security forces.

Prior to clearing operations in Baqubah, Coalition operations were plagued by IED attacks and had difficulty locating insurgent cells and weapons caches. Once Coalition and Iraqi forces established a permanent presence in the city, weekly IED and indirect fire attacks dropped by 75 percent, and local citizens began pointing out booby-trapped houses, buried IEDs and weapons caches. Total attacks against civilians, ISF, and Coalition forces for all of Diyala province have decreased in 7 of the past 10 weeks. In the past month alone more than 140 IEDs and 61 weapons caches have been cleared, in great part due to tips from local residents.

Even in places like Sadr City, Coalition and Iraqi forces have pressured militia extremists and criminals. Since January, more than 80 operations have been conducted, spanning each sector of Sadr City and capturing or killing many insurgent and militia cell leaders. In contrast to the perception that Sadr City is a safe haven for extremists, Coalition and Iraqi patrols operate there and continue to disrupt cells that plant IEDs or launch mortar attacks in Baghdad. Reconstruction projects continue in Sadr City with hospital renovations 94 percent complete, three new water system projects completed in July and at least four ongoing medical clinic projects.

The Government of Iraq and Coalition elements are exploiting improved security by revitalizing economic and social programs, thereby preventing the reappearance of conditions that would promote a return of extremists. The Baqubah Flour Mill just received a shipment of 560 tons of grain—its first in over a year. This mill will now employ 200 local workers. In Amariyah, Ghazaliyah, Yusifiyah, Adhamiyah, and Abu Ghraib, tribal initiatives against al-Qaida are gaining momentum and have garnered the increased support of the Government of Iraq. In Adhamiyah alone, 1000

Iraqis volunteered to help the ISF and Coalition forces bring security to their neighborhood. Overall, operations in Baghdad have made an impact, but work remains to be done, especially in the Sadr City area of Baghdad and in Kadhamiyah. These neighborhoods remain some of our bigger challenges.

Assessment: The Government of Iraq has made satisfactory progress toward ensuring that the Baghdad Security Plan will not provide a safe haven for any outlaws, regardless of their sectarian or political affiliation.

(xiii) Reducing the level of sectarian violence in Iraq and eliminating militia control of local security.

Ethno-sectarian violence is incited by a variety of motivations and methods, making it difficult to measure and control. Coalition and Iraqi partners are working hard to break the vicious cycle of provocation and retaliation that was at the heart of last winter's surge in casualties and displacement from troubled neighborhoods. After considering a number of indicators developed from both host nation and Coalition reports, there are promising signs that we may be succeeding in breaking this cycle.

While there are still millions of Iraqis who have been displaced from their homes by intimidation and violence, some small groups are beginning to return to areas where violence has been reduced. By both our estimate and those of the national intelligence community, the number of ethno-sectarian attacks and deaths nationwide has fluctuated somewhat over the past several months, but they are now less than half of the December 2006 levels. Ethno-sectarian attacks in the Baghdad districts have fallen even more sharply, down to roughly one-quarter the levels of December 2006. Total attacks on civilians across Iraq have declined in 13 of the past 18 weeks. Unfortunately, total civilian casualties did not fall as significantly over the same period, as al-Qaida launched several high-casualty vehicle IED attacks in Baghdad and the northern provinces in an attempt to provoke greater sectarian violence. However, in a sign of progress, Iraqis did not respond to these attacks with widespread sectarian-based retaliation, allowing for an underlying downward trend in civilian casualties. Overall, these trends have been achieved through increased Coalition and Iraqi presence in Baghdad, operations in the Baghdad belts, and an increase in the number of national leaders who have publicly renounced sectarian violence and called for restraint in the wake of high-profile IED attacks.

Despite these gains, progress against militia extremists is mixed. Operations conducted since May have significantly contributed to eliminating militia control of local security in areas that Coalition forces have cleared and now hold. In some cities such as Baghdad, Ramadi, Abu Ghraib, and Baqubah, local militia members are formally joining the local Iraqi security forces and providing effective community security, as well as valuable tips on caches and the location of extremist leaders. Despite the recent assassination of the elected governors in Qadisiyah and Muthanna, we believe that discrete offensive operations against militia extremist leaders in the central southern provinces offer the opportunity for larger gains against the militias. However, militias are still acting outside the law in the uncleared parts of Baghdad and the southern provinces

of Karbala, Basra, Qadisiyah, and Maysan. In these areas, militia members have either infiltrated Iraqi Security Forces or brokered deals with the local ISF or civilian leadership.

The national government continues its efforts to curb militia control of Iraqi Security Forces by its selection of leaders and key arrests, but they remain one step behind the problem. It is too early to be optimistic about statements by Muqtada al-Sadr, though the increasing number of Shi'a and Sunni tribal sheikhs reaching out to become part of the solution is a promising sign. We will continue to provide guidance and support to the Government of Iraq in negotiations, reconciliation, military operations, and legal action to address this issue.

Assessment: The Government of Iraq has made satisfactory progress toward reducing sectarian violence. Where ISF and Coalition forces have conducted clear and hold operations, militia control has been significantly reduced. However, satisfactory progress has not been made toward eliminating militia control of local security in other areas, as evidenced by continued militia influence of certain Baghdad neighborhoods and other areas across Iraq.

(xiv) Establishing all of the planned joint security stations in neighborhoods across Baghdad.

Nearly all of the planned joint security stations, Coalition outposts, and other patrol bases have been established across Baghdad and the surrounding area. As of August 31, 2007, 30 of 33 planned joint security stations were operational and 31 Coalition combat outposts had achieved operational capability. Joint security stations provide an around-the-clock security presence in most of Baghdad and are particularly effective as they merge Coalition partnering with Iraqi presence and action. There are numerous examples where Iraqi presence has facilitated a lower application of force and a more positive result. Other stations are being established in outlying areas where interaction with the local people can have a direct impact on the reduction of violence within the city. This increased interaction with the local population should continue to suppress crime and sectarian violence as well as provide valuable intelligence to support economic growth, political accommodation, and counterinsurgency operations.

Joint security stations are also being successfully employed in al-Anbar province and numerous other locations across Iraq. Coalition leaders will continue to consult with the Baghdad Operational Center and national leadership to determine additional emplacements.

Assessment: The Government of Iraq has made satisfactory progress toward establishing the planned Joint Security Stations in Baghdad neighborhoods.

(xv) Increasing the number of Iraqi Security Forces units capable of operating independently.

Iraqi Army, Air Force, and Police units¹ continue to grow in size. The Iraqi Army has expanded greatly since December 2006, when there were 149 units in operation and 9 under development. Currently, there are 152 combat units in operation and 29 under devel-

¹A unit is an Iraqi Army combat battalion or an Iraqi Army combat brigade headquarters or an Iraqi Army combat division headquarters.

opment. Since March 2007, there has been a 14 percent increase in the number of independent Iraqi Army operations, including 20 units operating independently as part of Fardh Al-Qanoon and 10 units assuming the lead role in their areas of responsibility. While only a small percentage of battalions are rated as capable of completely independent counterinsurgency operations (Operational Readiness Assessment Level One), over 75 percent are capable of planning, executing, and sustaining operations with some Coalition support and of making significant contributions to combat operations. The greatest constraints on independent operations are a shortage of trained leaders and immature logistics capability.

Iraqi Security Forces recently demonstrated their improved ability when they independently planned, rehearsed, and executed security for the annual pilgrimage in commemoration of the death of the Seventh Imam. This event, which included a march of a million Shi'a pilgrims to Baghdad's Kadhamiyah Shrine, had been marred by significant violence each of the last 3 years, including 1,000 people who were killed in a stampede in 2005 when they feared a car bomb attack. This year's event had no violence and was a great tribute to the Iraqi Security Forces and the government. The ISF planning and execution of the 12th Imam celebration in Karbala in late August 2007 was marred by JAM-instigated violence, but the Iraq security forces protected the shrines and defeated JAM attacks. Rapid reaction by the Government of Iraq—led by the Prime Minister personally—contained the violence and demonstrated another step toward eventual independent security capability.

The Iraqi Police continues to grow in size, particularly in newly cleared population centers where the increased demand for officers is often well-supported by local volunteers and the Government of Iraq. Police forces in the seven provinces under Iraqi control operate independently. Police capabilities in the remaining provinces show improvement that has been enhanced by local militias and concerned citizens joining the fight against al-Qaida. The use of additional local security forces has significantly increased the number of tips, resulting in a 50 percent increase in the number of caches found nationwide and a doubling of caches found in Baghdad. The increased number of tips has also led to the capture or killing of al-Qaida and irreconcilable militia leaders.

Although not yet capable of independent operations, three Air Force flying squadrons are progressing satisfactorily, doubling the amount of cargo and passengers flown since the start of the year. They have also conducted joint infrastructure security operations with the Iraqi Army and energy ministries and recently stood up an Iraqi Air Operations Center.

The growing size of Iraqi Security Forces and the need to increase the manning levels of existing units continues to present the Government of Iraq with force management challenges, particularly in the areas of leaders and logistics. For the present time, Coalition partnership and support remains necessary for most ISF operations. The Coalition is assisting the Government of Iraq as it develops a more mature ISF force structure that is capable of providing institutional sustainment. Again, we should be wary of placing too much strain on this force until we are comfortable it can

meet the challenges posed by our determined common enemies in Iraq.

Assessment: Although there is progress in the development and operation of the Iraqi Security Forces, the Government of Iraq has not made satisfactory progress toward increasing the number of Iraqi Security Force units capable of operating independently. Many units have made considerable progress in their ability to conduct combat operations, but the number of units earning Operational Readiness Assessment Level One ratings has not increased as much as desired. However, we should not understate the marked increase in ISF capability to conduct combat operations successfully, including clearing and holding neighborhoods, planning and conducting operations, defending themselves, protecting the population, and responding to contingencies on short notice.

(xvi) Ensuring that the rights of minority political parties in the Iraqi legislature are protected.

Article 37 of the Iraqi Constitution guarantees all Iraqis freedom to form and join associations and political parties. Minorities are guaranteed equal access to and participation in elections for the COR. The COR elected in December 2005 includes representatives from the Shi'a, Sunni, Kurdish, Turkmen, Chaldo-Assyrian Christian, and Yazidi communities. The Rules of Procedure for the COR guarantee the ability of its members to express their opinions, regardless of political party or affiliation, helping to ensure the full participation of all its members, and COR leaders have followed these rules in practice. COR rules permit groups as small as 10 members out of 275 to propose legislation.

The United States Mission is fully engaged with the Iraqi parliament to ensure appreciation for the concern attached by the United States to representation of women and minorities and a role for minority parties.

Assessment: The Government of Iraq has made satisfactory progress toward ensuring that the rights of minority political parties in the Iraqi legislature are protected.

(xvii) Allocating and spending \$10 billion in Iraqi revenues for reconstruction projects, including delivery of essential services, on an equitable basis.

While it is too soon to tell by how much budget execution will improve by the end of 2007, there is no doubt that the Government of Iraq is overcoming many of the problems it faced in 2006. Indeed, 2007 capital budget execution is already on par with last year's total level, and the full \$10 billion capital budget has been allocated. Given the long-term nature of some capital projects, some of the 2007 capital funds will not be disbursed until later years. The Government of Iraq has also launched its 2008 budget process, which will ensure the progress in 2007 continues to move forward.

Both the central government and the provincial governments are becoming more effective at allocating and spending their capital budgets for reconstruction and the delivery of essential services.²

²To aid interpretation, a terminology guide from Baghdad Cable 2541 follows:

—Government of Iraq "Spending Plan/Budget Allocation": Budgetary authority to a Government of Iraq unit, in accordance with the Budget Law, with sub-allocations deferred by the Min-

The 2007 Iraqi budget represents the first time in modern Iraqi history that provincial governments have been able to formulate and implement their own capital budgets. The Government of Iraq ministries are already exceeding their 2006 levels of budget execution. The ability to allocate and spend a capital budget effectively is a necessary first step for a functioning government to meet the needs of its people. Government of Iraq and provincial officials across the country have shown by their actions that budget execution is, indeed, a focal point as they continue to improve governance and move toward self-reliance.

