Iraq Weekly Status Report

February 6, 2008

Bureau of Near Eastern Affairs US Department of State



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HIGHLIGHTS



- Prime Minister Maliki resided over the first hoisting of Iraq's new national flag over the Iraqi Parliament February 5. (POLITICAL, page 4)
- The Law on Accountability and Justice, allowing many Saddam Hussein-era officials to return to government jobs, was passed February 3. (POLITICAL, page 4)
- MNC-I chief of staff announced that attacks in Baghdad have dropped to their lowest levels since 2005. (SECURITY, page 9)
- Iraqi Vice President Tariq al-Hashemi told the Iraqi Embassy in Amman that he plans to request that Iraqis leaving Jordan be offered an exemption on exit fees. (DIPLOMATIC, page 23)
- The UN has transferred \$161 million from the closed oil-for-food program to a development program for Iraq. (DIPLOMATIC, page 24)

POLITICAL - Governance & Legislation

Iragis Fly their New National Flag:

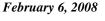
Iraqis hoisted their new national flag over the Iraqi Parliament for the first time February 5. Prime Minister Nuri al-Maliki presided over the flag-raising ceremony attended by cabinet members and dignitaries. Remarking on how Iraq's adoption of the new flag represents a symbolic break with the memory of Saddam Hussein's oppressive regime, Maliki said, "It erases the impact of the past." The temporary national flag will fly for one year before a permanent one is chosen.

Presidency Council Approves De-Ba'ath Law:

 The Iraqi Presidency Council approved the Law on Accountability and Justice by default February 3. The legislation will allow thousands of Saddam Hussein-era officials to return to government jobs and is one of several key provisions before the GOI that Washington considers central to Iraqi national reconciliation. The bill will become law once it is published in the Official Gazette.

U.S. Striving to Meet Annual Refugee Goal:

According to a February 4 statement by the State Department's special coordinator for refugees from Iraq, 375 Iraqi refugees arrived in the U.S. in January, taking to 1,432 the total admitted since October. The number represents a quicker pace of absorption than in fiscal year 2007, but still lags behind the pace needed to meet the 12,000 targeted for fiscal year 2008. According to the statement, the U.S. government plans to conduct 5,500 interviews in the second quarter of 2008 and 8,000 interviews in the third quarter. The increase in refugee interviews will allow the U.S. to reach their goal of 12,000 admitted by the end of fiscal year 2008.





POLITICAL - Governance & Legislation

U.S. and GOI Officials Discuss Security Arrangements:

 GOI official Ali al-Dabbagh confirmed February 4 that the U.S. and Iraq will begin talks later in February on a long-term strategic relationship between the two nations. PM Maliki, President Jalal Talabani, the two Iraqi vice presidents and the leaders of major political blocs met February 3 to discuss the issue. He said the talks would begin the third week of February, but did not give an exact date. Brett McGurk, the U.S. coordinator for the strategic framework agreement, stated, "The purpose of the agreement is to provide basic authorities and protections for U.S. military and civilian personnel serving in Iraq beyond Dec. 31, 2008, when present U.N. authorizations are set to expire, and establish a basic framework for economic, diplomatic and security relations."

Gates Calls on Congress to Approve 2008 War Funds:

Defense Secretary Robert Gates called on Congress February 4 to approve \$102.5 billion from a 2008 war funds request. Approval is being delayed in Congress by disagreement over the conduct of the Iraq war. "Delay degrades our ability to operate and sustain the force at home and in theater, and makes it difficult to manage this department in a way that is fiscally sound," Gates said. The same day President Bush requested \$70 billion in his 2009 budget to fund the wars in Iraq and Afghanistan for the initial months of the new fiscal year that begins October 1.

