Special Inspector General for Iraq Reconstruction

Quarterly Report and
Semiannual Report to the
United States Congress

[July 30, 2010]

(Public Law 108-106, as amended, and Public Law 95-452)

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MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

I am pleased to provide the Congress and the Secretaries of State and Defense with SIGIR's 26th Quarterly Report on the status of U.S. reconstruction efforts in Iraq.

The theme for this report—*From Transition to Transformation?*—reflects the reality that the United States and Iraq stand together on the threshold of an array of manifestly substantial and diverse changes that will fundamentally alter the nature of the countries' continuing bilateral relationship. As Iraq struggles to manage the politically delicate process of forming a new government, the United States is but a month away from concluding combat operations and reducing its in-country troop strength to the lowest level since spring 2003. When the new Iraqi government is eventually seated, which probably will not occur before September, it will have to reckon with a multitude of crucial issues, including:

- passing the long-delayed package of hydrocarbon laws
- clarifying the relationship between the Kurdistan Regional Government and the central government, especially regarding Kirkuk
- conducting a national census
- integrating former Sunni insurgents into the Government of Iraq (GOI)
- reforming the country's legal and regulatory systems, especially with regard to the fight against corruption
- moving forward on privatization

In May, I traveled to Iraq for the 27th time, investigating a variety of transition and transformation issues with key U.S. and GOI leaders. I was briefed about the ongoing transfer of the hugely significant police-training mission from the Department of Defense (DoD) to the Department of State (DoS), a process that is scheduled to be completed by October 2011. The police-training mission will consume the largest portion of reconstruction dollars in Iraq over the next two years. SIGIR is currently auditing DoS's police-training management practices, and we expect to issue our report in October.

While in Baghdad, I also conferred with, among others, the Governor of the Central Bank of Iraq and leading officials from Iraq's anticorruption entities, including the Commissioner of Integrity, the President of the Board of Supreme Audit, and several ministry inspectors general. These meetings generated a recurrent theme—the deleterious effects on Iraq's political and economic development caused by the continued prevalence of public corruption. The GOI recently began to implement its new anticorruption strategy, which was developed with UN support. The plan is ambitious and impressive, but much remains to be done to achieve the necessary accountability and transparency Iraq needs.

This quarter, SIGIR's investigators continued to pursue more than 100 open cases, following leads in the United States, Iraq, and elsewhere throughout the world. Notable investigative achievements included:

- the indictment and arrest of a former DoS employee charged in a $147,000 wire-fraud scheme
- the 22-count indictment of a U.S. Marine Corps major for alleged illegal acts conducted during his tenure as a Commander's Emergency Response Program (CERP) purchasing officer in Iraq
- the filing of a criminal information charging a former employee of a U.S. construction company with conspiracy to defraud the U.S. government

- the conviction of a U.S. Marine Corps master sergeant for bribery and graft involving awarding and managing reconstruction contracts
- the sentencing of a U.S. Army captain to 30 months in prison for theft of CERP funds

SIGIR's Audits Directorate produced five reports this quarter, three of which took a step back from looking at a particular program or project, considering instead larger questions concerning management oversight of reconstruction efforts. The reports reviewed:

- **DoD management of the Development Fund for Iraq (DFI).** SIGIR examined DoD's financial and management controls for the use of DFI funds, finding that weaknesses in DoD's internal controls leave it unable to account for $8.7 billion of the $9.1 billion it received for reconstruction activities.
- **Records-management policies used by DoD, DoS, and USAID to preserve Iraq reconstruction data.** This audit concluded that while the three agencies have records-management policies, they have not been fully implemented for preserving Iraq reconstruction records. SIGIR is particularly concerned about the lack of progress in preserving information concerning programs and projects funded by the Iraq Security Forces Fund and the CERP.
- **DoS and U.S. Agency for International Development (USAID) use of Economic Support Fund (ESF) monies in Iraq.** SIGIR's audit determined that most ESF funds allocated for use in Iraq have been obligated and liquidated. DoS received approximately $1.40 billion in ESF funds between fiscal years 2006 and 2008, of which approximately 99% has been obligated and nearly 75% has been liquidated. As for USAID, it received approximately $2.33 billion in ESF funds between fiscal years 2006 and 2009, of which about 95% has been obligated and 83% has been liquidated.

The other two audits assessed:

- **DoS management of a $50 million grant to the International Republican Institute (IRI) for democracy-building activities.** Here, SIGIR concluded that inadequate DoS oversight and weak IRI compliance with federal and DoS grant requirements combined to leave the U.S. government with little insight as to what was actually achieved save for the holding of 271 training classes for about 5,000 Iraqis.
- **SIGIR's forensic audit of all funds made available for the reconstruction of Iraq.** Since the inception of this initiative, SIGIR has examined 108,000 transactions valued at approximately $35.8 billion and uncovered information resulting in the opening of 49 new criminal investigations.

This Quarterly Report makes plain that the size and scope of the U.S. involvement in Iraq is evolving—and diminishing, as it should. But the need for robust oversight remains. I and my staff thus continue to be firmly committed to protecting the taxpayers' interests within the Iraq program by preventing, detecting, and deterring waste, fraud, and abuse, as well as applying hard lessons learned to improve the United States' continuing engagement in "the land between two rivers."

Respectfully submitted this 30th day of July 2010,

Stuart W. Bowen, Jr.
Special Inspector General for Iraq Reconstruction

SIGIR Summary of Performance
As of July 30, 2010

Audits

Reports Issued	171
Recommendations Issued	428
Dollars Saved and Recovered ($ millions)	$151.41
Dollars Put to Better Use ($ millions)	$678.32
Challenged Payments ($ millions)	$38.65

Inspections

Project Assessments Issued	170
Limited On-site Assessments Issued	96
Aerial Assessments	871

Investigations

Investigations Initiated	514
Investigations Closed or Referred	402
Open Investigations	112
Arrests	29
Indictments	43
Convictions	34
Monetary Results ($ millions)	$70.72

Hotline Contacts, as of June 30, 2010

Fax	18
Telephone	78
Walk-in	112
E-mail	382
Referrals	26
Mail	28
SIGIR Website	159
Total Hotline Contacts	**803**

Non-Audit Products

Congressional Testimony	29
Lessons Learned Reports Issued	5

*The complete version of this SIGIR Quarterly Report is available on the SIGIR website: www.SIGIR.mil. It is the official version of the Report, containing all appendices and corrections.

Appendices

The appendices for this Quarterly Report are not included in the print version of the publication.
They are published on the SIGIR website at www.sigir.mil.

Appendix A cross-references the pages of this Report to SIGIR's statutory reporting requirements under Section 3001 of P.L. 108-106, as amended, and the Inspector General Act of 1978, as amended.

Appendix B cross-references budget terms associated with the Iraq Relief and Reconstruction Fund (IRRF), Iraq Security Forces Fund (ISFF), Economic Support Fund (ESF), Commander's Emergency Response Program (CERP), and international support for Iraq reconstruction.

Appendix C cross-references projects and programs of various U.S. government agencies within SIGIR-defined sectors.

Appendix D reports on international contributions to the Iraq reconstruction effort.

Appendix E contains a list of SIGIR's completed inspections of Iraq reconstruction activities.

Appendix F contains a comprehensive list of suspensions and debarments related to Iraq reconstruction contracts or Army support contracts in Iraq and Kuwait.

Appendix G provides summaries of completed and ongoing audits and reviews of Iraq reconstruction programs and activities, released by other U.S. government agencies.