In 2006, the Government of Iraq spent roughly 22 percent of its \$6.2 billion non-provincial capital budget. Lack of technical capacity, security issues, and, in many cases, fear of prosecution for corruption effectively paralyzed much of the Government of Iraq's spending. In 2007, an intense focus and training on budget execution at the highest levels of the Government of Iraq bolstered technical capacity and encouraged action, though capacity constraints persist. As a result, according to Ministry of Finance (MOF) data through mid-July 2007, total Government of Iraq ministries have already spent approximately 24 percent of their 2007 capital budgets.

Ministerial allocation and spending are also moving ahead, with the most successful ministries being key service providers, such as Oil, Electricity, Housing, Municipalities and Public Works, Planning, and Education. These select ministries have all spent at least 21 percent of their 2007 capital budget, with some committing as much as 57 percent. Some ministries remain challenged in the face of capacity constraints and problems associated with lack of security and will continue to be monitored appropriately.

Provincial Reconstruction Team data indicate that provincial governments have committed over 47 percent of their 2007 capital budgets. Provinces also continue to spend their remaining 2006 funds and are estimated by the MOF to have committed 100 percent of these funds, most of which were received in late December 2006.

The province of al-Anbar exemplifies the improvement in provincial budget execution. On June 4, 2007, the Anbar Provincial Council approved its province's capital budget. It then issued a call for tenders, analyzed the bids, and signed the first 17 contracts in a public ceremony on August 13, 2007. Over half of the remaining contracts to spend the rest of the provincial budget are ready for signature, bringing al-Anbar's spending commitments to \$25 million as of mid-August.

istry of Finance (MOF.) This equates to a United States Government "commitment" or an internal reservation of funds for a particular purpose.

—Government of Iraq "Release": Equates to United States Government apportionment; release of funds from MOF (OMB has this responsibility in the United States Government) to a spending unit based on project needs or cash flow. Ministry of Planning and Development Cooperation (MOPDC) reviews and approves the spending unit's request for release, and the MOF confirms consistency with the approved budget allocation and liquidity needs of the spending unit.

—Government of Iraq "Commitment": Equates to a United States Government obligation, i.e., the spending unit awards a contract or other binding agreement.

—Government of Iraq "Disbursed": Equates to United States Government expenditures or outlays. Two types of expenditures are often used interchangeably: (1) funds disbursed to a non-Government of Iraq entity (e.g., contractor) resulting in a net outlay; and (2) disbursements from one Government of Iraq account to another.

Assessment: The Government of Iraq is making satisfactory progress in allocating funds to ministries and provinces. The full \$10 billion capital budget is allocated, although spending units will not be able to spend all these funds by the end of 2007 given the long-term nature of some capital projects. The Ministry of Planning Development and Cooperation and the Ministry of Finance have released 30 percent of 2007 budgeted capital funds to Iraqi government ministries, as well as 24 percent of 2007 budgeted capital funds to regions and provinces. Processing of Letters of Credit has improved, benefiting the Ministry of Electricity and other ministries that rely on international procurement. The Ministry of Planning Development and Cooperation is demonstrating leadership on procurement policy and technical assistance.

Despite these efforts and its stronger performance relative to last year, the Government of Iraq is unlikely to spend its entire \$10 billion capital budget by the end of 2007. Nevertheless, it should be highlighted that both ministries and provinces are executing a greater percentage of much larger capital budgets, which significantly increases ministry and provincial expenditures on an absolute dollar basis.

(xviii) Ensuring that Iraq's political authorities are not undermining or making false accusations against members of the ISF.

Progress is clearly being made in this area, though the overall effect is difficult to accurately assess. The maturing of the inspectors general system and the continued education of commanders at all levels are positive signs. The Council of Representatives' approval of the Military Justice Law and improvements in the judicial system have helped to institutionalize the rule of law and stand in marked contrast to the legacy of former regime practices.

Sectarian bias is not limited to Shi'a officials, as some Sunni politicians have made baseless claims against ISF officials who are Shi'a. It appears from anecdotal evidence that some Iraqi authorities may not be pursuing some of these allegations. It is difficult to determine whether these accusations result from actual misconduct, inaccurate reporting, or the sectarian-bias of Iraqi political authorities. We continue to challenge the Government of Iraq to investigate each one and take action, as appropriate.

The Prime Minister and his ministerial council are trying to curb this problem. We will push for improvements, although the key to success will be our ability to institutionalize the rule of law in government practices. At the same time we will continue to press Iraqi political leaders to investigate and then confront those who make baseless accusations against ISF leaders for sectarian and political gain.

Assessment: The Government of Iraq has not made satisfactory progress in ensuring that Iraq's political authorities are not undermining or making false accusations against members of the ISF. Though there is weekly evidence of a more determined effort by the Government of Iraq to address these issues and seek resolution, there remains much work to be done in this benchmark. The historical challenge inherent in Iraq, compounded by the damage done by sectarian violence following the

Samarra Mosque bombing, remains a challenge that will only be fully solved by education and time.

APPENDIX I

REPORT TO CONGRESS ON THE SITUATION IN IRAQ, GENERAL DAVID H. PETRAEUS, COMMANDER, MULTI-NATIONAL FORCE—IRAQ, 10–11 SEPTEMBER 2007

Mr. Chairmen, Ranking Members, Members of the Committees, thank you for the opportunity to provide my assessment of the security situation in Iraq and to discuss the recommendations I recently provided to my chain of command for the way forward.

At the outset, I would like to note that this is my testimony. Although I have briefed my assessment and recommendations to my chain of command, I wrote this testimony myself. It has not been cleared by, nor shared with, anyone in the Pentagon, the White House, or Congress.

As a bottom line up front, the military objectives of the surge are, in large measure, being met. In recent months, in the face of tough enemies and the brutal summer heat of Iraq, Coalition and Iraqi Security Forces have achieved progress in the security arena. Though the improvements have been uneven across Iraq, the overall number of security incidents in Iraq has declined in 8 of the past 12 weeks, with the numbers of incidents in the last two weeks at the lowest levels seen since June 2006.

One reason for the decline in incidents is that Coalition and Iraqi forces have dealt significant blows to Al Qaeda-Iraq. Though Al Qaeda and its affiliates in Iraq remain dangerous, we have taken away a number of their sanctuaries and gained the initiative in many areas.

We have also disrupted Shia militia extremists, capturing the head and numerous other leaders of the Iranian-supported Special Groups, along with a senior Lebanese Hezbollah operative supporting Iran's activities in Iraq.

Coalition and Iraqi operations have helped reduce ethno-sectarian violence, as well, bringing down the number of ethno-sectarian deaths substantially in Baghdad and across Iraq since the height of the sectarian violence last December. The number of overall civilian deaths has also declined during this period, although the numbers in each area are still at troubling levels.

Iraqi Security Forces have also continued to grow and to shoulder more of the load, albeit slowly and amid continuing concerns about the sectarian tendencies of some elements in their ranks. In general, however, Iraqi elements have been standing and fighting and sustaining tough losses, and they have taken the lead in operations in many areas.

Additionally, in what may be the most significant development of the past 8 months, the tribal rejection of Al Qaeda that started in Anbar Province and helped produce such significant change there has now spread to a number of other locations as well.

Based on all this and on the further progress we believe we can achieve over the next few months, I believe that we will be able to reduce our forces to the pre-surge level of brigade combat teams by next summer without jeopardizing the security gains that we have fought so hard to achieve.

Beyond that, while noting that the situation in Iraq remains complex, difficult, and sometimes downright frustrating, I also believe that it is possible to achieve our objectives in Iraq over time, though doing so will be neither quick nor easy.

Having provided that summary, I would like to review the nature of the conflict in Iraq, recall the situation before the surge, describe the current situation, and explain the recommendations I have provided to my chain of command for the way ahead in Iraq.

THE NATURE OF THE CONFLICT

The fundamental source of the conflict in Iraq is competition among ethnic and sectarian communities for power and resources. This competition will take place, and its resolution is key to producing long-term stability in the new Iraq. The question is whether the competition takes place more- or less-violently. This chart shows the security challenges in Iraq. Foreign and home-grown terrorists, insurgents, militia extremists, and criminals all push the ethno-sectarian competition toward violence. Malign actions by Syria and, especially, by Iran fuel that violence. Lack of adequate governmental capacity, lingering sectarian mistrust, and various forms of corruption add to Iraq's challenges.

THE SITUATION IN DECEMBER 2006 AND THE SURGE

In our recent efforts to look to the future, we found it useful to revisit the past. In December 2006, during the height of the ethno-sectarian violence that escalated in the wake of the bombing of the Golden Dome Mosque in Samarra, the leaders in Iraq at that time—General George Casey and Ambassador Zalmay Khalilzad—concluded that the coalition was failing to achieve its objectives. Their review underscored the need to protect the population and reduce sectarian violence, especially in Baghdad. As a result, General Casey requested additional forces to enable the Coalition to accomplish these tasks, and those forces began to flow in January.

In the ensuing months, our forces and our Iraqi counterparts have focused on improving security, especially in Baghdad and the areas around it, wresting sanctuaries from Al Qaeda control, and disrupting the efforts of the Iranian-supported militia extremists. We have employed counterinsurgency practices that underscore the importance of units living among the people they are securing, and accordingly, our forces have established dozens of joint security stations and patrol bases manned by Coalition and Iraqi forces in Baghdad and in other areas across Iraq.

In mid-June, with all the surge brigades in place, we launched a series of offensive operations focused on: expanding the gains achieved in the preceding months in Anbar Province; clearing Baqubah, several key Baghdad neighborhoods, the remaining sanctuaries in Anbar Province, and important areas in the so-called "belts" around Baghdad; and pursuing Al Qaeda in the Diyala River Valley and several other areas.

Throughout this period, as well, we engaged in dialogue with insurgent groups and tribes, and this led to additional elements standing up to oppose Al Qaeda and other extremists. We also continued to emphasize the development of the Iraqi Security Forces and we employed nonkinetic means to exploit the opportunities provided by the conduct of our kinetic operations—aided in this effort by the arrival of additional Provincial Reconstruction Teams.

CURRENT SITUATION AND TRENDS

The progress our forces have achieved with our Iraqi counterparts has, as I noted at the outset, been substantial. While there have been setbacks as well as successes and tough losses along the way, overall, our tactical commanders and I see improvements in the security environment. We do not, however, just rely on gut feel or personal observations; we also conduct considerable data collection and analysis to gauge progress and determine trends. We do this by gathering and refining data from coalition and Iraqi operations centers, using a methodology that has been in place for well over a year and that has benefited over the past seven months from the increased presence of our forces living among the Iraqi people. We endeavor to ensure our analysis of that data is conducted with rigor and consistency, as our ability to achieve a nuanced understanding of the security environment is dependent on collecting and analyzing data in a consistent way over time. Two U.S. intelligence agencies recently reviewed our methodology, and they concluded that the data we produce is the most accurate and authoritative in Iraq.

As I mentioned up front, and as the chart before you reflects, the level of security incidents has decreased significantly since the start of the surge of offensive operations in mid-June, declining in 8 of the past 12 weeks, with the level of incidents in the past two weeks the lowest since June 2006 and with the number of attacks this past week the lowest since April 2006.

Civilian deaths of all categories, less natural causes, have also declined considerably, by over 45% Iraq-wide since the height of the sectarian violence in December. This is shown by the top line on this chart, and the decline by some 70% in Baghdad is shown by the bottom line. Periodic mass casualty attacks by Al Qaeda have tragically added to the numbers outside Baghdad, in particular. Even without the sensational attacks, however, the level of civilian deaths is clearly still too high and continues to be of serious concern.

As the next chart shows, the number of ethno-sectarian deaths, an important subset of the overall civilian casualty figures, has also declined significantly since the height of the sectarian violence in December. Iraq-wide, as shown by the top line on this chart, the number of ethno-sectarian deaths has come down by over 55%, and it would have come down much further were it not for the casualties inflicted by barbaric Al Qaeda bombings attempting to reignite sectarian violence. In Baghdad, as the bottom line shows, the number of ethno-sectarian deaths has come down by some 80% since December. This chart also displays the density of sectarian incidents in various Baghdad neighborhoods and it both reflects the

progress made in reducing ethno-sectarian violence in the Iraqi capital and identifies the areas that remain the most challenging.