POLITICAL - Provincial

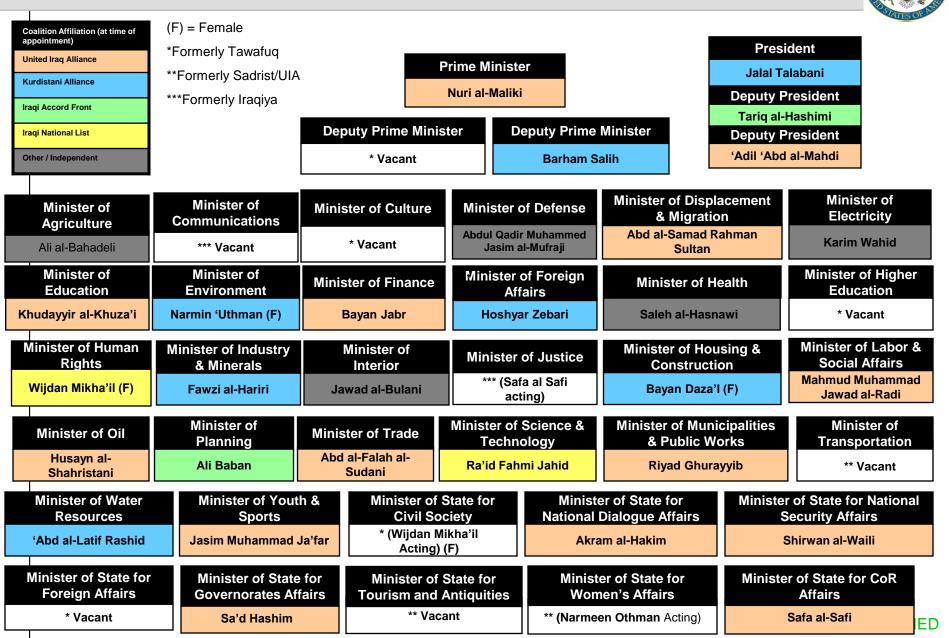


Najaf Private Bankers Discuss Requirements to Operate Banks:

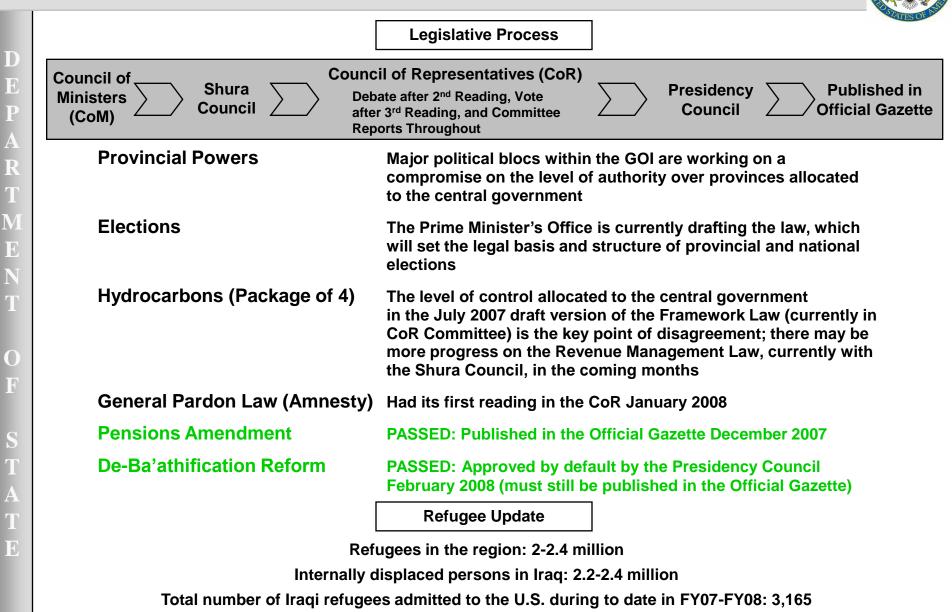
Reconstruction Team Leader and PRT officers met with individuals representing five private banks at FOB Endeavor January 28. The purpose of this initial meeting was to become acquainted and to identify and discuss issues concerning the local private banking sector. Topics discussed included addressing security concerns, operating with an inconsistent electricity supply, lack of adequate fuel for generators, and issues related to improving the Iraqi banking system, such as training employees, acquiring new equipment, and operating Automatic Teller Machines (ATMs).