Appendix H contains a list of completed audits, reports, and testimonies on Iraq reconstruction activities released by SIGIR and other U.S. government audit agencies.
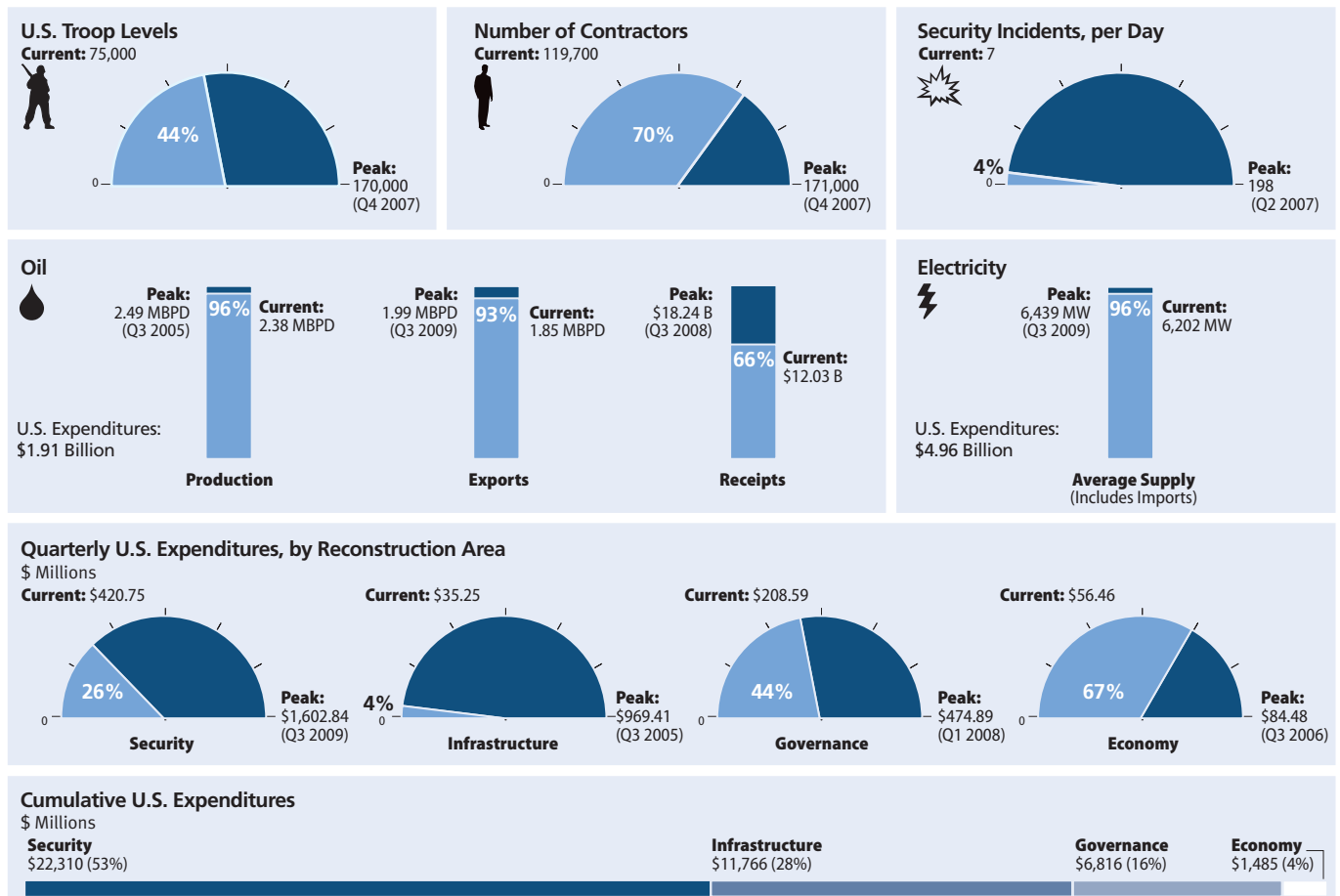
SIGIR
OBSERVATIONS

SECTION

1

FROM TRANSITION TO TRANSFORMATION?

One month and one day from the issuance of this report, the United States will formally conclude its combat mission in Iraq, reducing its in-country troop presence to less than 50,000—the lowest level since April 2003. This August 31 milestone will be marked by the re-designation of Operation Iraqi Freedom as Operation New Dawn. The new nomenclature reflects the evolving nature of the relationship between the United States and Iraq. See Figure 1.1 for an update of key indicators.

Notwithstanding these vital developments, a variety of daunting challenges continue to confront the fledgling Iraqi democracy, including the pressing need to form a new government, the fragile security situation, the weak ability of the GOI to deliver essential services to its citizens, and the cancer of corruption:

FIGURE 1.1

DASHBOARD OF KEY INDICATORS, CURRENT QUARTER VS. PEAK QUARTER

U.S. Troop Levels
Current: 75,000
44%
0
Peak: 170,000 (Q4 2007)

Number of Contractors
Current: 119,700
70%
0
Peak: 171,000 (Q4 2007)

Security Incidents, per Day
Current: 7
4%
0
Peak: 198 (Q2 2007)

Oil
U.S. Expenditures: $1.91 Billion

Peak: 2.49 MBPD (Q3 2005) — 96% — Current: 2.38 MBPD — **Production**

Peak: 1.99 MBPD (Q3 2009) — 93% — Current: 1.85 MBPD — **Exports**

Peak: $18.24 B (Q3 2008) — 66% — Current: $12.03 B — **Receipts**

Electricity
U.S. Expenditures: $4.96 Billion

Peak: 6,439 MW (Q3 2009) — 96% — Current: 6,202 MW — **Average Supply** (Includes Imports)

Quarterly U.S. Expenditures, by Reconstruction Area
$ Millions

Current: $420.75 — 26% — Peak: $1,602.84 (Q3 2009) — **Security**

Current: $35.25 — 4% — Peak: $969.41 (Q3 2005) — **Infrastructure**

Current: $208.59 — 44% — Peak: $474.89 (Q1 2008) — **Governance**

Current: $56.46 — 67% — Peak: $84.48 (Q3 2006) — **Economy**

Cumulative U.S. Expenditures
$ Millions

Security $22,310 (53%) Infrastructure $11,766 (28%) Governance $6,816 (16%) Economy $1,485 (4%)

Note: Data not audited. Numbers affected by rounding. Quarters refer to the calendar year.

Sources: For sources, see the specific discussions in Section 2.

- **Governance.** As of July 20, 2010, the major blocs in the Council of Representatives (CoR) have been unable to agree on who will fill the crucial positions of president, speaker of the CoR, and prime minister. Without a permanent government in place, thousands of other posts throughout the GOI—including the heads of the ministries—remain in the hands of caretaker occupants. Until a new government is seated, progress on most issues will remain stalled, including conducting the long-awaited national census and effectively pacifying the persistent jurisdictional tensions between the national government in Baghdad and the Kurdistan Regional Government (KRG).
- **Security.** The United States currently has about 75,000 troops deployed across Iraq, about 55,000 fewer than in July 2009—a 42% decrease.[1] Notably, the substantial reduction in U.S. forces over the past year has not resulted in a rise in overall violence levels. But this quarter did see significant attacks against important Iraqi financial institutions, assassinations of prominent Iraqi politicians, and more lethal assaults on Sons of Iraq members. As U.S. forces continue to draw down between now and the end of 2011 (when all U.S. troops are scheduled to be out of Iraq), the Iraqi Security Forces (ISF) must improve concomitantly its capacity to meet the array of security threats that still face Iraq.
- **Services.** Iraq's Minister of Electricity resigned on June 21, a move prompted by several days of violent demonstrations in the south spurred by electricity shortages. The Minister of Oil was appointed acting Minister of Electricity, and he will hold both posts until a new government is formed.[2]
- **Corruption.** Iraq's "second insurgency"— endemic government graft and public sector malfeasance—continues to drain the state of needed resources and capacity. Moreover, in one of the most significant corruption trials since 2003, the former Minister of Trade was acquitted (a second case against him remains pending). Iraq has yet to hold a single senior official
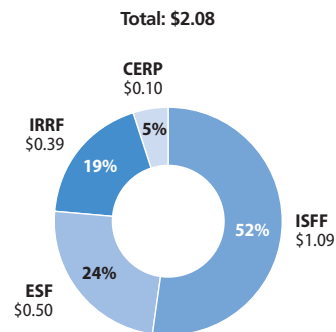
fully accountable for corruption. This integrity vacuum understandably weakens public trust in the Iraqi government.

U.S. FUNDING UPDATE

The Congress has appropriated or otherwise made available $53.79 billion for reconstruction efforts in Iraq since 2003, chiefly through four major funds: the Iraq Relief and Reconstruction Fund (IRRF), Iraq Security Forces Fund (ISFF), Economic Support Fund (ESF), and Commander's Emergency Response Program (CERP).[3] As of June 30, 2010, $2.08 billion of previously obligated funds had not been expended, and an additional $2.34 billion remained unobligated.[4] Figure 1.2 summarizes the current status of unexpended obligations of the four major funds. For more on U.S. reconstruction funding, see Section 2.

FIGURE 1.2

UNEXPENDED OBLIGATIONS: MAJOR U.S. FUNDS
$ Billions

Total: $2.08

CERP $0.10 — 5%
IRRF $0.39 — 19%
ISFF $1.09 — 52%
ESF $0.50 — 24%

Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: P.L. 108-106; P.L. 108-11; P.L. 108-287; P.L. 108-7; P.L. 109-102; P.L. 109-13; P.L. 109-148; P.L. 109-234; P.L. 109-289; P.L. 110-161; P.L. 110-252; P.L. 110-28; P.L. 110-92, P.L. 110-116, P.L. 110-137, P.L. 110-149; P.L. 111-117; P.L. 111-118; P.L. 111-32; DoS, response to SIGIR data call, 4/5/2007; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, 7/6/2010, and 7/8/2010; OSD, responses to SIGIR data calls, 4/10/2009 and 7/13/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USACE, response to SIGIR data call, 7/12/2010; USAID, responses to SIGIR data call, 7/8/2010 and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009.

RECONSTRUCTION UPDATE

The summer's transitions include the imminent arrival of new U.S. military and diplomatic leadership in Baghdad, as well as the opening of new offices to manage the remaining U.S. reconstruction programs and projects, the release of a new Iraqi *National Development Plan* (NDP), and the publication of a new framework for cooperation between the United Nations and the GOI.

Ambassador James Jeffrey. (DoS photo)

General Lloyd Austin. (DoD photo)

General James Mattis. (DoD photo)

Familiar Leadership Returning to Iraq

On June 28, President Barack Obama nominated Ambassador James Jeffrey as the next U.S. Ambassador to Iraq. Ambassador Jeffrey, our current Ambassador to Turkey, will replace Ambassador Christopher Hill, who has served as Ambassador to Iraq since April 2009. Ambassador Jeffrey brings a wealth of relevant experience, having served as Deputy Chief of Mission in Baghdad and later as Chargé d'Affaires (in 2004 and 2005) and subsequently as Senior Advisor to the Secretary of State and the White House on Iraq (in 2005–2006). Upon confirmation, Ambassador Jeffrey will become the fifth U.S. Ambassador to Iraq since 2003, following Ambassadors Negroponte, Khalilzad, Crocker, and Hill.