As we have gone on the offensive in former Al Qaeda and insurgent sanctuaries, and as locals have increasingly supported our efforts, we have found a substantially increased number of arms, ammunition, and explosives caches. As this chart shows, we have, so far this year, already found and cleared over 4,400 caches, nearly 1,700 more than we discovered in all of last year. This may be a factor in the reduction in the number of overall improvised explosive device attacks in recent months, which as this chart shows, has declined sharply, by about one-third, since June.

The change in the security situation in Anbar Province has, of course, been particularly dramatic. As this chart shows, monthly attack levels in Anbar have declined from some 1,350 in October 2006 to a bit over 200 in August of this year. This dramatic decrease reflects the significance of the local rejection of Al Qaeda and the newfound willingness of local Anbaris to volunteer to serve in the Iraqi Army and Iraqi Police Service. As I noted earlier, we are seeing similar actions in other locations, as well.

To be sure, trends have not been uniformly positive across Iraq, as is shown by this chart depicting violence levels in several key Iraqi provinces. The trend in Nineveh Province, for example, has been much more up and down, until a recent decline, and the same is true in Sala ad Din Province, though recent trends there and in Baghdad have been in the right direction. In any event, the overall trajectory in Iraq—a steady decline of incidents in the past three months—is still quite significant.

The number of car bombings and suicide attacks has also declined in each of the past 5 months, from a high of some 175 in March, as this chart shows, to about 90 this past month. While this trend in recent months has been heartening, the number of high profile attacks is still too high, and we continue to work hard to destroy the networks that carry out these barbaric attacks.

Our operations have, in fact, produced substantial progress against Al Qaeda and its affiliates in Iraq. As this chart shows, in the past 8 months, we have considerably reduced the areas in which Al Qaeda enjoyed sanctuary. We have also neutralized 5 media cells, detained the senior Iraqi leader of Al Qaeda-Iraq, and killed or captured nearly 100 other key leaders and some 2,500 rank-and-file fighters. Al Qaeda is certainly not defeated; however, it is off balance and we are pursuing its leaders and operators aggressively. Of note, as the recent National Intelligence Estimate on Iraq explained, these gains against Al Qaeda are a result of the synergy of actions by: conventional forces to deny the terrorists sanctuary; intelligence, surveillance, and reconnaissance assets to find the enemy; and special operations elements to conduct targeted raids. A combination of these assets is necessary to prevent the creation of a terrorist safe haven in Iraq.

In the past six months we have also targeted Shia militia extremists, capturing a number of senior leaders and fighters, as well as the deputy commander of Lebanese Hezbollah Department 2800, the organization created to support the training, arming, funding, and, in some cases, direction of the militia extremists by the Iranian Republican Guard Corps' Qods Force. These elements have as-

sassinated and kidnapped Iraqi governmental leaders, killed and wounded our soldiers with advanced explosive devices provided by Iran, and indiscriminately rocketed civilians in the International Zone and elsewhere. It is increasingly apparent to both Coalition and Iraqi leaders that Iran, through the use of the Qods Force, seeks to turn the Iraqi Special Groups into a Hezbollah-like force to serve its interests and fight a proxy war against the Iraqi state and coalition forces in Iraq.

The most significant development in the past six months likely has been the increasing emergence of tribes and local citizens rejecting Al Qaeda and other extremists. This has, of course, been most visible in Anbar Province. A year ago the province was assessed as “lost” politically. Today, it is a model of what happens when local leaders and citizens decide to oppose Al Qaeda and reject its Taliban-like ideology. While Anbar is unique and the model it provides cannot be replicated everywhere in Iraq, it does demonstrate the dramatic change in security that is possible with the support and participation of local citizens. As this chart shows, other tribes have been inspired by the actions of those in Anbar and have volunteered to fight extremists as well. We have, in coordination with the Iraqi government’s National Reconciliation Committee, been engaging these tribes and groups of local citizens who want to oppose extremists and to contribute to local security. Some 20,000 such individuals are already being hired for the Iraqi Police, thousands of others are being assimilated into the Iraqi Army, and thousands more are vying for a spot in Iraq’s Security Forces.

IRAQI SECURITY FORCES

As I noted earlier, Iraqi Security Forces have continued to grow, to develop their capabilities, and to shoulder more of the burden of providing security for their country. Despite concerns about sectarian influence, inadequate logistics and supporting institutions, and an insufficient number of qualified commissioned and non-commissioned officers, Iraqi units are engaged around the country.

As this chart shows, there are now nearly 140 Iraqi Army, National Police, and Special Operations Forces Battalions in the fight, with about 95 of those capable of taking the lead in operations, albeit with some coalition support. Beyond that, all of Iraq’s battalions have been heavily involved in combat operations that often result in the loss of leaders, soldiers, and equipment. These losses are among the shortcomings identified by operational readiness assessments, but we should not take from these assessments the impression that Iraqi forces are not in the fight and contributing. Indeed, despite their shortages, many Iraqi units across Iraq now operate with minimal coalition assistance.

As counterinsurgency operations require substantial numbers of boots on the ground, we are helping the Iraqis expand the size of their security forces. Currently, there are some 445,000 individuals on the payrolls of Iraq’s Interior and Defense Ministries. Based on recent decisions by Prime Minister Maliki, the number of Iraq’s security forces will grow further by the end of this year, possibly by as much as 40,000. Given the security challenges Iraq faces, we support this decision, and we will work with the two security min-

istries as they continue their efforts to expand their basic training capacity, leader development programs, logistical structures and elements, and various other institutional capabilities to support the substantial growth in Iraqi forces.

Significantly, in 2007, Iraq will, as in 2006, spend more on its security forces than it will receive in security assistance from the United States. In fact, Iraq is becoming one of the United States' larger foreign military sales customers, committing some \$1.6 billion to FMS already, with the possibility of up to \$1.8 billion more being committed before the end of this year. And I appreciate the attention that some members of Congress have recently given to speeding up the FMS process for Iraq.

To summarize, the security situation in Iraq is improving, and Iraqis' elements are slowly taking on more of the responsibility for protecting their citizens. Innumerable challenges lie ahead; however, Coalition and Iraqi Security Forces have made progress toward achieving sustainable security. As a result, the United States will be in a position to reduce its forces in Iraq in the months ahead.

RECOMMENDATIONS

Two weeks ago I provided recommendations for the way ahead in Iraq to the members of my chain of command and the Joint Chiefs of Staff. The essence of the approach I recommended is captured in its title: "Security While Transitioning: From Leading to Partnering to Overwatch." This approach seeks to build on the security improvements our troopers and our Iraqi counterparts have fought so hard to achieve in recent months. It reflects recognition of the importance of securing the population and the imperative of transitioning responsibilities to Iraqi institutions and Iraqi forces as quickly as possible, but without rushing to failure. It includes substantial support for the continuing development of Iraqi Security Forces. It also stresses the need to continue the counterinsurgency strategy that we have been employing, but with Iraqis gradually shouldering more of the load. And it highlights the importance of regional and global diplomatic approaches. Finally, in recognition of the fact that this war is not only being fought on the ground in Iraq but also in cyberspace, it also notes the need to contest the enemy's growing use of that important medium to spread extremism.

The recommendations I provided were informed by operational and strategic considerations. The operational considerations include recognition that:

- military aspects of the surge have achieved progress and generated momentum;
- Iraqi Security Forces have continued to grow and have slowly been shouldering more of the security burden in Iraq;
- a mission focus on either population security or transition alone will not be adequate to achieve our objectives;
- success against Al Qaeda-Iraq and Iranian-supported militia extremists requires conventional forces as well as special operations forces; and
- the security and local political situations will enable us to draw down the surge forces.

My recommendations also took into account a number of strategic considerations:

- political progress will take place only if sufficient security exists;
- long-term U.S. ground force viability will benefit from force reductions as the surge runs its course;
- regional, global, and cyberspace initiatives are critical to success; and
- Iraqi leaders understandably want to assume greater sovereignty in their country, although, as they recently announced, they do desire continued presence of coalition forces in Iraq in 2008 under a new U.N. Security Council Resolution and, following that, they want to negotiate a long term security agreement with the United States and other nations.

Based on these considerations, and having worked the battlefield geometry with Lieutenant General Ray Odierno to ensure that we retain and build on the gains for which our troopers have fought, I have recommended a drawdown of the surge forces from Iraq. In fact, later this month, the Marine Expeditionary Unit deployed as part of the surge will depart Iraq. Beyond that, if my recommendations are approved, that unit's departure will be followed by the withdrawal of a brigade combat team without replacement in mid-December and the further redeployment without replacement of four other brigade combat teams and the two surge Marine battalions in the first 7 months of 2008, until we reach the pre-surge level of 15 brigade combat teams by mid-July 2008.

I would also like to discuss the period beyond next summer. Force reductions will continue beyond the pre-surge levels of brigade combat teams that we will reach by mid-July 2008; however, in my professional judgment, it would be premature to make recommendations on the pace of such reductions at this time. In fact, our experience in Iraq has repeatedly shown that projecting too far into the future is not just difficult, it can be misleading and even hazardous. The events of the past six months underscore that point. When I testified in January, for example, no one would have dared to forecast that Anbar Province would have been transformed the way it has in the past 6 months. Nor would anyone have predicted that volunteers in onetime Al Qaeda strongholds like Ghazaliyah in western Baghdad or in Adamiya in eastern Baghdad would seek to join the fight against Al Qaeda. Nor would we have anticipated that a Shia-led government would accept significant numbers of Sunni volunteers into the ranks of the local police force in Abu Ghraib. Beyond that, on a less encouraging note, none of us earlier this year appreciated the extent of Iranian involvement in Iraq, something about which we and Iraq's leaders all now have greater concern.

In view of this, I do not believe it is reasonable to have an adequate appreciation for the pace of further reductions and mission adjustments beyond the summer of 2008 until about mid-March of next year. We will, no later than that time, consider factors similar to those on which I based the current recommendations, having by then, of course, a better feel for the security situation, the improvements in the capabilities of our Iraqi counterparts, and the enemy situation. I will then, as I did in developing the recommendations

I have explained here today, also take into consideration the demands on our Nation's ground forces, although I believe that that consideration should once again inform, not drive, the recommendations I make.

This chart captures the recommendations I have described, showing the recommended reduction of brigade combat teams as the surge runs its course and illustrating the concept of our units adjusting their missions and transitioning responsibilities to Iraqis, as the situation and Iraqi capabilities permit. It also reflects the no-later-than date for recommendations on force adjustments beyond next summer and provides a possible approach we have considered for the future force structure and mission set in Iraq.

One may argue that the best way to speed the process in Iraq is to change the MNF-I mission from one that emphasizes population security, counterterrorism, and transition, to one that is strictly focused on transition and counterterrorism. Making that change now would, in our view, be premature. We have learned before that there is a real danger in handing over tasks to the Iraqi Security Forces before their capacity and local conditions warrant. In fact, the drafters of the recently released National Intelligence Estimate on Iraq recognized this danger when they wrote, and I quote, "We assess that changing the mission of Coalition forces from a primarily counterinsurgency and stabilization role to a primary combat support role for Iraqi forces and counterterrorist operations to prevent AQI from establishing a safe haven would erode security gains achieved thus far."

In describing the recommendations I have made, I should note again that, like Ambassador Crocker, I believe Iraq's problems will require a long-term effort. There are no easy answers or quick solutions. And though we both believe this effort can succeed, it will take time. Our assessments underscore, in fact, the importance of recognizing that a premature drawdown of our forces would likely have devastating consequences.

That assessment is supported by the findings of a 16 August Defense Intelligence Agency report on the implications of a rapid withdrawal of US forces from Iraq. Summarizing it in an unclassified fashion, it concludes that a rapid withdrawal would result in the further release of the strong centrifugal forces in Iraq and produce a number of dangerous results, including a high risk of disintegration of the Iraqi Security Forces; rapid deterioration of local security initiatives; Al Qaeda-Iraq regaining lost ground and freedom of maneuver; a marked increase in violence and further ethno-sectarian displacement and refugee flows; alliances of convenience by Iraqi groups with internal and external forces to gain advantages over their rivals; and exacerbation of already challenging regional dynamics, especially with respect to Iran.