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POLITICAL – Government of Iraq



POLITICAL – Key Legislation and Refugee Update



SECURITY - Situation Update



Baghdad Attacks Down to Two-Year Low:

 Attacks in Baghdad have dropped to their lowest levels since 2005. The Baghdad security districts have seen numbers comparable to attack levels in 2005; the security improvement derives primarily from local resident cooperation. Coalition forces -- in part because of Operation Phantom Phoenix, the January offensive aimed at driving AQI fighters out of their strongholds -- are also finding and clearing more explosive devices than they have in previous years.

Female Suicide Bombings in Baghdad:

- Two females blew themselves up January 31 as part of a growing trend of female suicide bombers in Iraq. The most destructive of the two explosions occurred in a busy pet market in Baghdad, killing at least 46 people and wounding 78 in the deadliest bombing in Baghdad since the "surge" began. The second suicide bomber detonated her explosives 20 minutes after the initial attack in southeast Baghdad, killing 18.
- Reports indicate that the two women may have been mentally handicapped and used unwittingly by AQI in the attacks because they did not understand what was happening and, because of their condition, were less likely to be searched.

SECURITY – Security Transition

U.S. and Iraqi Troops Partner to Build Outpost in Mosul:

U.S. Army and Iraqi Security Forces are working to cement security gains in Mosul by building an outpost in the eastern part of the city. The outpost will decrease response time, increase interactions with local people, and increase the security presence in a city now viewed as an insurgent center since the "surge" began. The outpost will house a large number of Iraqi troops with a smaller U.S. presence to provide support.

Hundreds of Iraqi Police Graduate from Training Course:

 The Iraqi Police (IP) saw 493 new officers graduate February 2 in an effort to strengthen the security situation in Baghdad through an expansion of the Iraqi Police. The training session was conducted entirely by other IP, representing a new step forward in the security relationship between U.S. and Iraqi forces.

SECURITY - Iraqi Security Forces

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	Current Authorized	Assigned Personnel	Total Trained Personnel to		
Component	Personnel ^b	c	date ^d		
Ministry of Interior (Mol) Forces ^e					
Iraqi Police Service ^f	288,001	275,300	155,248		
National Police ^g	33,670	32,389	41,399		
Border Enforcement	38,205	39,649	27,959		
Total Mol	359,876	347,338	224,606		
Ministry of Defense (MoD) Forces ⁿ					
Army	186,352	159,938	174,940		
Support Forces	17,369	18,794	19,750		
Air Force	2,907	1,305	1,370		
Navy	1,483	1,115	1,194		
Total MoD	208,111	181,152	197,254		
Counter Terrorism Bureau					
Special Operations	4,857	3,126	3,485		
Total Iragi Security Forces	572,844	531,616	425,345		

b Numbers reflect Government of Iraq (GOI) authorizations.

c Numbers are based upon GOI payroll data and do not reflect present for duty totals.

d Numbers reflect assigned personnel that have received training.

e Numbers reflect total ISF personnel trained to date, some of which are no longer assigned due to casualties, AWOL, and normal separation.

f Mol strength does not reflect investigative and administrative forces, the Mol HQ, Mol Forensics, Dignitary Protection, or contracted guards.

g Mol Police Support Unit, Provincial Security Force, and Emergency Response Unit personnel are part of the Iraqi Police Service and does not include other Ministry FPS.

h The MoD strength are derived from Modified Tables of Organization and Equipment (MTOEs).

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ECONOMIC – Economic & Government Capacity Update

Agility, Ltd., Expands Its Iraq Presence:

According to a press release from Agility, a global logistics provider, the company has completed a joint partnership that will expand its operations in Kurdistan. Agility Kurdistan Limited is made up of Agility and Kurdistan Capital Investment. The venture will invest in the construction of warehouse facilities and exploring real estate activities. These new facilities will provide storage and transportation services for Agility customers. Agility's CEO for the Middle East and Africa noted that "Agility Kurdistan Limited gives us the opportunity to reinforce our presence in Iraq with a new foothold in the North, where there is a huge potential for business growth. We are very excited about the opportunity to diversify our customer base and strengthen our brand name in Iraq."