Ambassador Jeffrey will be assisted by a new Deputy Chief of Mission (DCM) and a new Assistant Chief of Mission. This quarter, Stuart Jones replaced Cameron Munter as DCM, and Peter Bodde replaced Patricia Haslach as the Assistant Chief of Mission.

The President also nominated Lieutenant General Lloyd Austin to the rank of General, with assignment as Commanding General of the United States Forces-Iraq (USF-I). Confirmed by the Senate on June 30, Austin replaces General Raymond Odierno, who will return to the United States to lead the U.S. Joint Forces Command, in Norfolk, Virginia. General Austin, most recently the Director of the Joint Staff, was in Iraq in 2003, as Assistant Commander for the 3rd Infantry Division, and in 2008–2009, as Commanding General of the Multi-National Corps-Iraq.

In other notable command shifts, General James Mattis has been nominated to lead U.S. Central Command (CENTCOM), replacing General David Petraeus, who now leads U.S. forces in Afghanistan. General Mattis led the 1st Marine Division in the 2003 invasion of Iraq and previously commanded a battalion during Operation Desert Storm.

C³ Replaces JCC-I/A

This quarter, CENTCOM established a new agency to oversee contracts throughout its area of responsibility—the CENTCOM Contracting Command (C³). On June 30, the responsibilities of the former Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) transitioned to C³, which is based in Qatar.[5]

ISPO Replaces ITAO

In May, the President signed an executive order establishing the Iraq Strategic Partnership Office (ISPO). Housed within the Department of State (DoS), ISPO replaces the Iraq Transition Assistance Office (ITAO), which replaced the Iraq Reconstruction Management Office (IRMO) in 2007. ISPO has assumed ITAO's remaining responsibilities, including supporting the Provincial Reconstruction Teams (PRTs).[6]

Safeguarding Diplomats

This quarter, DoS reportedly requested that the Department of Defense (DoD) transfer certain military hardware to DoS for security at its five Enduring Presence Posts (EPPs). The equipment includes 24 helicopters, 50 armored vehicles, and other ancillary logistical and security equipment.[7] Additionally, DoS requested permission to use DoD's LOGCAP contract to continue to provide life-support services to the EPPs and U.S. Embassy-Baghdad.[8]
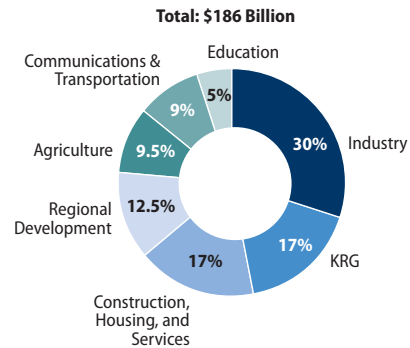
NEW IRAQI NATIONAL DEVELOPMENT PLAN

On July 4, 2010, the Prime Minister and Minister of Planning and Development Cooperation publicly presented Iraq's new NDP. Crafted with assistance from the U.S. Agency for International Development (USAID) and the international community, the NDP charts a five-year course for Iraq's social and economic development and environmental protection. It assumes that Iraq will generate $334 billion in revenue between 2010 and 2014, basing the number on an average oil price per barrel of $60 in 2010, $63 in 2011, and $68 in 2012–2014. The NDP's goals include:[9]

- creating 3.5 million new jobs
- cutting unemployment in half from the current estimated level of 15%

FIGURE 1.3
IRAQI NATIONAL DEVELOPMENT PLAN

Total: $186 Billion

Education 5%
Communications & Transportation 9%
Agriculture 9.5%
Regional Development 12.5%
Construction, Housing, and Services 17%
KRG 17%
Industry 30%

Note: SIGIR categorizes programs and projects by sector using criteria different from those found in the NDP.

Source: USAID, "The Iraqi National Development Plan," briefing for the CERP conference, Al-Faw Palace, Baghdad, 7/7/2010, slide 11.

- generating a 9% annual gross domestic product (GDP) growth rate
- reforming the legal and administrative systems
- enhancing rural development
- supporting decentralization
- reducing poverty by 30% in comparison to 2007 levels
- increasing environmental protection

According to the NDP, $186 billion in investment will be required to achieve these goals—$100 billion from the GOI and $86 billion from the private sector. These funds will support 2,831 projects, 43% of which will be for construction.[10] Figure 1.3 shows the proposed distribution of this money by sector.

UNDAF UNVEILED

This quarter, the UN finalized its strategic plan to aid Iraq—the *United Nations Development Assistance Framework for Iraq 2011–2014* (UNDAF). The UNDAF provides strategic direction for international support to Iraq over the next four years through five priorities: improved governance, economic growth, environmental stewardship, better services, and

increased investment in human capital. The UN estimates the UNDAF will cost $1.90 billion, of which only $250 million is currently available.[11]

The UNDAF goals are strikingly similar to those in the international community's previous five-year plan for Iraq, the *International Compact with Iraq* (ICI). Initiated in 2007, the ICI detailed almost 300 benchmarks to measure Iraq's political, social, and economic progress. But the ICI's mandate terminated, with most goals unmet or only partially addressed. To avert the same fate for the UNDAF, the UN and the GOI will have to aggressively oversee its implementation.

FORMING THE NEW GOVERNMENT OF IRAQ

On March 7, 2010, Iraq held elections for its 325-seat parliament. Former Prime Minister Ayad Allawi's al-Iraqiya coalition won 91 seats, with current Prime Minister Nouri al-Maliki's State of Law Coalition (SoL) finishing a close second at 89 seats. Figure 1.4 summarizes the final, certified results of the March balloting.[12]

Certifying the Election

On May 3, 2010, at the urging of the SoL, the Independent High Electoral Commission (IHEC) began a recount of the approximately 2.5 million ballots cast in Baghdad province.[13] After an 11-day manual review, IHEC upheld the results of the March election, announcing that al-Iraqiya had maintained its two-seat lead over the SoL.[14] The election results were certified by Iraq's Chief Justice, Medhat al-Mahmoud, on June 1, 2010.[15]

Shifting Political Sands

This quarter, Iraq's major political blocs attempted to assemble the 163 votes needed to earn the right to select Iraq's next prime minister. To that end, on May 5, 2010, representatives from SoL and the Iraqi

FIGURE 1.4

FINAL, CERTIFIED RESULTS OF MARCH 2010 ELECTIONS
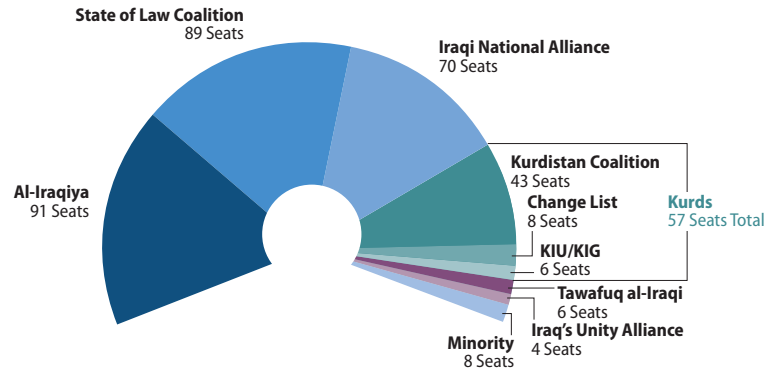
Source: GOI, IHEC, "Iraqi CoR Election Results," 3/28/2010, ihec-iq.com/en/results.html, accessed 7/21/2010.

National Alliance (INA) announced the formation of an alliance between the two groups, but they have been unable to agree on a single candidate for prime minister. The dominant faction within the INA—the Sadrist Trend—refuses to accede to SoL's insistence that Prime Minister al-Maliki be given a second term. Meanwhile, al-Iraqiya and the Kurdistan Alliance sought support from splinter groups, including some within SoL and the INA. On July 20, Prime Minister al-Maliki again met with Ayad Allawi, but the two were unable to break the impasse, leaving Iraq still without a new government. On July 21, Muqtada al-Sadr again publicly stated that al-Maliki was unacceptable as the next prime minister. Figure 1.5 presents some of most significant political events occurring this quarter, while Figure 1.6 compares key events in the 2010 election cycle with the 2005–2006 cycle.

Who Goes First: Differing Interpretations

Articles 55 and 70 of the Iraqi Constitution state that the CoR shall elect a speaker during its first session and then a president (no set deadline). Within 15 days of election, according to Article 76, the president must charge the "largest bloc" in the CoR to name a prime minister, who then has 30 days to form a government.[16]

The meaning of the term the "largest bloc" has been disputed. Al-Iraqiya insisted that it means the

FIGURE 1.5

TIME LINE OF KEY POST-ELECTION POLITICAL DEVELOPMENTS, 3/1/2010–6/30/2010
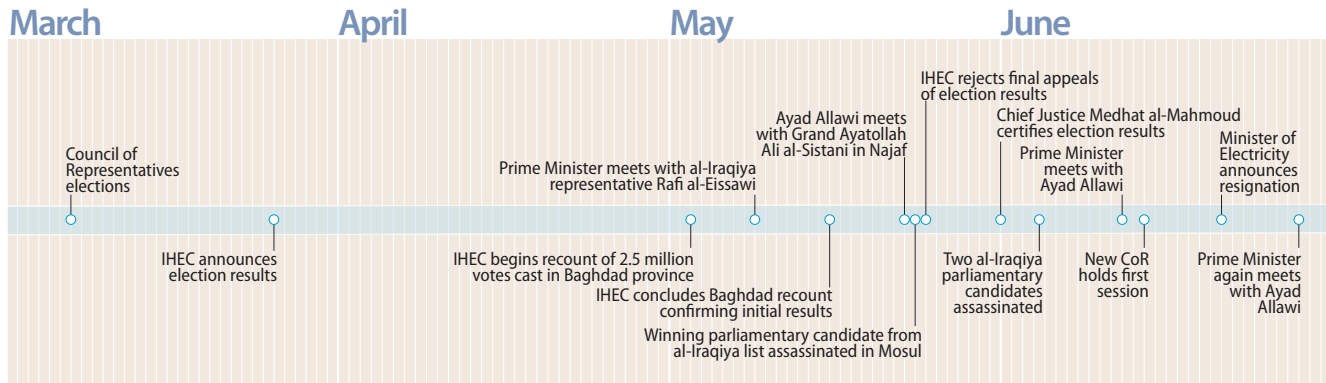
Source: SIGIR analysis of GOI and U.S. government documents and open source information in English and Arabic.