Lieutenant General Odierno and I share this assessment and believe that the best way to secure our national interests and avoid an unfavorable outcome in Iraq is to continue to focus our operations on securing the Iraqi people while targeting terrorist groups and militia extremists and, as quickly as conditions are met, transitioning security tasks to Iraqi elements.

CLOSING COMMENTS

Before closing, I want to thank you and your colleagues for your support of our men and women in uniform in Iraq. The Soldiers, Sailors, Airmen, Marines, and Coast Guardsmen with whom I'm honored to serve are the best equipped and, very likely, the most professional force in our nation's history. Impressively, despite all that has been asked of them in recent years, they continue to raise their right hands and volunteer to stay in uniform. With three weeks to go in this fiscal year, in fact, the Army elements in Iraq, for example, have achieved well over 130% of the reenlistment goals in the initial term and careerist categories and nearly 115% in the midcareer category. All of us appreciate what you have done to ensure that these great troopers have had what they've needed to accomplish their mission, just as we appreciate what you have done to take care of their families, as they, too, have made significant sacrifices in recent years.

The advances you have underwritten in weapons systems and individual equipment; in munitions; in command, control, and communications systems; in intelligence, surveillance, and reconnaissance capabilities; in vehicles and counter-IED systems and programs; and in manned and unmanned aircraft have proven invaluable in Iraq. The capabilities that you have funded most recently—especially the vehicles that will provide greater protection against improvised explosive devices—are also of enormous importance. Additionally, your funding of the Commander's Emergency Response Program has given our leaders a critical tool with which to prosecute the counterinsurgency campaign. Finally, we appreciate as well your funding of our new detention programs and rule of law initiatives in Iraq.

In closing, it remains an enormous privilege to soldier again in Iraq with America's new "Greatest Generation." Our country's men and women in uniform have done a magnificent job in the most complex and challenging environment imaginable. All Americans should be very proud of their sons and daughters serving in Iraq today.

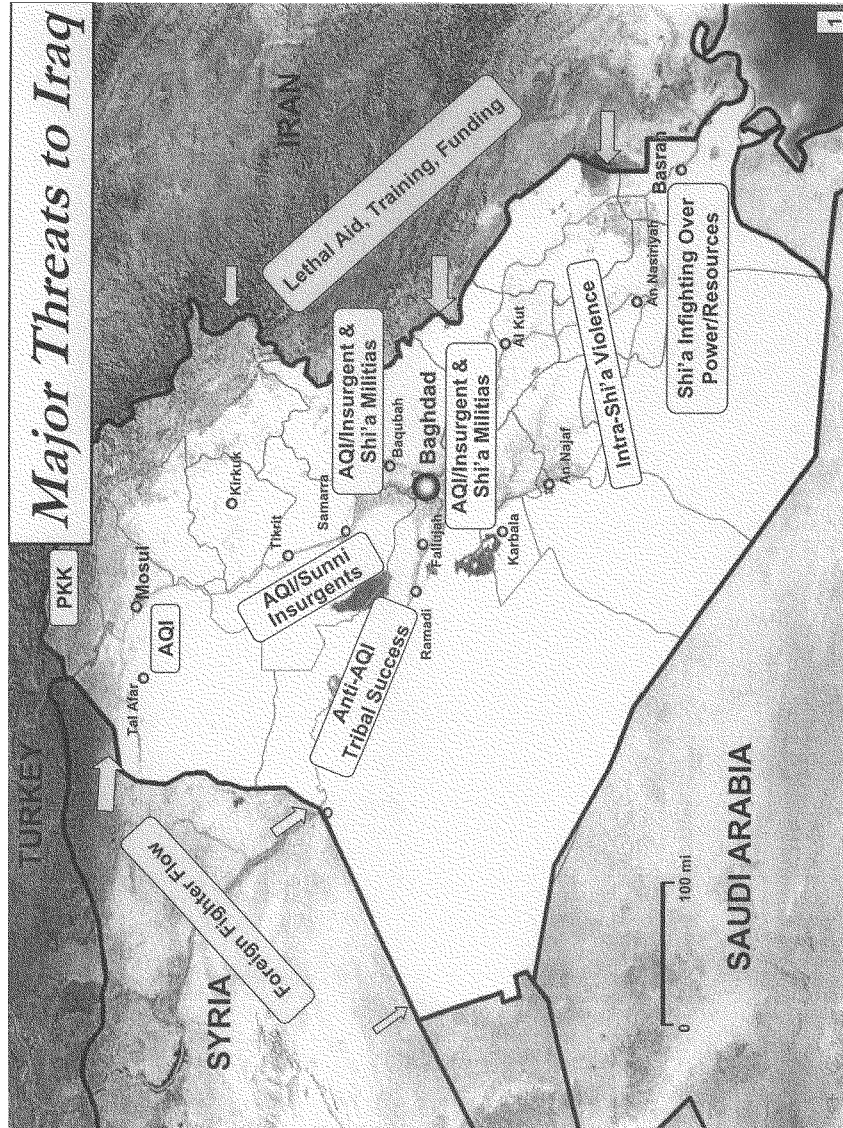
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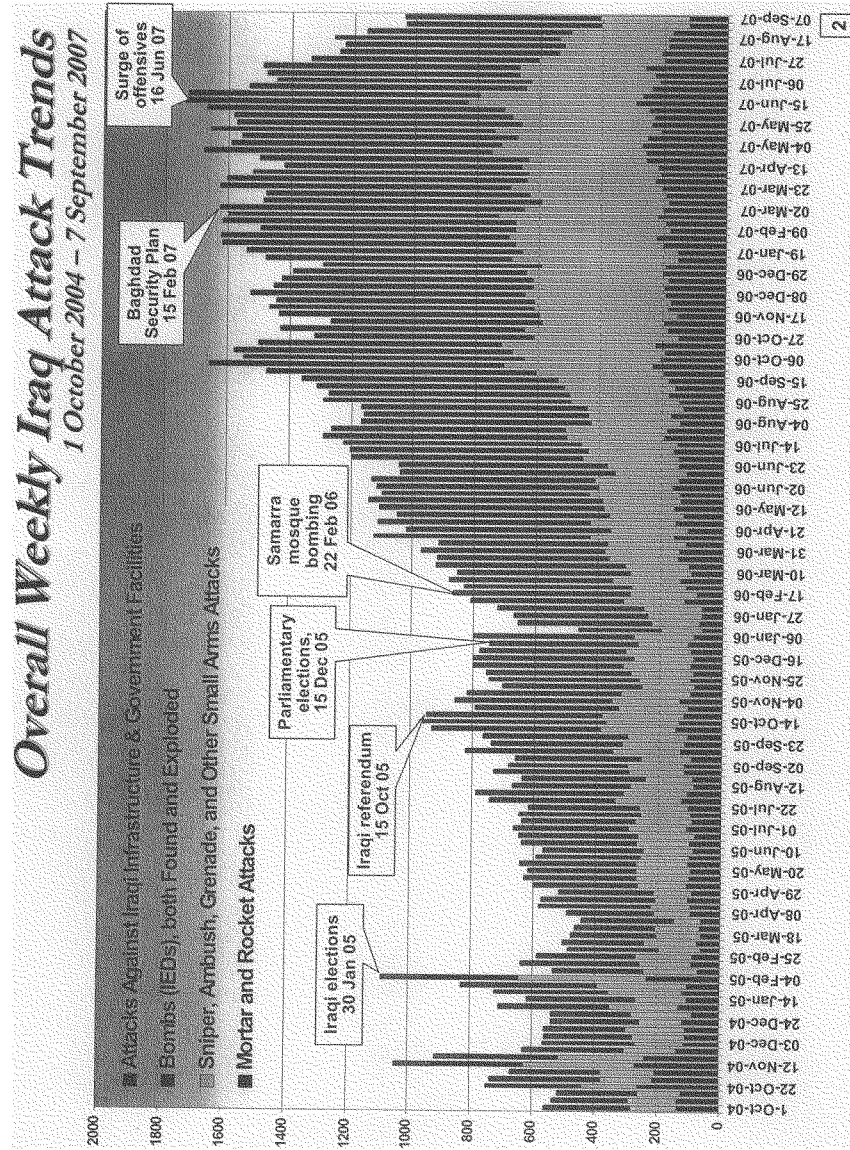