CBI Building Suffers Fire:

 Iraq's central bank building was severely damaged by fire January 29. There were no casualties reported. The top four floors of the building suffered the most damage and many documents were lost. Iraqi lawmaker Sabah al-Saadi said a section containing important budget documents was destroyed. Additionally, Saadi said that a large amount of money had been evacuated from the building. There has been no cause released for the fire.

ECONOMIC – Economic & Government Capacity Update

Changes to Private Investment Law Discussed:

The Babil Provincial Reconstruction Team is participating in a project led by Stateowned Enterprise and Small Business advisors to evaluate legal hurdles to be overcome in establishing a joint public-private enterprise with the Hillah textile factory. Local attorneys, including the Vice President of the Babil Bar Association, were brought in this past week to discuss the status of the private investment law in Iraq, and examples of similar existing projects in Babil. The PRT members discussed the possibility of commissioning a legal treatise from Iraqi lawyers, the Bar Association, or the Babil University Law School on the present status of Iraqi investment law to assist potential foreign investors.

Microfinance Institute Issues 122 Business Loans in December:

The Baghdad Microfinance Institute (MFI) issued 122 loans in December. After addressing loan capital issues during the past summer and fall, MFI is now disbursing loans at much greater levels. The MFI broke the 100 loans issued mark in November. The 122 loans issued in December totaled over \$170,000. MFI, an Iraqi company supported by the USAID private sector development program Izdihar, began operation in September 2006. Since that time they have issued more than 700 loans totaling over \$1 million.

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ECONOMIC – Oil



Crude Oil Update:

Price averages in world markets closed with the following prices:

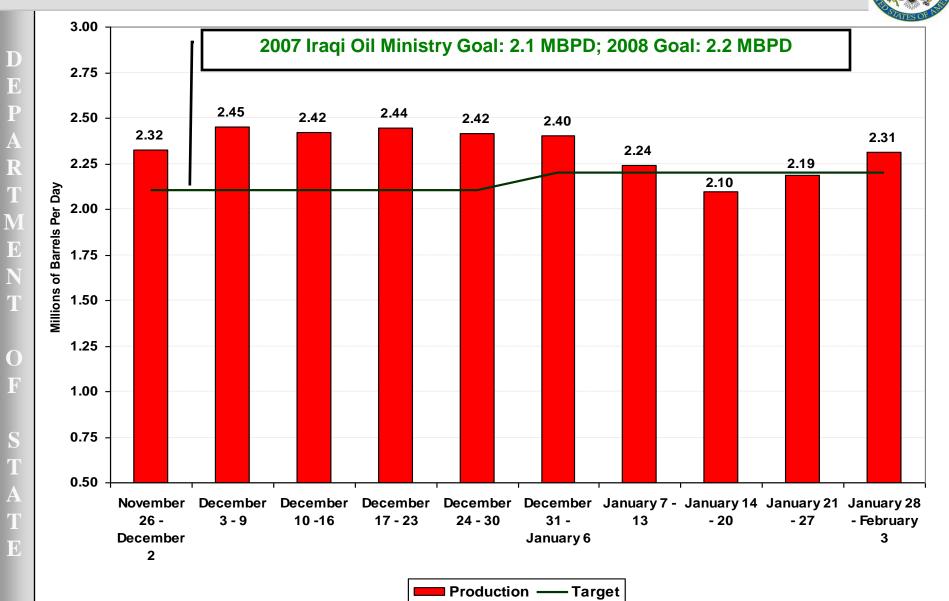
Basrah Light at \$87.022/ barrel WTI Cushing at \$91.134/ barrel *Revenue estimates*: 2006: \$31.3 Billion

Dated Brent at \$91.864/barrel Oman/Dubai at \$84.338/barrel

2007: \$34.4 Billion (estimated)