FIGURE 1.6

GOVERNMENT FORMATION: 2005–2006 VS. 2010

Source: SIGIR analysis of GOI and U.S. government documents and open source information in English and Arabic.
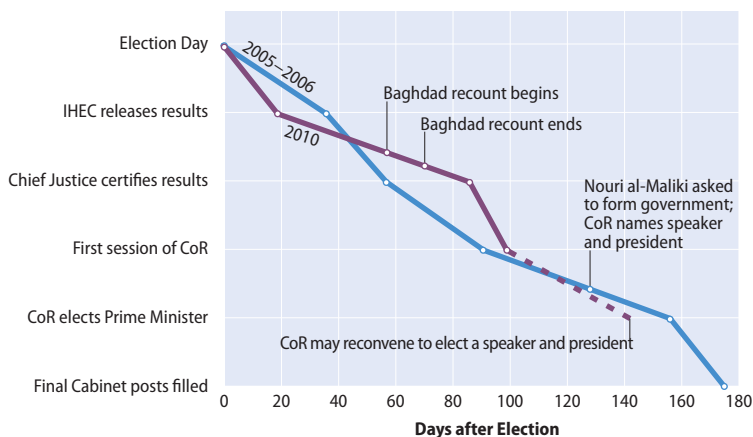
bloc that won the most seats, citing the precedent of the 2005 CoR election. But SoL contended that it means the largest post-election alliance formed by coalitions within the 325-member CoR. On March 25, the Chief Justice issued a ruling stating that the "largest bloc" means the majority alliance formed after the election with the most seats.[17]

Council of Representatives Convenes

The new CoR convened on June 14, 2010—99 days after the March elections, with the session lasting

less than 30 minutes, just long enough for members to take the oath of office. It was scheduled to meet again on July 27, 2010, when the election of the speaker and the president presumably would be on the agenda.[18] However, it was possible that this meeting would be delayed if the major political blocs fail to agree on who should fill those two key posts. The CoR has planned to meet on a very limited schedule for the holy month of Ramadan, which begins at moonrise on August 10. Thus, it is possible that Iraq could go without new leadership and a new government well into September, if not beyond.

Challenges Ahead

Once formed, the new government will confront a series of contentious issues requiring urgent action:

- **Anticorruption.** Iraq's three main anticorruption entities—the Commission of Integrity (COI), the ministry inspectors general (IGs), and the Board of Supreme Audit (BSA)—still derive their legitimacy from orders drafted by the Coalition Provisional Authority (CPA) in 2003–2004. This quarter, however, senior GOI officials informed the SIGIR Inspector General that the new CoR will prioritize the debate and passage of new anticorruption legislation, which will clarify the roles and responsibilities of the COI, IGs, and BSA.[19]

Members take the oath of office at the first session of the Council of Representatives. (GOI photo)

- **Hydrocarbon legislation.** This long-awaited package of legislation, comprising four separate laws, is essential to clarifying the regulatory regime that will govern the ongoing exploitation of Iraq's hydrocarbon resources.[20]
- **Control of Kirkuk.** Article 140 of the Iraqi Constitution requires a referendum as part of the constitutional process for determining the status of Kirkuk, which, though not within its jurisdiction, is historically claimed by the KRG. The referendum has been put off repeatedly, increasing tensions between the GOI in Baghdad and the KRG.
- **Constitutional reform.** In July 2009, the GOI's Constitutional Review Committee submitted 68 pages of proposed amendments to the Iraqi Constitution to the CoR. If the new CoR approves them, a national referendum will then ensue wherein voters will have the opportunity to approve or reject the reform package *in toto*.[21]
- **Appointments.** More than 100,000 government jobs remain in abeyance awaiting the formation of the new government.

SECURITY

Violence Trends

Iraq remains a dangerous place. However, when compared to the peak of sectarian violence in 2006, the country is significantly more peaceful.

Notwithstanding that statistical truth, hundreds of Iraqi civilians continue to fall victim to violence each month. In June, approximately 204 were killed, down 39% from May, when 337 were killed. June's death toll was also a 36% drop from the 320 civilian deaths reported in June 2009.[22] Figure 1.7 displays civilian deaths on a monthly basis from January to June 2010.

Significant attacks continue to be concentrated in Baghdad and in the north around Mosul. On June 13, gunmen clad in Iraqi Army uniforms attacked the Central Bank of Iraq in Baghdad, killing 26.[23] One week later, two car bombs exploded outside the Baghdad-based Trade Bank of Iraq, killing 18 people.[24] And during a three-day period in early July, at least 70 Shia pilgrims were killed in a series of bombings around Baghdad.[25]

Political killings also occurred this quarter, with several members of the al-Iraqiya list assassinated, including Bashar Hamid al-Lagaidi, who won election to the CoR in March. Two other al-Iraqiya candidates, who did not win seats, were killed in early June.[26] Figure 1.8 maps some of the key violent incidents occurring between mid-April and mid-July 2010.

U.S. Military Rapidly Reducing Footprint

USF-I now maintains 124 bases in Iraq, 40% less than in July 2009. By the end of August, when troop levels reach 50,000, about 97 U.S. bases will

FIGURE 1.7

IRAQI CIVILIANS KILLED IN ATTACKS, 1/2010–6/2010
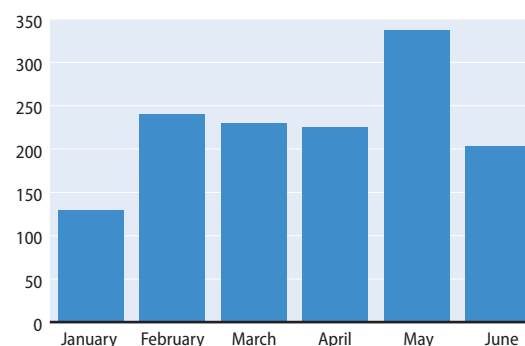
Source: Brookings Institution, *Iraq Index*, 6/30/2010, pp. 3, 4.

FIGURE 1.8
SIGNIFICANT SECURITY INCIDENTS, 4/15/2010–7/21/2010

5/14/2010
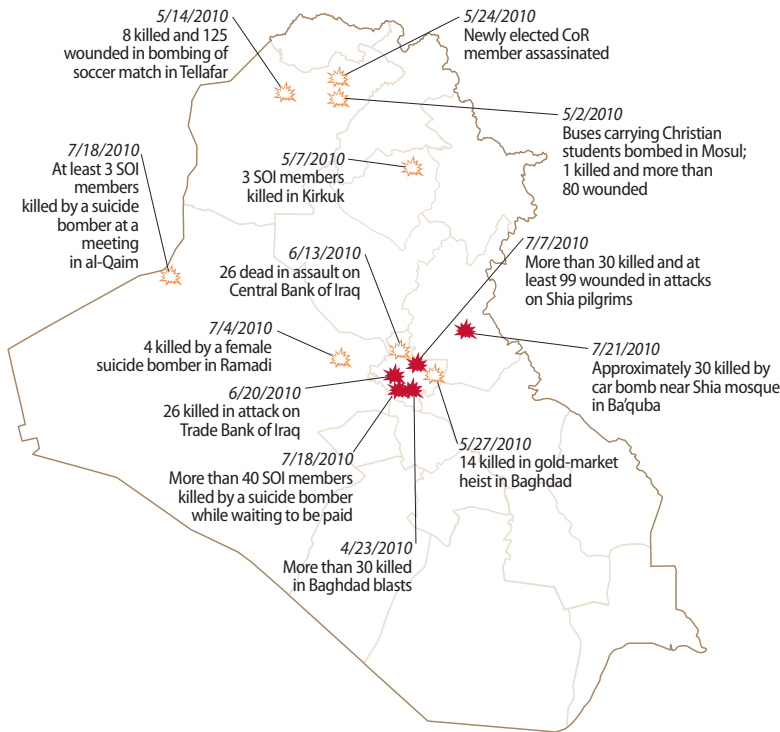8 killed and 125 wounded in bombing of soccer match in Tellafar

5/24/2010
Newly elected CoR member assassinated

7/18/2010
At least 3 SOI members killed by a suicide bomber at a meeting in al-Qaim

5/7/2010
3 SOI members killed in Kirkuk

5/2/2010
Buses carrying Christian students bombed in Mosul; 1 killed and more than 80 wounded

6/13/2010
26 dead in assault on Central Bank of Iraq

7/7/2010
More than 30 killed and at least 99 wounded in attacks on Shia pilgrims

7/4/2010
4 killed by a female suicide bomber in Ramadi

6/20/2010
26 killed in attack on Trade Bank of Iraq

7/21/2010
Approximately 30 killed by car bomb near Shia mosque in Ba'quba

7/18/2010
More than 40 SOI members killed by a suicide bomber while waiting to be paid

5/27/2010
14 killed in gold-market heist in Baghdad

4/23/2010
More than 30 killed in Baghdad blasts

Note: All casualty figures are based on the best information available.