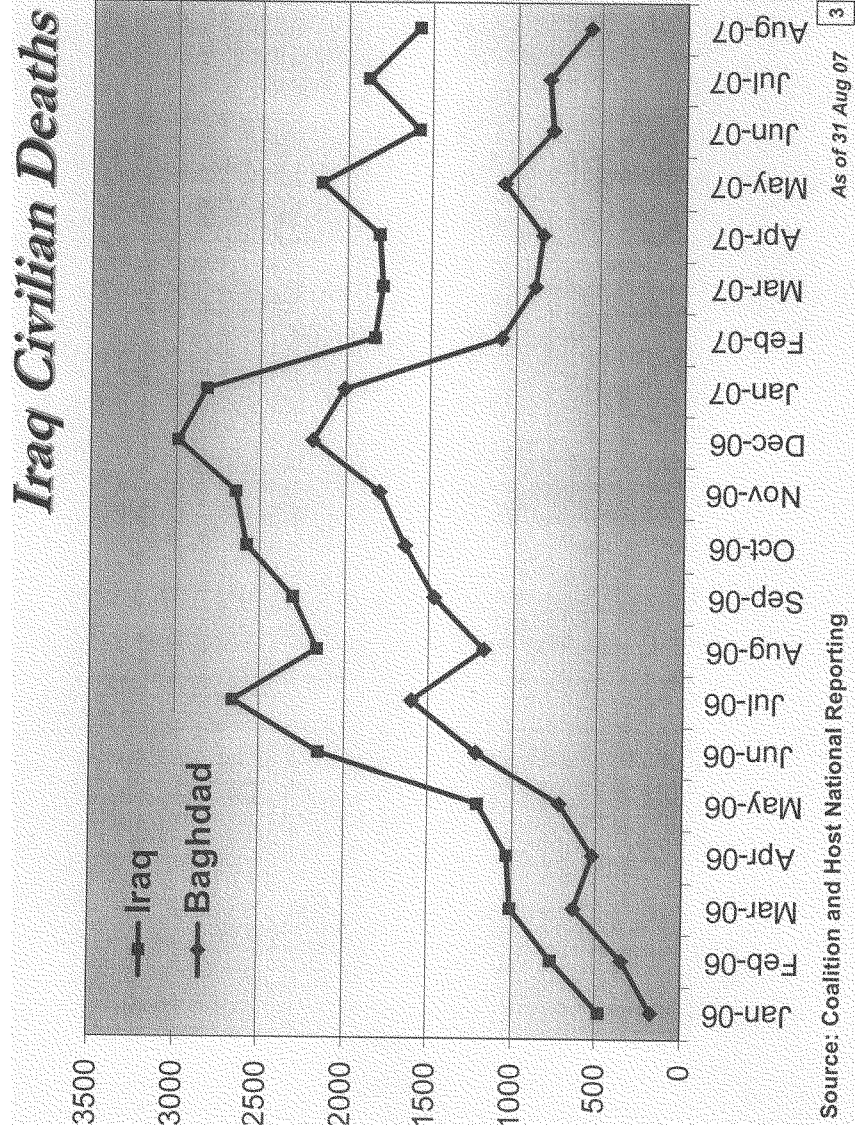
Multi-National Force-Iraq

*Charts to accompany the testimony of
GEN David H. Petraeus*

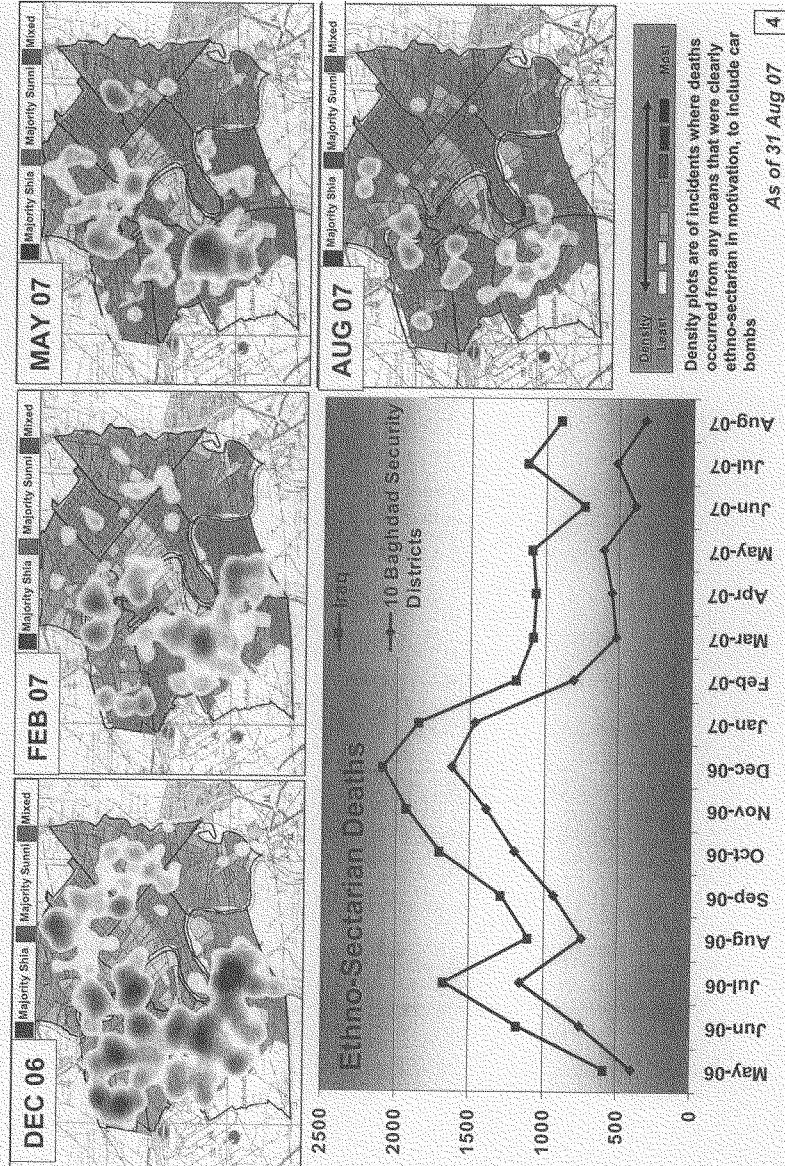
10-11 September 2007





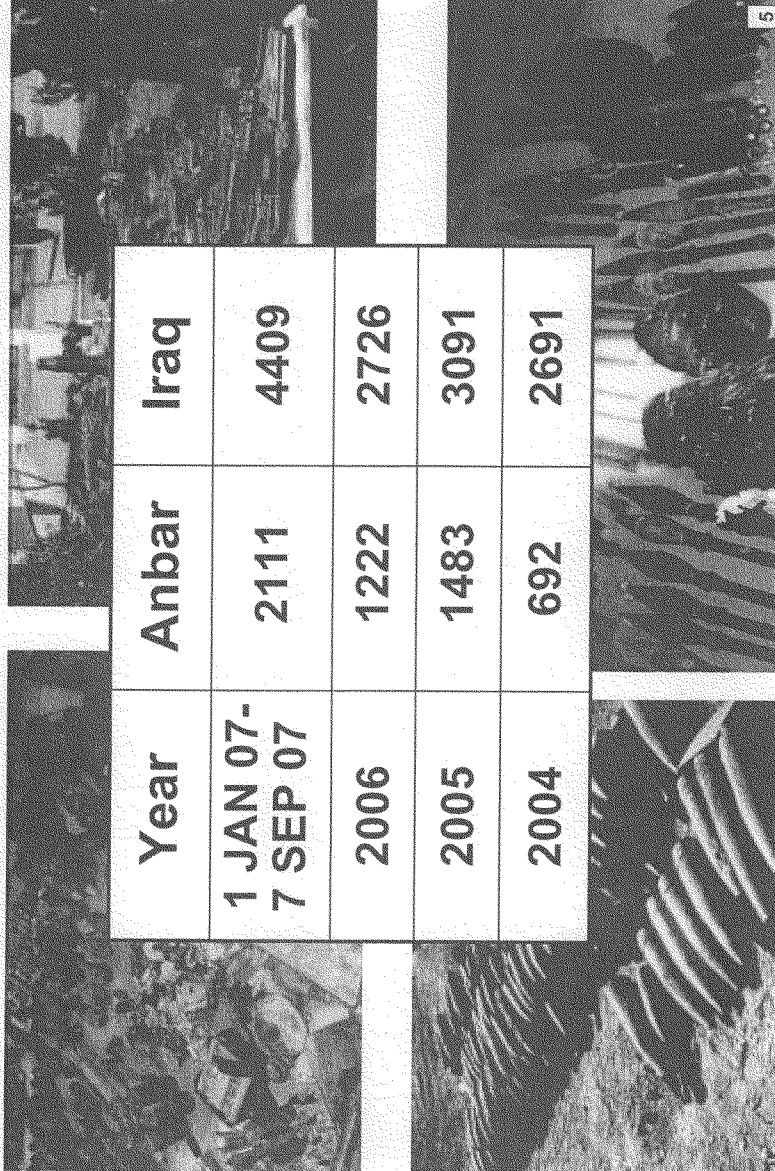


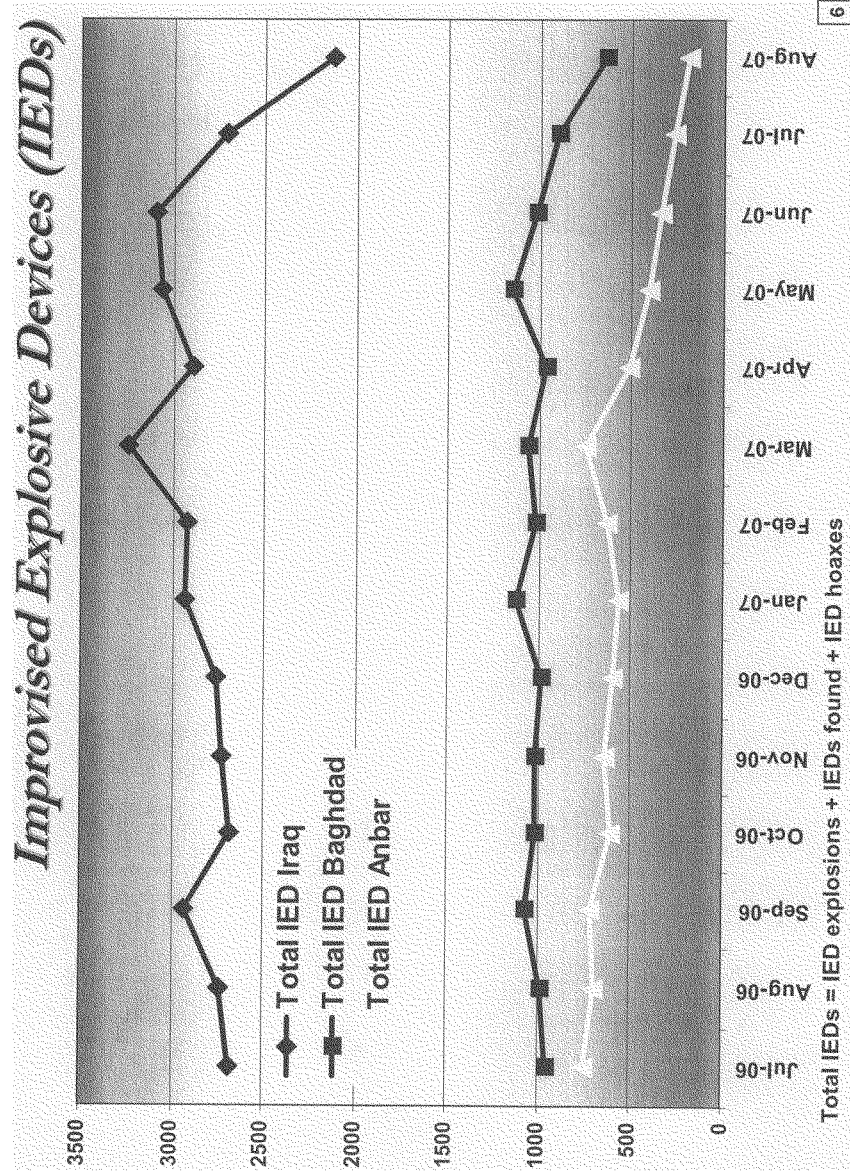
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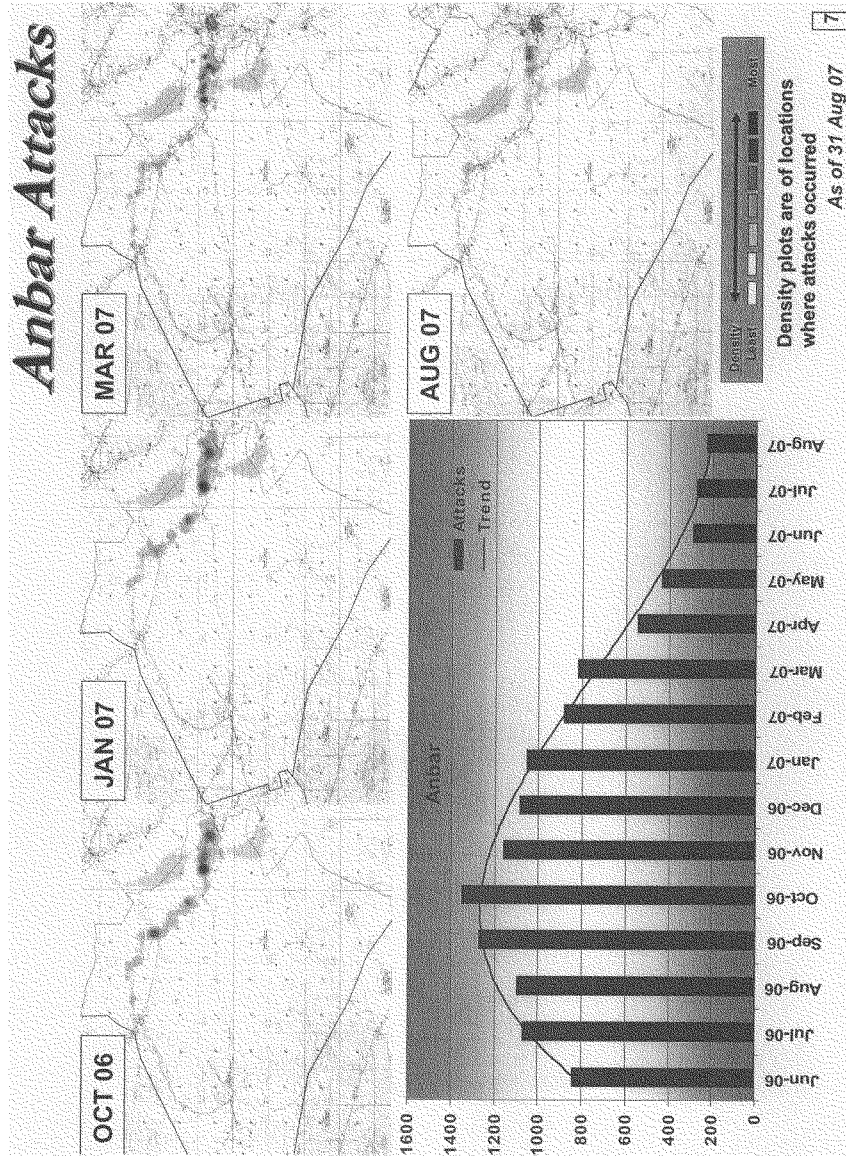