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ECONOMIC – Crude Oil Production



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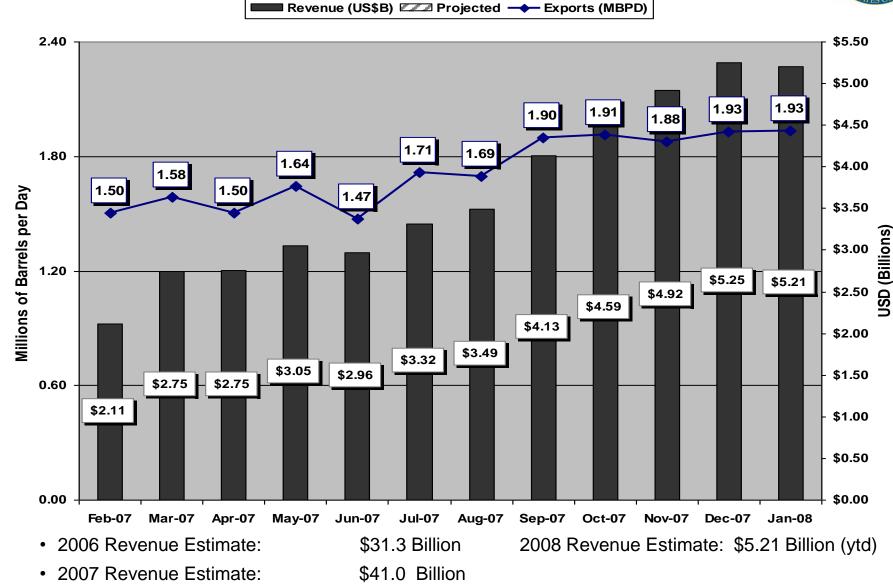
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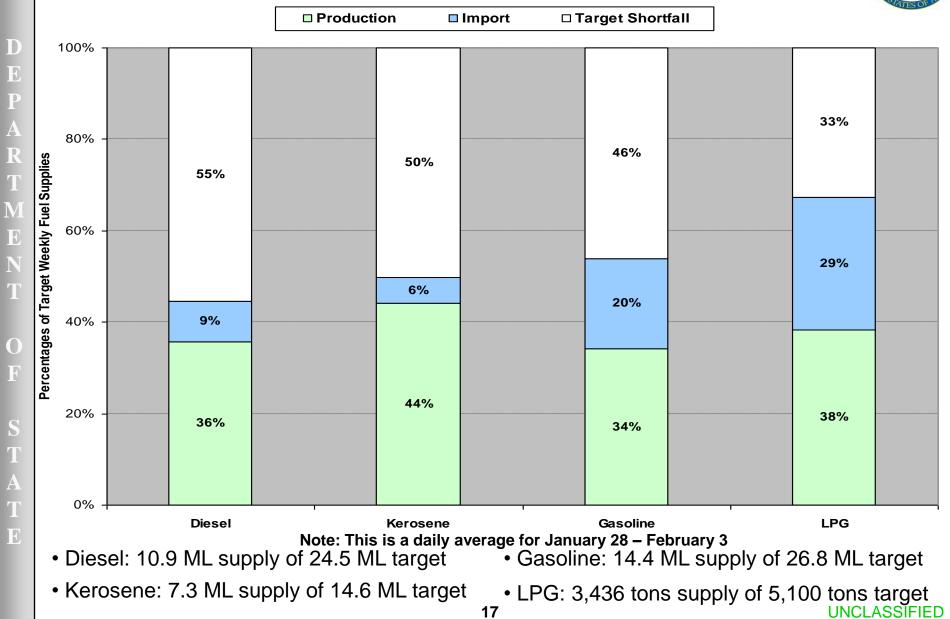
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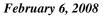
ECONOMIC – Crude Oil Export



ECONOMIC – Total Critical Refined Product Supplies



ECONOMIC – Electricity & Water





Officials Highlight Baghdad Sewage and Power Problems:

- Tahseen Sheikhly, civilian spokesman for the Baghdad security plan, delivered an assessment of Baghdad services recently. "Sewage, water, and electricity are our three main problems," said Sheikhly. According to Sheikhly, of the three Baghdad sewage treatment plants, one is out of commission, one is functioning at a diminished capacity, and a pipe blockage at the third is causing a large "lake" of sewage. Additionally, many neighborhoods are not receiving adequate supplies of water due to the age and disrepair of existing water pipes and pumps. Sheikhly added that the Baghdad security plan has allowed for the restoration of some services and that many problems date back to the Hussein regime when basic infrastructure was neglected.
- Brigadier General Jeffrey Dorko of the U.S. GRD stated that demand for electricity would be more than supply for several years due to damage to Iraqi power stations, coupled with increasing demand. Demand is increasing, according to Dorko, due to the improving security situation and the resulting increase in electrical appliance purchases by the public. When asked if the current power situation could take a decade to fix, Dorko responded that he did not think that it would. BG Dorko further stated that Baghdad has 21 new health clinics and that nationwide 1,885 new schools have been constructed and 1,604 refurbished.

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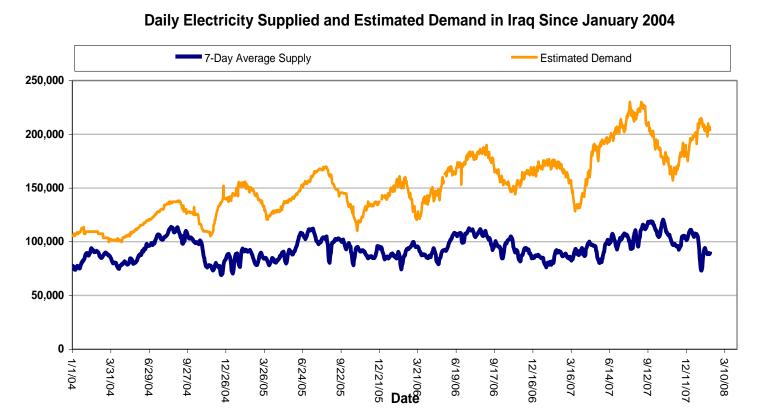
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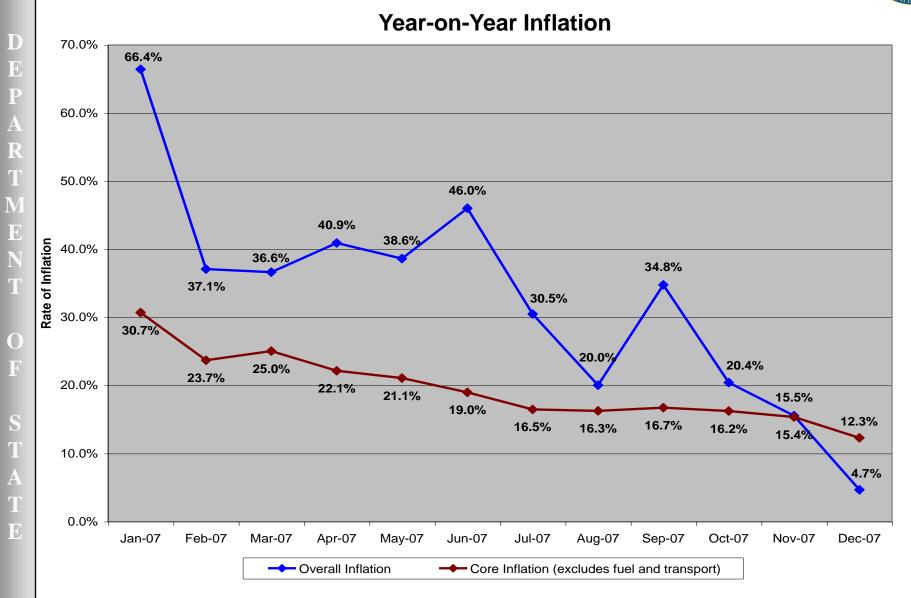
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ECONOMIC – Electricity



- For January 30-February 5, daily electricity demand was 18% above the same period last year. Daily supply from the grid was 3% above the year-earlier period and met 44% of demand, compared with 51% for the year-earlier period.
- For January 30-February 5, average hours of power via the electricity grid after meeting demand from essential services: Baghdad 6.7 and nationwide 8.5. Year-ago levels were Baghdad 5.4 and nationwide 9.0.