Source: SIGIR analysis of GOI, U.S., and open-source documents in Arabic and English.

remain. The remaining U.S. forces in Iraq will focus on advising and assisting the ISF, supporting select counter-terrorism operations in cooperation with the ISF, and providing security to the Department of State's PRTs. All U.S. military personnel are scheduled to depart Iraq by December 31, 2011.[27]

General Odierno Suggests UN Peacekeeper Presence in Northern Iraq

The USF-I is rapidly reducing its presence in northern Iraq. Of the approximately 54 USF-I facilities there in early 2010, only about 8 will remain under complete U.S. control by September 1.[28] In early July, outgoing USF-I Commanding General Odierno stated that UN peacekeepers may ultimately be required to maintain stability in the north, given

the increase in tensions between the KRG and the GOI over the disputed Kirkuk oil fields. General Odierno suggested that a UN presence might prevent the outbreak of violence.[29]

Iraqi Security Forces

The Iraqi Army (IA) and other Ministry of Defense (MOD) forces number more than 250,000, while the Ministry of Interior (MOI) currently fields about 410,000 police and border enforcement personnel.[30] The IA is transitioning domestic security responsibilities to the MOI, a process that will accelerate over the coming months. Responsive to this shift, the IA continues to acquire modern equipment, including 140 M1A1 tanks, which will allow it to focus on its chief mission of securing Iraq against external threats. As one U.S. general stated in June, "the Iraqis are very aware that they live in a neighborhood where they must be able to protect Iraqi sovereignty."[31]

On June 1, Iraqi forces assumed full control over all entry points into the International Zone. The ISF had been jointly manning these entry points with the U.S. military since January 2009. U.S. forces remain in an advisory role to the ISF troops who guard the protected enclave that houses many GOI government offices and U.S. Embassy-Baghdad.[32]

Sons of Iraq

Throughout this quarter, former Sunni insurgents known as the Sons of Iraq (SOI) were repeatedly the targets of terrorist attacks. Most notably, on July 18, a suicide bomber struck a group of SOI near Baghdad, killing more than 40. That same day, at least three other SOI were killed in another suicide bombing at al-Qaim in Anbar province.[33]

The U.S. military transferred responsibility for paying the SOI to the GOI in 2009, but the GOI has been repeatedly delinquent in providing the monthly salaries. As of July, less than half (about 41,000) of the 94,000 SOI had been offered positions in the government,[34] and USF-I reported that the MOD has halted transitioning SOI members until it reassesses the security situation. The GOI's

SIGIR Inspector General Meets with the Leadership of the Central Bank of Iraq

On May 25, 2010, the Inspector General met with senior officials at the Central Bank of Iraq (CBI), including the CBI Governor, Dr. Sinan al-Shabibi. The discussion focused on the key economic issues currently facing the GOI, including combating corruption, attracting foreign investment, and creating a modern regulatory framework that is conducive to privatization. According to CBI representatives:[38]

- Tracking government funds disbursed to Iraqi ministries is a serious problem. The lack of transparency on the use, misuse, or nonuse of these monies prevents the GOI from having a complete or accurate picture of its fiscal situation.
- The GOI has about 3 million employees—10% of the estimated population of Iraq—the highest number ever.
- Iraq will have difficulty increasing its oil production in 2010 primarily because of obsolete infrastructure and diminished production from the fields around Kirkuk. However, the CBI representatives claimed that oil smuggling is becoming less of a problem. (The IG from the Ministry of Oil contradicted this point in a separate meeting with the Inspector General.)
- Iraq's private banking sector is still in its infancy. The Ministry of Finance has cut ties with private banks and refuses to accept their checks. Moreover, legal and technological challenges deter foreign banks from establishing a presence in Iraq.

Sinan al-Shabibi, Governor of the Central Bank of Iraq. (Central Bank of Iraq photo)

willingness and ability to further integrate SOI will significantly affect future relations between the Shia majority and the Sunni minority.[35]

Last Large U.S.-run Detainee Facility Turned Over to the GOI

On July 15, 2010, the USF-I transferred control of Cropper Theater Internment Facility to the Iraqi Correctional Service, which is part of the Ministry of Justice. At the time of its transfer, Cropper held about 1,600 detainees.[36] The prison is located near the Baghdad International Airport and is the last of the major U.S.-administered detention facilities to be turned over to the GOI. Camp Bucca in southern Iraq was transferred last fall, and Camp Taji was turned over in March 2010. At the end of June, 1,769 detainees remained in U.S. custody, down from about 10,000 in January 2009 and more than 25,000 three years ago.[37]

ECONOMIC GROWTH

Iraq's real GDP is forecasted to grow by an annual average of 6.3% in 2010, up from an estimated 4.5% in 2009. This strengthening depends on the ISF maintaining a relatively stable security situation and the GOI obtaining—and applying effectively—increased foreign investment, especially in the oil sector. In 2012, significant increases in oil production are expected to derive from the recent international investments,[39] which would bode well for Iraq's medium-term economic prospects.

OIL SECTOR

Oil: Goals, Production, and Exports

On June 7, Iraq's Minister of Oil reiterated plans to increase Iraq's crude oil production nearly fivefold by 2017, from the less than 2.5 million barrels per day (MBPD) today to 12 MBPD. This quarter, oil production was unchanged from the previous one,

holding steady at 2.38 MBPD, slightly less than the average production during the same quarter in 2009. Exports dropped 5% from last quarter to an average of 1.85 MBPD.[40]

Pipeline Exclusion Zone Breached for the First Time

In at least three separate incidents this quarter, oil pipelines within Pipeline Exclusion Zones (PEZ) were damaged by attacks. These were the first reported attacks on PEZ-protected pipelines since these zones started to become operational in the late fall of 2007. One attack prevented the Doura refinery in Baghdad from receiving about 20,000 barrels per day (BPD) for several days. Other attacks in April and June interrupted flows in the export pipeline to Turkey.[41]

International Investment in Oil Sector

This quarter, a Sino-Turkish consortium contracted with the GOI to expand production in three Missan province oil fields.[42] Of the eleven service contracts awarded to international oil firms in 2009, the joint venture between British Petroleum and the China National Oil Company to exploit the Rumaila field appears to be the most advanced; Ministry of Oil officials predict an almost 200,000 BPD increase in production by the end of this year.[43]

Private oil services firms, including many with substantial U.S. ties, are increasing their presence in Iraq to support the bid-winning consortiums. For example, Weatherford International Ltd. plans to have about 1,000 personnel on the ground in Iraq by the end of July, and Schlumberger anticipates having 300 employees by year's end.[44] For more information on international investment in Iraq's oil sector, see Section 2.

Iraq Plans Four New Oil Refineries

Due to aging infrastructure and years of war, Iraq has limited domestic refining capacity, causing the country to depend on imports from neighboring countries, including Iran. Iraq currently operates three main oil refineries and eleven smaller ones with a combined capacity of 790,000 BPD. The largest of four planned refineries would be built in the southern city of Nassiriya and have a refining capacity of 300,000 BPD. The other three would be constructed in Kirkuk, Missan, and Kerbala and possess a combined capacity of 440,000 BPD.[45]

In June, the Ministry of Oil announced a package of incentives aimed at attracting investment to support the construction of the new refineries. The refineries would either be privately owned or structured as public-private partnerships. This approach is significant, given that the oil industry in Iraq is now entirely government-owned.[46]

POWER SHORTAGES AND PROTESTS

This quarter, the average daily supply of electricity on Iraq's national grid was 6,202 megawatts (MW), of which 5,435 MW was produced domestically and 767 MW was imported (78% of which was from Iran). Imports this quarter increased 10% over last.[47]

The combination of insufficient fuel and water to generate power, planned and unplanned outages, and record-high demand in June (averaging 10,800 MW) caused by an unexpectedly severe heat wave exacerbated the summer power shortages that perennially plague Iraq.[48] In mid-June, protestors demonstrating against blackouts rioted in Basrah, Nassiriya, and Ba'quba. The protests became lethal in Basrah on June 19, when the ISF killed two protestors. Following a similar disturbance in Nassiriya on June 21, the Minister of Electricity resigned and was replaced by the Minister of Oil.[49]

ANTICORRUPTION

New Coordinator for U.S. Anticorruption Effort

In late June, Andrew Dowdy replaced Ambassador Joseph Stafford as the head of the Embassy's Anti-Corruption Coordination Office (ACCO). He is the ACCO's fourth leader since the office's creation (in response to a SIGIR audit) in early 2008, and the eleventh official in charge of U.S. anticorruption efforts since the beginning of 2004. As of June 23, 2010, the ACCO will report directly to the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) office at U.S. Embassy-Baghdad. Previously, the ACCO had reported to the Assistant Chief of Mission.[50]