Caches Found & Cleared

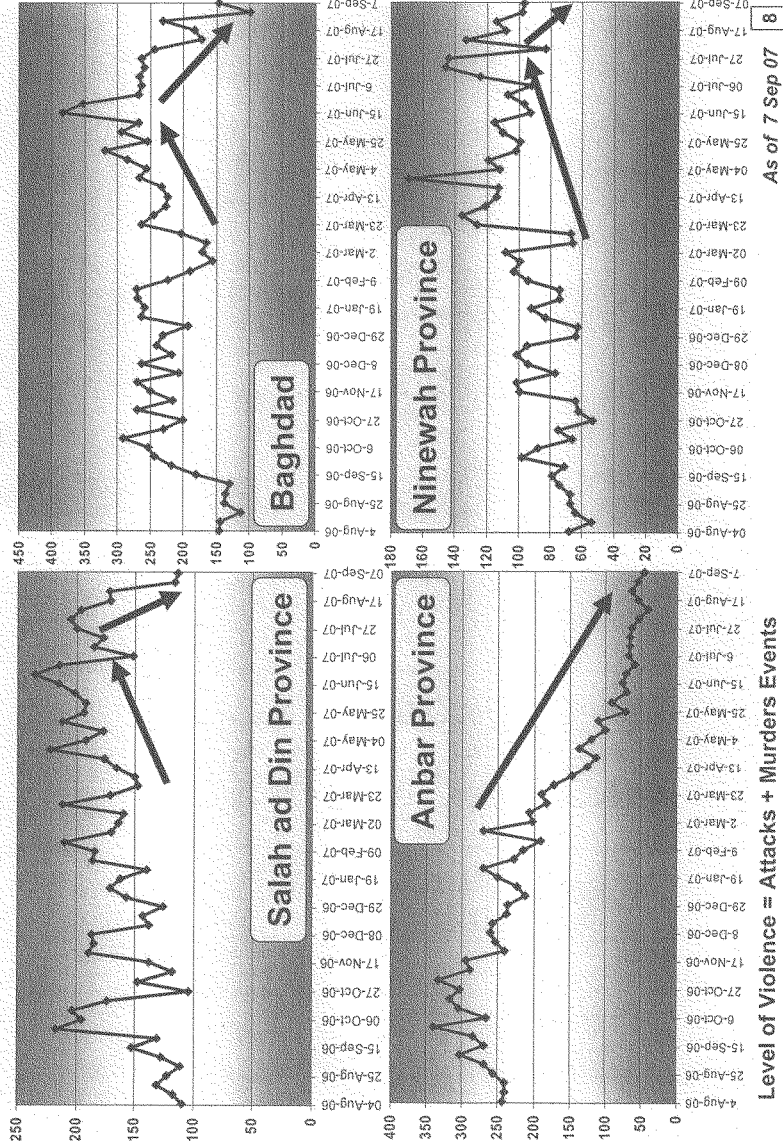
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2006	1222	2726
2005	1483	3091
2004	692	2691