ECONOMIC – Financial Indicators



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ECONOMIC – Financial Indicators

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D	Economic Indicator
E	Iraqi Commercial Bon
P A	Price (USD) Yield
R	Central Bank's USD C
T M	USD Sold NID Exchange Rate
E	Total Employed by US
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conomic Indicator	This Week	Last Week	Last Month	Last Year
raqi Commercial Bond Sales				
Price (USD)	\$67.60	\$66.89	\$66.76	\$62.82
<i>'</i> ield	9.43%	9.54%	9.56%	10.16%
Central Bank's USD Currency Auction				
JSD Sold	N/A	\$77,911,250	\$107,435,278	\$66,957,492
IID Exchange Rate	N/A	\$1,213	\$1,214	\$1,254.00
otal Employed by USG Programs				
	95,609	93,814	111,922	N/A

ECONOMIC - Iraq Relief and Reconstruction Fund (IRRF) 1 and 2

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			(Committed	d Obligated		Disbursed				
Sector	Allocated	Un- allocated	Last Week	Current	Change	Last Week	Current	Change	Last Week	Current	Change
Security and Law Enforcement	\$4,985	\$20	\$4,961	\$4,961	\$0	\$4,961	\$4,961	\$0	\$4,856	\$4,856	\$0
Justice, Public Safety and Civil Society	\$2,264	\$44	\$2,253	\$2,253	\$0	\$2,250	\$2,250	\$0	\$2,145	\$2,145	\$0
Electricity Sector	\$4,201	\$25	\$4,068	\$4,068	\$0	\$4,048	\$4,048	\$0	\$3,735	\$3,736	\$2
Oil Infrastructure	\$1,714	\$11	\$1,614	\$1,602	-\$12	\$1,607	\$1,602	-\$5	\$1,559	\$1,559	\$0
Water Resources and Sanitation	\$2,084	\$18	\$1,983	\$1,981	-\$1	\$1,972	\$1,971	-\$1	\$1,763	\$1,770	\$7
Transportation and Communications	\$454	\$3	\$451	\$451	\$0	\$451	\$451	\$0	\$399	\$399	\$0
Roads, Bridges and Construction	\$332	\$1	\$318	\$318	\$0	\$318	\$318	\$0	\$241	\$242	\$1
Health Care	\$813	\$10	\$784	\$784	\$0	\$775	\$775	\$0	\$716	\$718	\$2
Private Sector Development	\$821	\$2	\$821	\$821	\$0	\$821	\$821	\$0	\$802	\$806	\$4
Education, Refugees, Human Rights, Governance	\$426	\$10	\$423	\$423	\$0	\$423	\$423	\$0	\$394	\$395	\$1
Admin Expense (USAID, STATE)	\$213	\$0	\$210	\$210	\$0	\$210	\$210	\$0	\$210	\$210	\$0
Total	\$18,306	\$143	\$17,884	\$17,872	-\$13	\$17,835	\$17,829	-\$6	\$16,819	\$16,834	\$15
IRRF II Non- Construction	-	-	\$7,936	\$7,932	-\$3	\$7,915	\$7,911	-\$3	\$7,654	\$7,659	\$6
IRRF II Construction	-	-	\$9,429	\$9,420	-\$10	\$9,401	\$9,398	-\$3	\$8,649	\$8,659	\$9
IRRF II Overhead	-	-	\$520	\$520	\$0	\$520	\$520	\$0	\$516	\$516	\$0
IRRF I Total	\$2,475	\$0	\$2,291	\$2,291	\$0	\$2,232	\$2,232	\$0	\$2,139	\$2,139	\$0
Grand Total IRRF I & II	\$20,781	\$143	\$20,175	\$20,163	-\$13	\$20,067	\$20,061	-\$6	\$18,958	\$18,973	\$15