Commission of Integrity

This quarter, the COI reported that it had opened 93 cases in the first four months of 2010, including one against an undisclosed GOI minister.[51] For a detailed breakdown of these cases, see Figure 1.9.
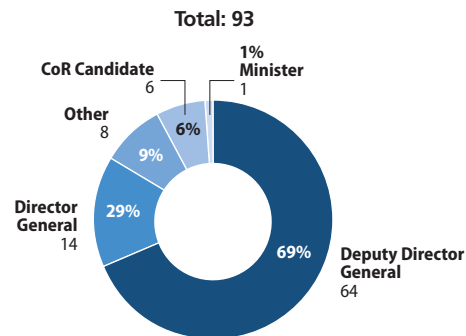
Minister of Trade Acquitted

This quarter, the Rusafa criminal court in Baghdad dismissed one of two cases against the former Minister of Trade for allegedly squandering public funds allocated to the Iraqi Public Distribution System (PDS). The COI and one member of the previous parliament have announced their intention to appeal. A second corruption case against the former Minister of Trade is still pending.[52]

Inspectors General

At the end of May, SIGIR conducted a training seminar for its audit staff in Baghdad and opened the session to top officials from the Iraqi IG community. Among the attendees were the IGs from the Ministries of Electricity, Oil, Industry and Minerals, Finance, Education, Trade, Communications, and Interior (Deputy IG). The session gave SIGIR's Iraqi counterparts a look at how the organization provides in-house training to its

FIGURE 1.9

CASES OPENED BY THE COI, 1/1/2010–4/30/2010

By Investigated Subject's Rank

Total: 93

- 1% Minister — 1
- CoR Candidate — 6
- Other — 8
- 6%
- 9%
- Director General — 14 — 29%
- Deputy Director General — 64 — 69%

By Province

Legend:
- >40 cases
- 10–40 cases
- 2–10 cases
- 1–2 cases

Source: GOI, COI, response to SIGIR data call, 7/1/2010.

SIGIR Inspector General and members of the Iraqi IG community, May 2010.

employees as part of SIGIR's overall quality-assurance program. The class also covered U.S. Government Accountability Office audit standards, which were available in Arabic.

SIGIR OVERSIGHT

Audits

SIGIR issued five audit reports this quarter. To date, SIGIR has published 171 audits. As described in greater detail in Section 3, SIGIR's audits this quarter reviewed:

- **Economic Support Fund (ESF) allocations.** This report analyzes the status of the $45 billion in ESF allocated for use by DoS and USAID in Iraq. The programs funded by the ESF focused on improving the security situation, building the governmental capacity of the GOI, and enhancing economic growth. SIGIR determined that DoS and USAID had obligated 96% of allocations and liquidated about 80% as of March 31, 2010.
- **Development Fund for Iraq (DFI).** Beginning in 2004, DoD managed the Iraqi oil revenue deposited in the DFI. The funds were to be used for the reconstruction of Iraq. After reviewing DoD's financial and management controls, SIGIR concluded that weaknesses in these controls left DoD unable to account for $8.7 billion of the $9.1 billion in DFI funds it received. This transpired primarily because most DoD organizations receiving DFI funds did not establish the required accounts with the Department of the Treasury and no single DoD organization was responsible for managing the use of DFI funds. SIGIR recommended that DoD update its financial management regulations and guidance and determine whether any DoD organizations are still holding DFI funds.
- **DoS Oversight of Democracy Grants to the International Republican Institute (IRI).** SIGIR's review of DoS's management of a $50 million grant to IRI for democracy-building activities in Iraq found that inadequate DoS oversight and weak IRI compliance with the grant's requirements combined to leave the U.S. government vulnerable to paying excessive charges and with insufficient information regarding what was achieved—other than the holding of 271 training sessions for about 5,000 Iraqis over two years.
- **DoD, DoS, and USAID Records-management Policies for Reconstruction Data.** DoD, DoS, and USAID have not fully implemented their respective policies for preserving their Iraq reconstruction records, leaving the U.S. government vulnerable to waste and theft. While this audit did show some progress in preserving these records, SIGIR remains particularly concerned about the lack of progress in preserving ISFF and CERP records.
- **Progress on SIGIR's Forensic Audit Initiative.** As part of its statutorily required forensic review of the more than $53 billion in U.S. funds appropriated for the reconstruction of Iraq, SIGIR to date has reviewed 108,000 transactions valued at $35.8 billion. After reviewing potential duplicate payments involving DoD-related IRRF and ISFF projects, SIGIR concluded that most of the suspicious transactions were legitimate. SIGIR also concluded its review of possible duplicate payments made by USAID in connection with IRRF- and ESF-funded projects. Here, SIGIR found that duplicate or overpayments, as well as payment and accounting adjustments, were made in 36 of the 54 transactions reviewed, and USAID had either recovered the funds or made the appropriate ledger adjustments for all of the amounts.

For more on SIGIR audits this quarter, see Section 3.

Investigations

SIGIR investigators are currently working 112 open cases, many in close conjunction with domestic and international law enforcement partners in the United States, Iraq, and elsewhere. To date,

SIGIR OBSERVATIONS

SIGIR's investigative work has led to 29 arrests, 43 indictments, 34 convictions, and more than $70.7 million in fines, forfeitures, recoveries, and restitution payments. Highlights from this quarter's investigative work include:

- On July 22, 2010, a former DoS official was arrested and indicted for his alleged role in a $147,000 wire-fraud scheme involving the conversion of U.S. government property for his own use.
- In early May, West Point graduate and U.S. Army Captain Michael Dung Nguyen was sentenced to 30 months in prison following his guilty pleas to the crimes of theft of government property and structuring financial transactions. He previously admitted that while on deployment to Iraq, he stole and converted to his own use approximately $690,000 in U.S. currency derived from CERP funds. During the execution of a search warrant, investigators discovered more than $300,000 in stolen CERP funds hidden in the attic of Nguyen's Portland family home. Nguyen was ordered to serve three years of supervised release, pay restitution in the amount of $200,000, and forfeit his interest in all personal property he bought with the stolen money as well as the remaining funds seized by the government at the time of his arrest.
- On May 10, 2010, Captain Faustino Gonzales, U.S. Army, was charged in a one-count indictment of a gratuity received by a public official. Gonzales was a U.S. Army Project Purchasing Officer in Iraq. Gonzales admitted that in September 2006, he conspired with a contracting company to receive $25,000 in bribes in return for awarding CERP contracts. He pled guilty on June 24, 2010, and is awaiting sentencing.
- On May 14, 2010, a criminal information was filed in federal court charging a former employee of a United States-based construction company with conspiracy to defraud the United States by accepting $384,000 in kickbacks from subcontractors whom he helped to get contracts on government building projects in Iraq between 2005 and 2008.

- On May 17, 2010, Captain Eric Schmidt, U.S. Marine Corps (USMC), pled guilty in federal court to conspiracy to commit wire fraud and filing a false federal tax form. Schmidt and his wife were charged on March 4, 2010, with conspiring to skim approximately $1.75 million from government contracts awarded under the Iraqi First Program. At sentencing, Captain Schmidt and his wife each face up to 23 years in federal prison.
- That same day, Master Sergeant Terence Walton, USMC, was convicted by a General Court Martial of bribery, graft, and failure to obey a direct order. Walton was a contract specialist in Iraq from 2005 to 2006. He was sentenced to a reprimand, reduction in rank from E-8 to E-3, a $65,000 fine, and 62 days confinement. As a result of these convictions, a warrant was executed on June 3, 2010, and federal agents seized four vehicles.
- On May 24, 2010, a USMC major turned himself in to federal authorities in Arizona pursuant to an arrest warrant on charges he illegally deposited more than $440,000 into U.S. bank accounts following a 2005 deployment in Iraq where he served as a project purchasing officer for the CERP.
- In the most recent development in the "Cockerham case," which to date has resulted in eleven indictments and nine convictions, a relative of former U.S. Army Major John Cockerham submitted a cashier's check in the amount of $100,000 for voluntary surrender to the U.S. Marshals Service Asset Forfeiture account. It is alleged that the relative received $300,000 from a Kuwait-based contracting company. The money was identified as funds from the bribery scheme orchestrated by Cockerham.
- On July 7, 2010, U.S. Army Major Charles E. Sublett pled guilty in federal court in Tennessee to making false statements to a federal agency. According to the indictment, while stationed in Iraq as a contracting officer in 2005, Sublett smuggled into the United States more than $100,000 in currency.

For additional details on SIGIR's recent investigative activities, see Section 3.

Upcoming Inspections and Evaluations Reports

Later this year, SIGIR will publish its inspections capping report, summarizing and analyzing its findings from the 170 project assessments, 96 limited on-site assessments, and 871 aerial assessments that it has issued over the past five years. Most of the former members of SIGIR's Inspections Directorate have transitioned to the new Evaluations Directorate and are currently contributing to the first evaluation reports, which will be released later in 2010.