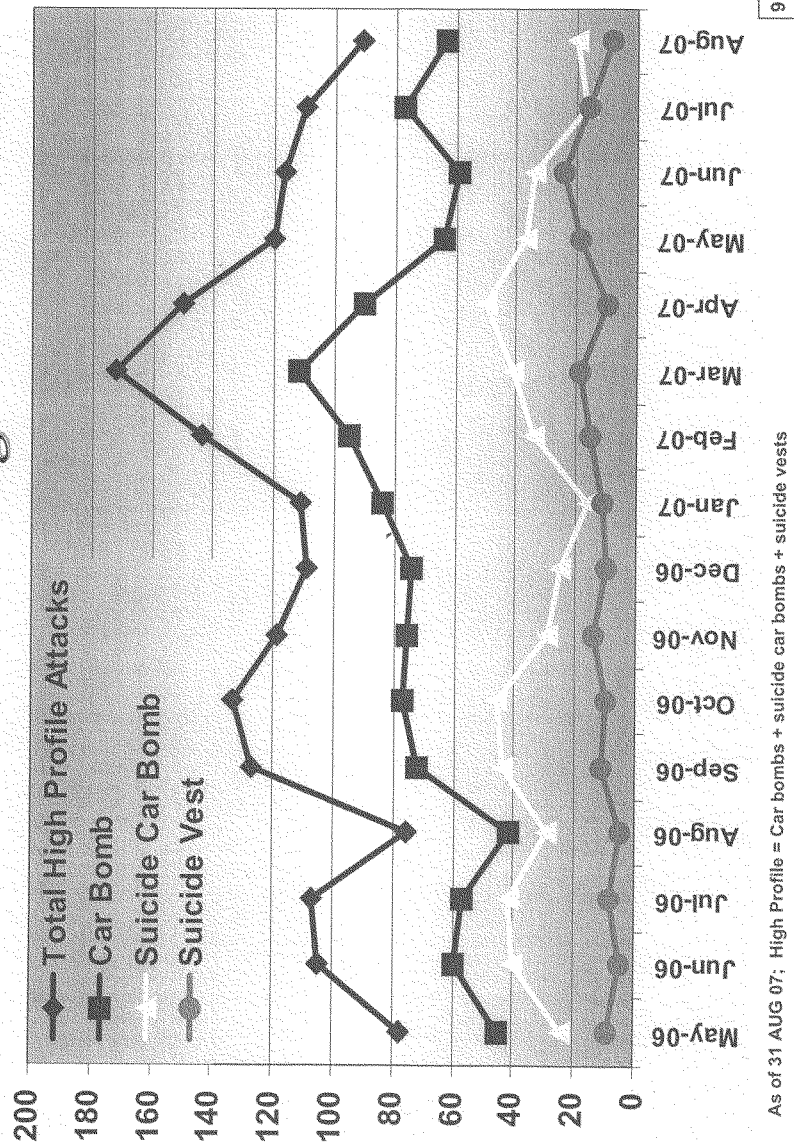




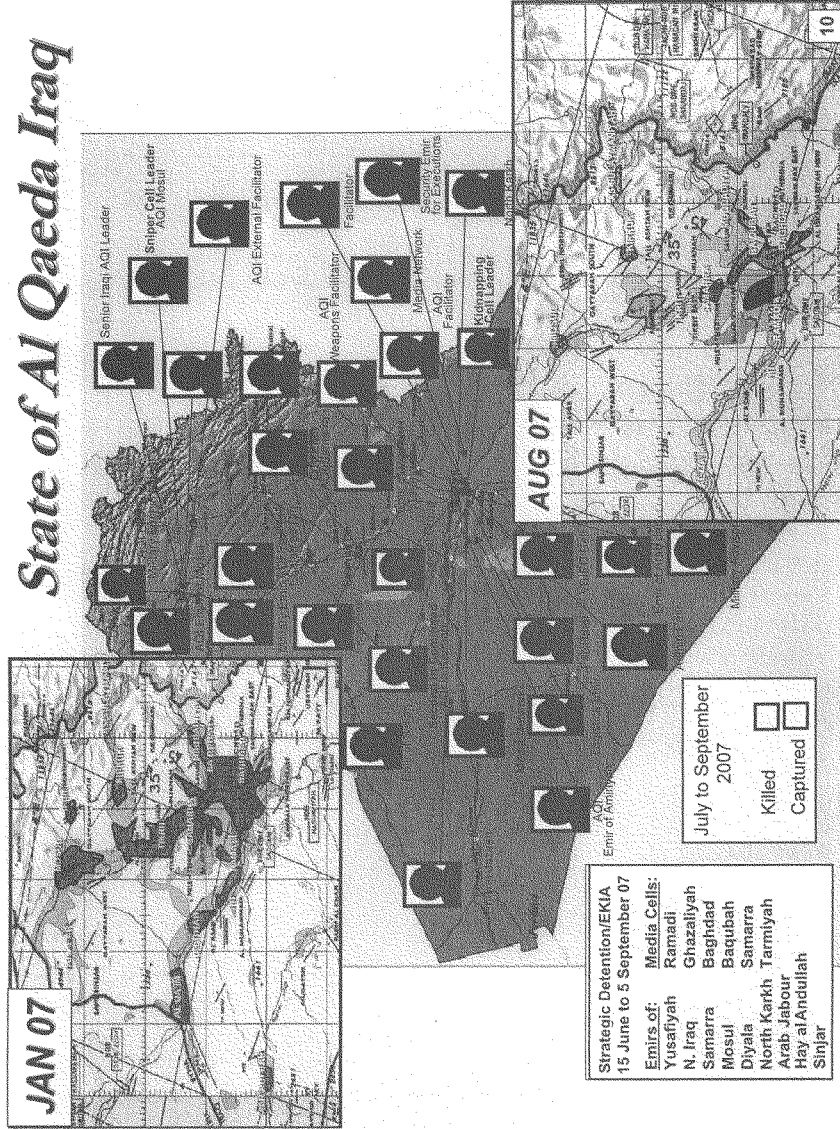
Iraq Violence Trends

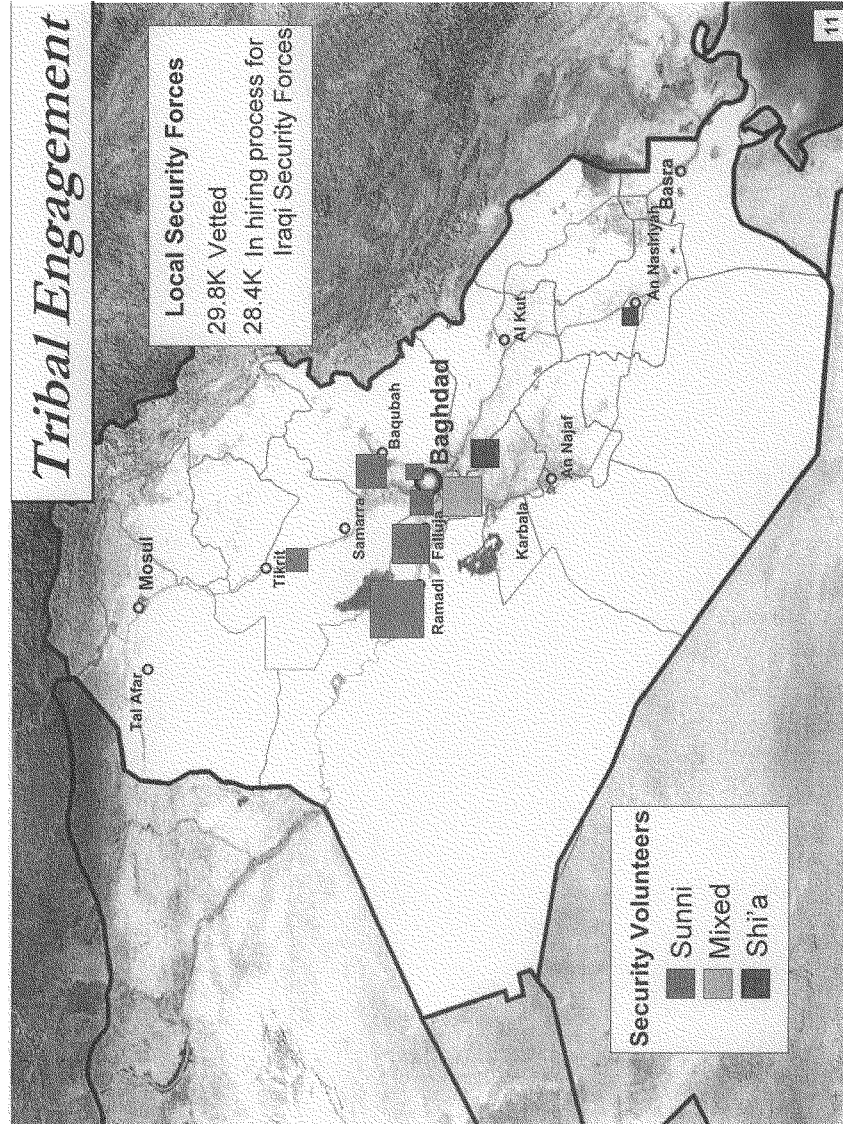


High Profile Attacks

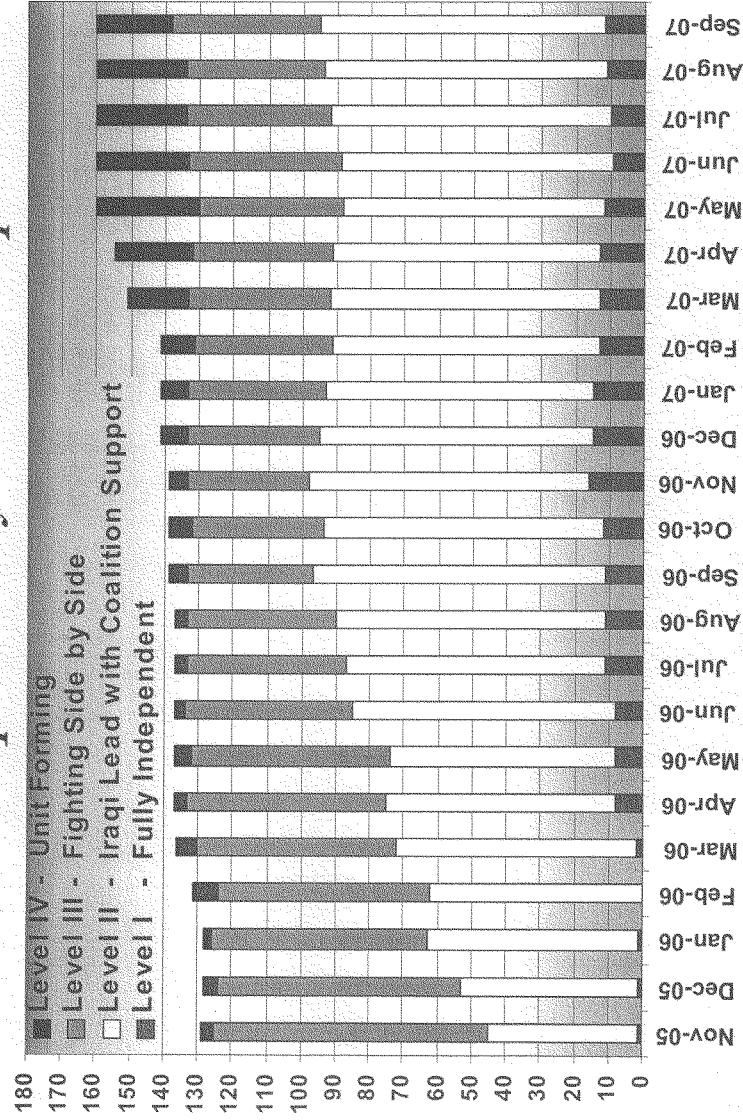


State of Al Qaeda Iraq



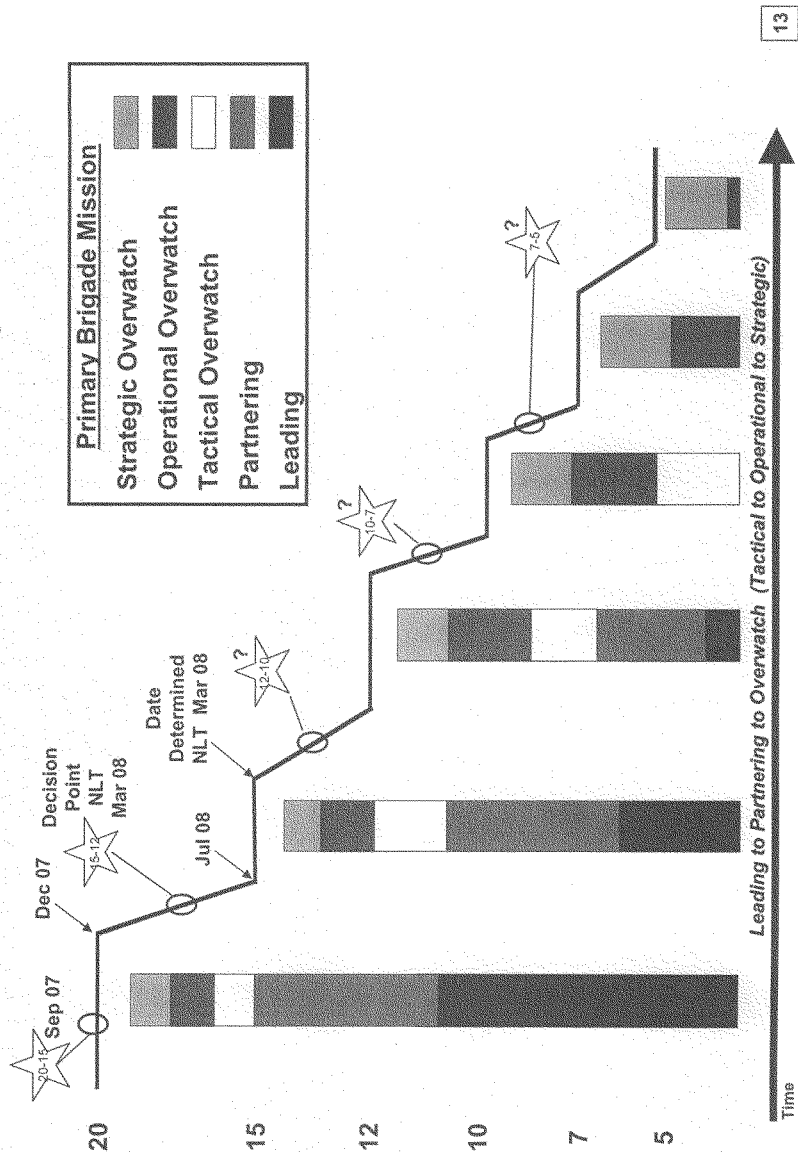


Iraqi Security Forces Capabilities



Iraqi Army Battalions, National Police Battalions, and Special Operating Force Battalions

Recommended Force Reductions/Mission Shift



APPENDIX II

STATEMENT OF AMBASSADOR RYAN C. CROCKER, UNITED STATES
AMBASSADOR TO THE REPUBLIC OF IRAQ, BEFORE A JOINT HEAR-
ING OF THE COMMITTEE ON FOREIGN AFFAIRS AND THE COM-
MITTEE ON ARMED SERVICES, SEPTEMBER 10, 2007

INTRODUCTION

Mr. Chairman,

Thank you for the opportunity to address Congress this week. I have considered it a privilege and an honor to serve in Iraq at a time when so much is at stake for our country and the people of the region—and when so many Americans of the highest caliber in our military and civilian services are doing the same. I know that a heavy responsibility weighs on my shoulders to provide the country with my best, most honest assessment of the situation in Iraq and the implications for the United States.

Americans, in this chamber and beyond, are looking for more than an update on the latest events. They want to know the answers to some key questions. Are our objectives realistic? Is it possible that Iraq will become a united, stable country with a democratic government operating under the rule of law? What is the trajectory—is Iraq, on the whole, moving in the right direction? Can we expect more and under what time frame? Are there alternative courses of action for our country which are superior?

These are sensible questions to be asked by a nation investing in and sacrificing for another country and people. In asking these questions, however, we must not lose sight of the vital interests the United States has in a successful outcome in Iraq.

My intention today is to give you an assessment of political, economic, and diplomatic developments in Iraq. In doing so, I will not minimize the enormity of the challenges faced by Iraqis, nor the complexity of the situation. Yet at the same time, I intend to demonstrate that it is possible for the United States to see its goals realized in Iraq and that Iraqis are capable of tackling and addressing the problems confronting them today. A secure, stable democratic Iraq at peace with its neighbors is attainable. In my judgment, the cumulative trajectory of political, economic, and diplomatic developments in Iraq is upwards, although the slope of that line is not steep. The process will not be quick, it will be uneven, punctuated by setbacks as well as achievements, and it will require substantial U.S. resolve and commitment. There will be no single moment at which we can claim victory; any turning point will likely only be recognized in retrospect.

This is a sober assessment, but it should not be a disheartening one. I have found it helpful, during my time in Iraq to reflect on our own history. At many points in the early years, our survival as a nation was questionable. Our efforts to build the institutions

of government were not always successful in the first instance. And tough issues—such as slavery, universal suffrage, civil rights, and state rights—were resolved only after acrimonious debate and sometimes violence.

Iraq is experiencing a revolution—not just regime change. It is only by understanding this that we can appreciate what is happening in Iraq and what Iraqis have achieved, as well as maintain a sense of realism about the challenges that remain.

CONTEXT

Evaluating where Iraqis are today only makes sense in the context of where they have been. Any Iraqi under 40 years old—and that is the overwhelming majority of the population—would have known nothing but the rule of the Ba'ath party before liberation four and a half years ago. Those 35 years were filled with crimes against humanity on every scale. Saddam Hussein ruled without any mercy, not hesitating to use lethal force and torture against even those in his inner circle. His genocidal campaign against the Kurds and savagery toward southern Shi'a are well known. But he also used violence and intimidation as tools in the complete deconstruction of Iraqi society. No organization or institution survived that was not linked in some way to regime protection. He created a pervasive climate of fear in which even family members were afraid to talk to one another.

This is the legacy that Iraqis had as their history when Saddam's statue came down on April 9, 2003. No Nelson Mandela existed to emerge on the national political scene; anyone with his leadership talents would have not survived. A new Iraq had to be built almost literally from scratch, and the builders in most cases were themselves reduced to their most basic identity, ethnic or sectarian.

Much progress has been made, particularly in building an institutional framework where there was none before. But rather than being a period in which old animosities and suspicions were overcome, the past 18 months, in particular, have further strained Iraqi society. The sectarian violence of 2006 and early 2007 had its seeds in Saddam's social deconstruction and it had dire consequences for the people of Iraq as well as its politics. Extensive displacement and widespread sectarian killings by al-Qa'ida and other extremist groups have gnawed away at the already frayed fabric of Iraqi society and politics. It is no exaggeration to say that Iraq is—and will remain for some time—a traumatized society.

NATIONAL POLITICS

It is against this backdrop that developments in Iraq must be seen. Iraqis are facing some of the most profound political, economic, and security challenges imaginable. They are not simply grappling with the issue of who rules Iraq—but they are asking what kind of country Iraq will be, how it will be governed, and how Iraqis will share power and resources among each other. The constitution approved in a referendum in 2005 answered some of these questions in theory, but much remains uncertain in both law and practice.

Some of the more promising political developments at the national level are neither measured in benchmarks nor visible to

those far from Baghdad. For instance, there is a budding debate about federalism among Iraq's leaders and, importantly, within the Sunni community. Those living in place like al-Anbar and Salahaddin are beginning to realize how localities having more of a say in daily decision making will empower their communities. No longer is an all-powerful Baghdad seen as the panacea to Iraq's problems. This thinking is nascent, but it is ultimately critical to the evolution of a common vision among all Iraqi leaders.

Similarly, there is a palpable frustration in Baghdad over the sectarian system that was used to divide the spoils of the state in the last few years. Leaders from all communities openly acknowledge that a focus on sectarian gains has led to poor governance and served Iraqis badly. And many claim to be ready to make the sacrifices that will be needed to put government performance ahead of sectarian and ethnic concerns. Such ideas are no longer controversial, although their application will be.

Finally, we are seeing Iraqis come to terms with complex issues not by first providing a national framework, but instead by tackling immediate problems. One such example is how the central government has accepted over 1700 young men from the Abu Ghurayb area west of Baghdad, including former members of insurgent groups, to be part of the Iraqi security forces. Another is how the government, without much public fanfare, has contacted thousands of members of the former Iraqi army, offering them retirement, return to the military, or public sector employment. So without the proclamation of a general amnesty, we see amnesty being granted, and deba'athification reform in advance of national legislation. In both instances, the seeds of reconciliation are being planted.

Our country, however, has come to associate progress on national reconciliation as meaning the passage of key pieces of legislation. There is logic to this, as the legislation we are urging the Iraqis to produce does—in one way or another—have to do with the question of how to share power and resources among Iraq's many communities. This legislation also has to do with the vision of the future Iraqi state. The oil and revenues sharing laws, for instance, deal with deeper issues than simply whether Iraqis in oil producing areas are willing to share their wealth with other Iraqis. What is difficult about the oil laws is that they take Iraq another step down the road toward a federal system that all Iraqis have not yet embraced. But once again, we see that even in the absence of legislation there is practical action as the central government shares oil revenues through budget allocations on an equitable basis with Iraq's provinces.