DIPLOMATIC – Political Engagement

Iraq to Ask Jordan to Exempt Refugees from Fines:

Jordan hosts approximately 450,000-500,000 Iraqi refugees. When leaving Jordan, illegal residents are required to pay a heavy fine, approximately \$760, for each year they resided in the country. Some Iraqi officials have charged that this practice makes it more difficult for refugees to return to Iraq. In an interview February 6, an Iraqi official reported that Iraqi Vice President Tariq al-Hashemi has told the Iraqi Embassy in Amman that he plans to "personally ask King Abdullah II to exempt the Iraqis from paying fines."

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DIPLOMATIC – Economic Engagement

UN Transfers Millions from Oil-for-Food:

The United Nations has transferred \$161 million from the closed oil-for-food program to a development program for Iraq, Secretary-General Ban Ki-moon said February 4. In a letter to the Security Council, Ban said the U.N. will continue to transfer "unencumbered funds" to the Development Fund for Iraq as it continues the process of terminating the oil-for-food program, which has been found to be riddled with corruption. The program, which ran from 1996 to 2003, was aimed at easing Iraqi suffering under U.N. sanctions imposed after Saddam's 1990 invasion of Kuwait. It allowed Irag to sell oil, provided the bulk of the proceeds were used to buy food, medicine and other humanitarian goods and pay war reparations.

EU-Iraq Agree to Closer Energy Ties:

European Union and Iragi officials agreed January 31 to pursue closer energy ties. EU External Relations Commissioner Benito Ferrero-Waldner said the EU was keen to see Iraq link into the Mashreq Arab pipeline project from Egypt to Jordan, near the Syrian border. The natural gas pipeline, which is still under construction, will extend through Syria to Turkey, where European customers will be able to tap into supplies from Egypt and other countries along the line. Iraqi Oil Minister Shahristani said the GOI was forging ahead with plans to develop the Akkas gas field near the Syrian border, which could eventually ship gas into the pipeline in the next two to three years.





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26 Countries with forces in Iraq (including U.S.)

Albania
Armenia
Australia
Azerbaijan
Bosnia-Herzegovina
Bulgaria
Czech Republic

Denmark El Salvador Estonia Georgia Japan Kazakhstan Korea Latvia Lithuania Macedonia Moldova Mongolia Poland

Romania Singapore Tonga Ukraine United Kingdom

TOTAL ~ 10,604 Forces

<u>32 Countries and NATO*</u> (including the U.S.) Support Iraqi Stability Operations

*32 includes the U.S., the 25 countries listed above, and six non-MNF-I countries: Hungary, Italy, Netherlands, Portugal, Slovenia, Turkey

Note: Fiji and New Zealand, participating as a part of the UN Assistance Mission in Iraq (UNAMI), are not included.

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- This brief draws from multiple sources. References are cited on the following pages.
- Please forward all questions and/or comments to: NEA-I-IPOG-DL@state.gov

NOTES AND SOURCE CITATIONS (1 of 2)

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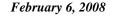
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- February 5 Arabian Business http://www.arabianbusiness.com/press_releases/detail/11854?In=en
- January 29 Reuters www.alertnet.org/thenews/newsdesk/L28465952

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Slide 19:

- POC Department of State, NEA-I ECON, 202-647-9815
- The chart shows average daily power production in megawatt hours (MWh). 120,000 MWh goal equates to 20 hours at 6000 MW average supplied load or 24 hours at 5000 MW average supply load.
- Oil Prices are sourced from Bloomberg

Slide 20:

- Department of State, NEA-I-ECON, 202-647-9885

Slide 21:

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- Iraqi Bond Prices sourced from Bloomberg

Slide 22:

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Slide 23:

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