Testimony

On May 24, 2010, the Commission on Wartime Contracting in Iraq and Afghanistan (CWC) held hearings on the U.S. government's ability to curb waste, fraud, and abuse in contingency operations. The hearings focused on challenges confronting law enforcement agencies, including preparing successful criminal prosecutions in contingency environments.[53] SIGIR's Deputy Inspector General and Assistant Inspector General for Investigations testified on the breadth of criminal activity observed in Iraq, SIGIR's investigative capabilities and processes, and actions necessary to prevent and detect fraud in other contingency operations.[54]

On June 29, 2010, the Inspector General testified before the Subcommittee on National Security and Foreign Affairs of the House of Representatives' Committee on Oversight and Government

SIGIR officials and other oversight officials testify before Commission on Wartime Contracting in Iraq and Afghanistan, May 2010. (CWC photo)

Reform as part of a panel examining the problems associated with subcontracting in contingency operations. The IG's testimony noted that government leaders need to take steps to prevent contractors—and those layered below them—from undermining the government's interests. In his appearance, the Inspector General also reiterated two recommendations SIGIR has made in the past: the implementation of a "Contingency Federal Acquisition Regulation" and the creation of a new integrated office to manage stabilization and reconstruction operations.

THE HUMAN TOLL

U.S. Civilian Deaths

DoS reported that three U.S. civilians died in Iraq this quarter. Two died of natural causes. The cause of death in the third case has yet to be determined. Since March 2003, at least 305 U.S. civilians have died in Iraq.[55]

Contractors

On July 22, 2010, several rockets impacted inside the International Zone, killing three foreign-national contractors working for Triple Canopy, a U.S.-based security company. Figure 1.10 lists the 15 contracting companies that have reported the largest number of deaths in Iraq since March 2003.

This quarter, the Department of Labor (DoL) received reports of 12 additional deaths of contractors working on U.S.-funded programs in Iraq. DoL also received reports of 882 injuries this quarter that caused the injured contractors to miss four or more days of work. Since 2003, at least 1,487 death claims have been filed with the DoL.[56]

Journalists

On May 6, 2010, the body of Kurdish student journalist Sardasht Osman was found near Mosul. He had been shot twice in the head.

Osman acquired a degree of local fame for his pieces critical of corruption in the KRG. He was a contributor to the *Ashtiname* newspaper in Erbil and also published his work in several online forums. Osman was the only journalist reported killed in Iraq this quarter.[57]

In the wake of Osman's murder, the Committee to Protect Journalists (CPJ) sent an open letter to KRG President Massoud Barzani expressing its deep concern about deteriorating press freedom conditions in the Kurdistan Region. The CPJ also criticized KRG officials for filing criminal lawsuits intended to silence news coverage and called on President Barzani to issue clear directives to all security forces, instructing them to refrain from assaulting or obstructing journalists.[58]

UN Releases Report on Human Rights

In early July, the UN published its latest report on the human rights situation in Iraq, noting that while Iraq has made some progress, significant areas of concern remain. The report was prepared by UNAMI and the Office of the UN High Commissioner for Human Rights and covers the last six months of 2009. Key findings included:[59]

- Civilian deaths declined slightly over the second half of 2009 (1,998) when compared to the first half of the year (2,070).
- Approximately 9,747 civilians were injured during the reporting period, a marked increase over the first six months of 2009 when 6,188 civilians were reported injured.
- Militants continue to attack places of worship, bombing at least 11 churches and 5 Shia mosques.
- Death sentences are being carried out more frequently (31 during January–June versus 93 during July–December).
- Targeted assassinations against government officials and high-profile figures continued throughout the period with judges, tribal leaders, ministers, provincial council members, and senior-ranking security officials being targeted. ◆

FIGURE 1.10

EMPLOYERS FILING THE MOST DEATH BENEFIT CLAIMS UNDER THE DEFENSE BASE ACT, 3/1/2003–6/30/2010
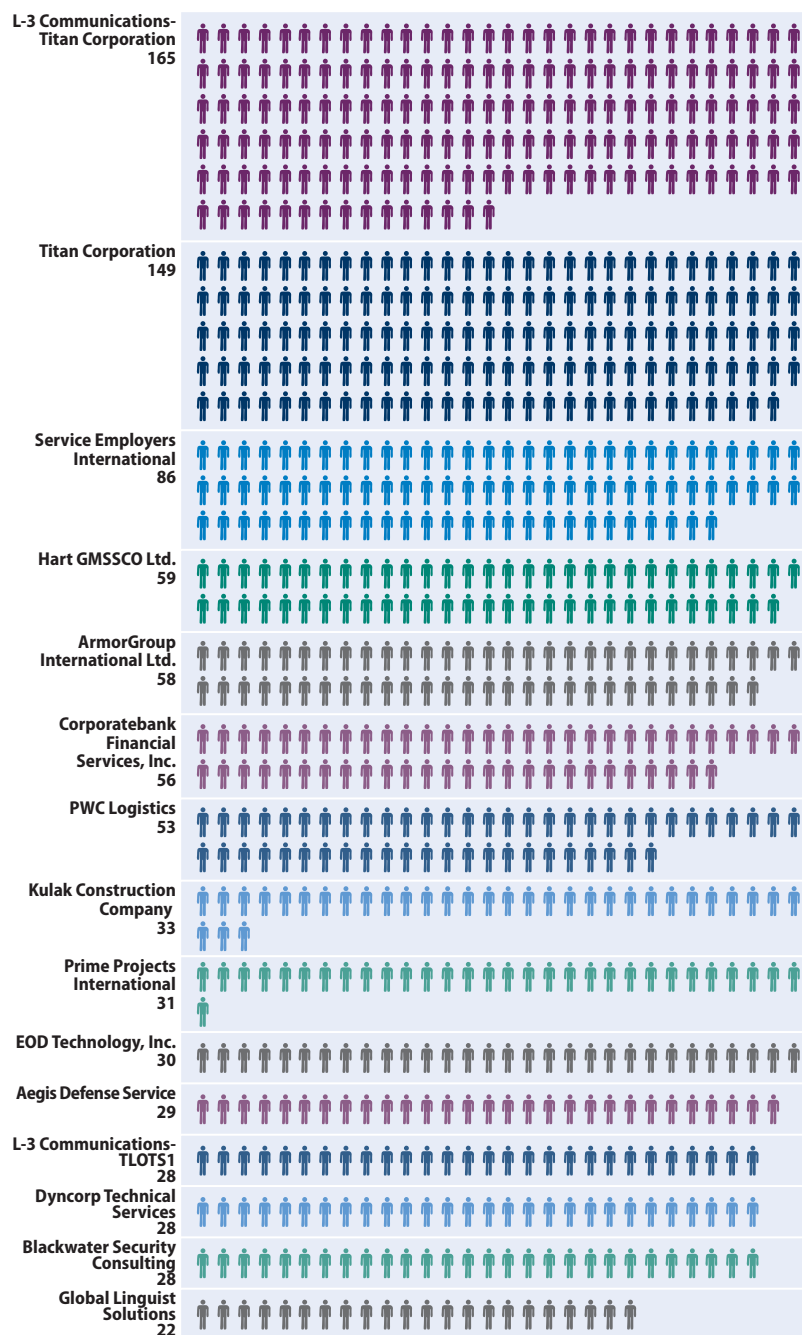
Note: Each symbol represents a claim.

Source: U.S. Department of Labor, response to SIGIR data call, 7/1/2010.

RECONSTRUCTION FUNDING SOURCES AND USES

SECTION

2

FUNDING SOURCES

As of June 30, 2010, $157.17 billion had been made available for the relief and reconstruction of Iraq through three main sources:[60]

- Iraqi funds overseen by the Coalition Provisional Authority (CPA) and Iraqi capital budgets—$91.43 billion
- international commitments of assistance and loans from non-U.S. sources—$11.96 billion
- U.S. appropriations—$53.79 billion

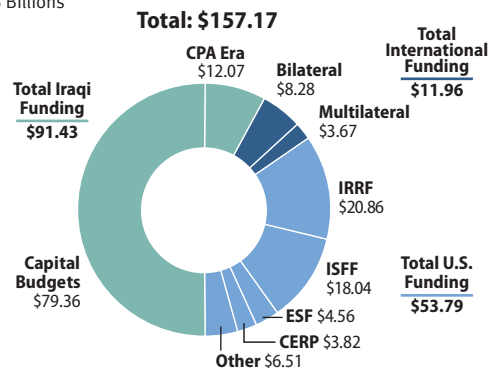See Figure 2.1 for an overview of these funding sources.

Iraqi Funding

As of June 30, 2010, Iraq had provided $91.43 billion for relief and reconstruction: $12.07 billion through Iraqi funding from the CPA era and $79.36 billion through its annual capital budgets.[61]

2010 GOI Revenue Projections

As of June 30, 2010, the Government of Iraq (GOI) had received $24.35 billion in oil receipts since the beginning of the calendar year. Assuming that average export volumes and prices remain the same during the second half of the year, the GOI would receive $48.70 billion in total annual oil receipts for 2010, 32% more than the $37.02 billion in 2009 oil receipts.[62] Since the beginning of the year, Iraq has received an average of $74.93 per barrel of oil exported,[63] well above the price of $62.50 per barrel used to project Iraqi oil revenues for 2010.[64]

The 2010 Iraqi budget projected a deficit of $19.59 billion.[65] However, oil revenue has exceeded the GOI's projections for every month since June 2009,[66] and if current trends hold constant, Iraq will exceed its revenue projections for the year.[67] Moreover, according to the U.S. Department of Defense (DoD), delays in government formation

FIGURE 2.1

FUNDING SOURCES, 2003–2010
$ Billions

Total: $157.17

CPA Era $12.07
Bilateral $8.28
Total International Funding $11.96
Total Iraqi Funding $91.43
Multilateral $3.67
IRRF $20.86
Capital Budgets $79.36
ISFF $18.04
Total U.S. Funding $53.79
ESF $4.56
CERP $3.82
Other $6.51

Note: Data not audited. Numbers affected by rounding. CPA-era Iraqi funds include $1.72 billion in vested funds, $0.93 billion in seized funds, $9.33 billion in DFI, and $0.09 billion in CERP funds provided by the Central Bank of Iraq.