In many respects, the debates currently occurring in Iraq are akin to those surrounding our civil rights movement or struggle, over states rights. With deba'athification, Iraqis are struggling to come to terms with a vicious past. They are trying to balance fear that the Ba'ath party would one day return to power with the recognition that many former members of the party are guilty of no crime and joined the organization not to repress others but for personal survival. With provincial powers, they are grappling with very serious questions about what the right balance between the center and the periphery is for Iraq. Some see the devolution of power to regions and provinces as being the best insurance against

the rise of a future tyrannical figure in Baghdad. Others see Iraq, with its complex demographics, as in need of a strong central authority.

In short, we should not be surprised or dismayed that Iraqis have not fully resolved such issues. Rather, we should ask whether the way in which they are approaching such issues gives us a sense of their seriousness and ultimate capability to resolve Iraq's fundamental problems. Is the collective national leadership of Iraq ready to prioritize Iraq over sectarian and community interests? Can and will they come to agreement about what sort of Iraq they want?

I do believe that Iraq's leaders have the will to tackle the country's pressing problems, although it will take longer than we originally anticipated because of the environment and the gravity of the issues before them. Prime Minister al-Maliki and the other Iraqi leaders face enormous obstacles in their efforts to govern effectively. They approach the task with a deep sense of commitment and patriotism. An important part of this positive judgment was the effort made by the leaders this past summer. After weeks of preparatory work and many days of intensive meetings, Iraq's five most prominent national leaders from the three major communities issued a communiqué on August 26 that noted agreement on draft legislation dealing with de-ba'athification and provincial powers. This agreement by no means solves all of Iraq's problems. But the commitment of its leaders to work together on hard issues is encouraging.

Perhaps most significantly, these five Iraqi leaders together decided to publicly express their joint desire to develop a long-term relationship with the United States. Despite their many differences in perspectives and experiences, they all agreed on language acknowledging the need for a continued presence by the multinational forces in Iraq and expressing gratitude for the sacrifices these forces have made for Iraqis.

PROVINCIAL AND LOCAL POLITICS

At the provincial level, political gains have been more pronounced, particularly in the north and west of Iraq where the security improvements have been in some places dramatic. In these areas, there is abundant evidence that the security gains have opened the door for meaningful politics.

In al-Anbar, the progress on the security side has been extraordinary. Six months ago, violence was rampant, our forces were under daily attack, and Iraqis were cowering from the intimidation of al-Qa'ida. But al-Qa'ida overplayed its hand in al-Anbar and Anbaris began to reject its excesses—be they beheading school children or cutting off peoples' fingers as punishment for smoking. Recognizing the Coalition could help eject al-Qa'ida, the tribes began to fight with us, not against us, and the landscape in al-Anbar is dramatically different as a result. Tribal representatives are on the provincial council, which is now meeting regularly to find ways of restoring services, developing the economy, and executing a provincial budget. These leaders are looking for help to rebuild their cities and talking of attracting investment. Such scenes are also unfolding in parts of Diyala and Ninewa, where Iraqis have mobilized with the help of the Coalition and Iraqi security forces to evict al-

Qa'ida from their communities. The world should note that when al-Qa'ida began implementing its twisted vision of the Caliphate in Iraq, Iraqis, from al-Anbar to Baghdad to Diyala', have overwhelmingly rejected it.

Shi'a extremists are also facing rejection. Recent attacks by elements of the Iranian-backed Jaysh al-Mahdi on worshipers in the holy city of Karbala have provoked a backlash and triggered a call by Muqtada as-Sadr for Jaysh al-Mahdi to cease attacks against Iraqis and coalition forces.

A key challenge for Iraqis now is to link these positive developments in the provinces to the central government in Baghdad. Unlike our states, Iraqi provinces have little ability to generate funds through taxation, making them dependent on the central government for resources. The growing ability of the provinces to design and execute budgets and the readiness of the central government to resource them are success stories. On September 5, Iraq's senior federal leadership traveled to al-Anbar where they announced a 70% increase in the 2007 provincial capital budget as well as \$50 million to compensate losses in the fight against al-Qa'ida. The support of the central government is also needed to maintain hard-won security in areas like al-Anbar through the rapid expansion of locally-generated police. The Government of Iraq has placed some 21,000 Anbaris on police roles.

ECONOMICS AND CAPACITY BUILDING

Iraq is starting to make some gains in the economy. Improving security is stimulating revival of markets, with the active participation of local communities. War damage is being cleared and buildings repaired, roads and sewers built and commerce energized.

The IMF estimates that economic growth will exceed six percent for 2007. Iraqi ministries and provincial councils have made substantial progress this year in utilizing Iraq's oil revenue for investment. The 2007 governmental budget allocated \$10 billion (nearly one-third Iraq's expected oil export revenue) to capital investment. Over \$3 billion was allocated to the provinces and the Kurdish Region for spending. The latest data show that spending units (national ministries, and provincial councils) have proceeded to commit these funds at more than twice the rate of last year. Doing the best are the provincial authorities, in the process gaining experience with making plans and decisions, and running fair tenders. In so doing, they are stimulating local business development and providing employment. Over time we expect the experience with more responsive local authorities will change Iraqi attitudes towards their elected leaders, and of the provinces towards Baghdad.

At two conferences in Dubai in the last two weeks, hundreds of Iraqi businessmen met an equal number of foreign investors newly interested in acquiring shares of businesses in Iraq. An auction of cell phone spectrum conducted by Pricewaterhouse Coopers netted the Government a better-than-expected sum of \$3.75 billion. The Minister of Finance plans to use the funds, along with all the country's oil revenue, to apply to its pressing investment and current expenditure needs.

Overall, however, the Iraqi economy is performing significantly under potential. Insecurity in the countryside raises transport costs and especially affects manufacturing and agriculture. Electricity supply has improved in many parts of the country, but is woefully inadequate in Baghdad. Many neighborhoods in the city receive two hours a day or less from the national grid, although power supplies for essential services such as water pumping stations or hospitals are much better. The Minister of Electricity said last week that it would take \$25 billion through 2016 to meet demand requirements, but that by investing the \$2 billion a year the Ministry is now receiving from the government's budget, as well as private investment in power generation, that goal could be met.

We are deploying our assistance funds to make a difference to ordinary Iraqis and to support our political objectives. Military units are using Commanders Emergency Response (CERP) funds to ensure that residents see a difference when neighborhood violence declines. USAID Community Stabilization Funds provide tens of thousands of jobs. With the recent apportionment of 2007 Supplemental funds, we are putting "Quick Response Funds" in the hands of our Provincial Reconstruction Team leaders to build communities and institutions in post-kinetic environments. Vocational training and microfinance programs are supporting nascent private businesses. And in Baghdad, we are increasing our engagement and capacity building efforts with ministries.

REGIONAL AND INTERNATIONAL DYNAMICS

There is expanding international and regional engagement with Iraq. In August, the UN Security Council, at Iraq's invitation, provided the United Nations Assistance Mission in Iraq (UNAMI) with an expanded mandate through UNSCR 1770. The work of the International Compact with Iraq moves forward, jointly chaired by Iraq and the UN. Seventy-four countries pledged support for Iraq's economic reform efforts at a Ministerial Conference in May. The UN has reported progress in 75% of the 400 areas Iraq has identified for action. Later this month, the Iraqi Prime Minister and the UN Secretary General will chair a ministerial-level meeting in New York to discuss further progress under the Compact and how UNSCR 1770 can be most effectively implemented.

Many of Iraq's neighbors recognize that they have a stake in the outcome of the current conflict in Iraq, and are engaging with Iraq in a constructive way. A neighbors' ministerial in May, also attended by the P-5 and the G-8, has been followed by meetings of working groups on security, border issues, and energy. An ambassadorial level meeting just took place in Baghdad, and another neighbors' ministerial will be held in Istanbul in October.

Against the backdrop of these new mechanisms, the business of being neighbors is quietly unfolding. For the first time in years, Iraq is exporting oil through its neighbor, Turkey, as well as through the Gulf. Iraq and Kuwait are nearing conclusion on a commercial deal for Kuwait to supply its northern neighbor with critically needed diesel. Jordan recently issued a statement welcoming the recent leaders' communique and supporting Iraqi efforts at reconciliation. And Saudi Arabia is planning on opening an Embassy in Baghdad—its first since the fall of Saddam.

Syria's role has been more problematic. On one hand, Syria has hosted a meeting of the border security working group and interdicted some foreign terrorists in transit to Iraq. On the other hand, suicide-bombers continue to cross the border from Syria to murder Iraqi civilians.

Iran plays a harmful role in Iraq. While claiming to support Iraq in its transition, Iran has actively undermined it by providing lethal capabilities to the enemies of the Iraqi state. In doing so, the Iranian government seems to ignore the risks that an unstable Iraq carries for its own interests.

LOOKING AHEAD

2006 was a bad year in Iraq. The country came close to unraveling politically, economically, and in security terms. 2007 has brought improvement. Enormous challenges remain. Iraqis still struggle with fundamental questions about how to share power, accept their differences and overcome their past. The changes to our strategy last January—the surge—have helped change the dynamics in Iraq for the better. Our increased presence made besieged communities feel that they could defeat al-Qa'ida by working with us. Our population security measures have made it much harder for terrorists to conduct attacks. We have given Iraqis the time and space to reflect on what sort of country they want. Most Iraqis genuinely accept Iraq as a multi-ethnic, multi-sectarian society—it is the balance of power that has yet to be sorted out.

Whether Iraq reaches its potential is of course ultimately the product of Iraqi decisions. But the involvement and support of the United States will be hugely important in shaping a positive outcome. Our country has given a great deal in blood and treasure to stabilize the situation in Iraq and help Iraqis build institutions for a united, democratic country governed under the rule of law. Realizing this vision will take more time and patience on the part of the United States.

I cannot guarantee success in Iraq. I do believe, as I have described, that it is attainable. I am certain that abandoning or drastically curtailing our efforts will bring failure, and the consequences of such a failure must be clearly understood. An Iraq that falls into chaos or civil war will mean massive human suffering—well beyond what has already occurred within Iraq's borders. It could well invite the intervention of regional states, all of which see their future connected to Iraq's in some fundamental way. Undoubtedly, Iran would be a winner in this scenario, consolidating its influence over Iraqi resources and possibly territory. The Iranian President has already announced that Iran will fill any vacuum in Iraq. In such an environment, the gains made against al-Qa'ida and other extremists groups could easily evaporate and they could establish strongholds to be used as safehavens for regional and international operations. Our current course is hard. The alternatives are far worse.

Every strategy requires recalibration as time goes on. This is particularly true in an environment like Iraq where change is a daily or hourly occurrence. As chief of mission in Iraq, I am constantly assessing our efforts and seeking to ensure that they are coordinated with and complementary to the efforts of our military.

I believe that, thanks to the support of Congress, we have an appropriate civilian posture in Iraq. Over the coming year, we will continue to increase our civilian efforts outside of Baghdad and the international zone. This presence has allowed us to focus on capacity building, especially in the provinces—units which are likely to grow in influence as more power devolves from Baghdad. The number of Provincial Reconstruction Teams has grown from ten to 25 this year. In support of these goals, we will be asking Congress for additional economic assistance including additional quick response funds for capacity building. We will also seek support for two significant proposals that hold the prospect of creating permanent jobs for thousands of Iraqis. One would be the establishment of an “Iraqi-American Enterprise Fund,” modeled on our successful funds in Poland and elsewhere in Central Europe. Such a fund could make equity investments in new and revamped firms based in Iraq. The second would be a large-scale operations and maintenance facility based on our Highway Trust Fund. On a cost-sharing basis, such a fund would train Iraqis to budget for and maintain important public sector infrastructure (power plants, dams, roads). Over time, the cost-sharing would phase down and out, leaving behind well-trained professionals and instilling the habits of preventative maintenance.

We will continue our efforts to assist Iraqis in the pursuit of national reconciliation, while recognizing that progress on this front may come in many forms and must ultimately be done by Iraqis themselves. We will seek additional ways to neutralize regional interference and enhance regional and international support. And we will help Iraqis consolidate the positive developments at local levels and connect them with the national government. Finally, I expect we will invest much effort in developing the strategic partnership between the United States and Iraq, which is an investment in the future of both countries.