Sources: GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2010," 1/27/2010; DFAS, response to SIGIR data call, 4/13/2010; GOI, "Budget Revenues and Expenses 2003, July–December," 2003; GOI, Presidency of the Iraqi Interim National Assembly, "The State General Budget for 2005," 2005; GOI, Presidential Council, "Federal Public Budget Law for the Fiscal Year 2010," 2/10/2010; U.S. Treasury, responses to SIGIR data calls, 1/4/2008 and 4/9/2009; SIGIR, *Quarterly Report to the United States Congress*, 4/2009, p. 26; P.L. 108-106; P.L. 108-11; P.L. 108-287; P.L. 108-7; P.L. 109-102; P.L. 109-13; P.L. 109-148; P.L. 109-234; P.L. 109-289; P.L. 110-161; P.L. 110-252; P.L. 110-28, P.L. 110-92, P.L. 110-116, P.L. 110-137, P.L. 110-149; P.L. 111-117; P.L. 111-118; P.L. 111-32.

will slow authorization to execute capital budgets.[68] Given these trends, some observers believe Iraq will end the year with a budget surplus.[69]

Outcomes were similar in 2009. For that year, the GOI projected a deficit of $15.9 billion, primarily because of low oil prices in late 2008.[70] However, low execution rates for the annual capital budget and increased oil prices by the end of 2009 resulted in a budget surplus of $2.5 billion.[71]

National Development Plan

Iraq's new *National Development Plan* (NDP), covering the period from 2010 to 2014, was publicly released on July 4, 2010. The NDP charts a course for social and economic development and environmental protection that will require a $100 billion investment from the GOI and $86 billion from

the private sector. The NDP assumes that Iraq will generate $334 billion in revenue between 2010 and 2014, based on a projected average oil price of $60 per barrel in 2010, $63 in 2011, and $68 in 2012–2014. For further information about the NDP and its goals, see Section 1 of this Report.[72]

International Support

As of June 30, 2010, international (non-U.S.) donors had committed $11.96 billion for the relief and reconstruction of Iraq: $6.15 billion in grant assistance and $5.81 billion in loans.[73] This quarter, total commitments increased by $509.4 million (4%):[74]

- Japan committed $109.4 million in bilateral humanitarian grant assistance.
- Italy committed $150.0 million in loans, doubling its previous commitment.
- The World Bank released the second $250 million tranche of its Development Policy Loan for Iraq in support of the GOI's reform program, which focuses on public financial management, financial sector reform, and poverty reduction.

As of June 30, 2010, international donors had pledged $18.10 billion: $5.26 billion in grant assistance and $12.84 billion in loans.[75] According to the Bureau of Near Eastern Affairs (NEA-I) at the U.S. Department of State (DoS), Iraq could take advantage of soft loans pledged by donors to maintain momentum for economic development if low oil prices result in insufficient GOI revenues.[76]

Commitments total 66% of pledges, but the percentage varies considerably among donors. The commitments of some donors have exceeded their pledges. Other donors, notably in the Middle East, have committed far less than they pledged.[77] For a breakdown of pledges and commitments, by type of assistance and donor, see Figure 2.2.

> The commitments of some donors have exceeded their pledges. Other countries have committed far less than they pledged.

UNDAF: New Framework for UN Assistance

On May 11, 2010, the United Nations Country Team (UNCT) in Iraq released the *United Nations Development Assistance Framework for Iraq 2011–2014* (UNDAF), prepared in consultation with the GOI Ministry of Planning and Development Cooperation (MoPDC).[78]

The UNDAF reflects UN and Iraqi implementation of the Paris Declaration of Principles for Aid Effectiveness, which emphasizes host-country ownership of the development-assistance process. It also reflects the UN's assumption of the leading role in coordinating with the international community.[79]

The UNDAF has much in common with the *International Compact with Iraq* (ICI), a five-year national plan—launched in 2007—that included benchmarks and mutual commitments for the GOI and the international community.[80] Like the UNDAF, the ICI was negotiated with the UN and was based, in part, on the Millennium Development Goals. The two plans contain many similar objectives and implementation mechanisms.[81]

The first and only ministerial-level ICI review meeting was held in May 2008. The conference report cited significant legislative progress, positive economic indicators, and consolidation of recent security gains, but noted ongoing human rights problems.[82] An annex to the report detailed progress toward 272 benchmarks: 52 (19%) were achieved or approved; 146 (54%) were in progress, partially achieved, or near completion; 58 (21%) were not started or delayed; and 16 (6%) had no data.[83] Some objectives that were "not started" have since been completed, such as the creation of a national anticorruption strategy. Others that were "in progress," such as comprehensive hydrocarbons legislation, remain unresolved.[84] According to NEA-I, subsequent reviews at the sub-ministerial and ambassadorial levels preceded the transition from the ICI to the UNDAF.[85]
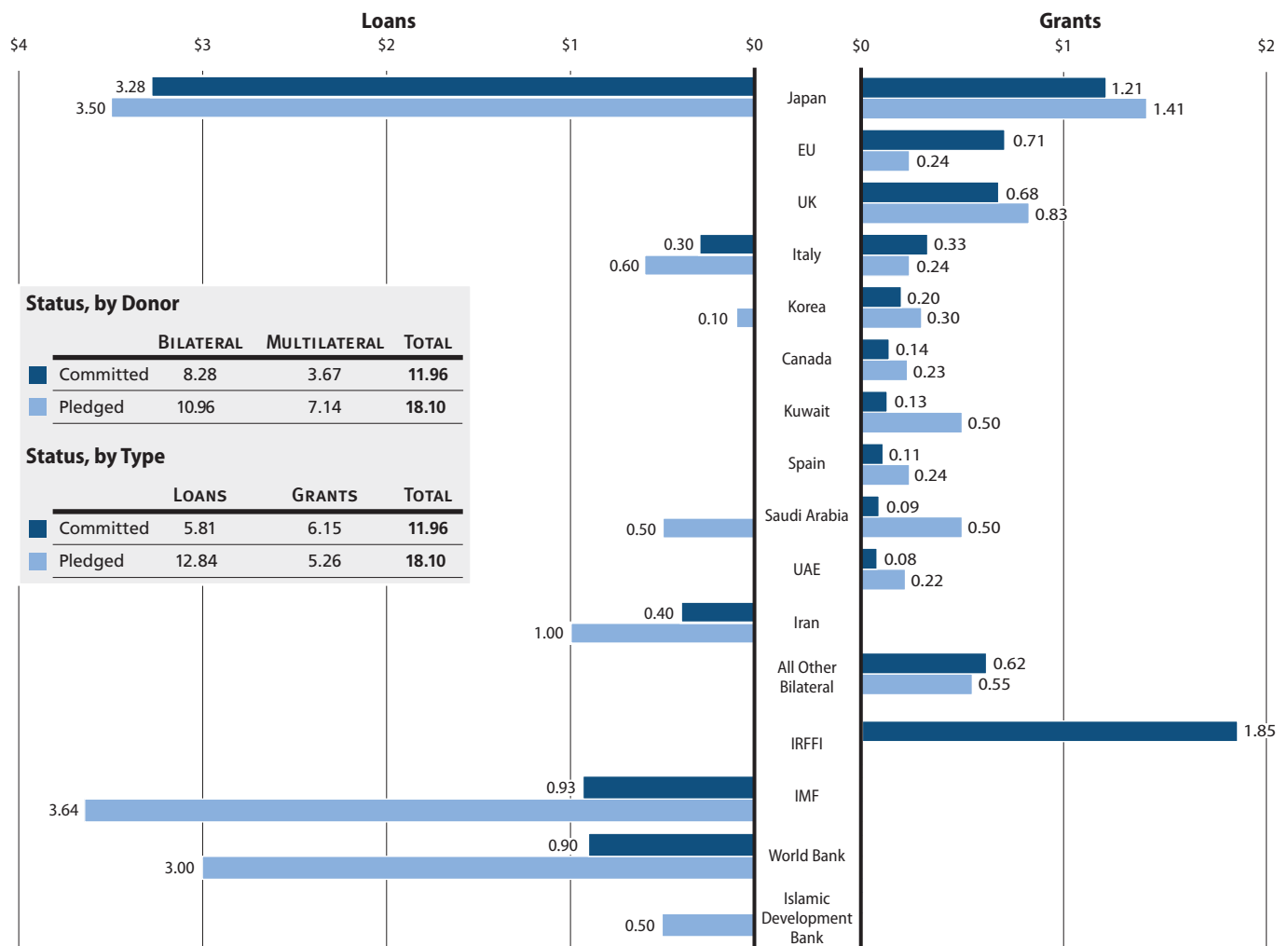
FIGURE 2.2

INTERNATIONAL GRANTS AND LOANS, BY TYPE OF ASSISTANCE, STATUS, AND DONOR
$ Billions

Status, by Donor

	BILATERAL	MULTILATERAL	TOTAL
Committed	8.28	3.67	**11.96**
Pledged	10.96	7.14	**18.10**

Status, by Type

	LOANS	GRANTS	TOTAL
Committed	5.81	6.15	**11.96**
Pledged	12.84	5.26	**18.10**

Note: Data not audited. Numbers affected by rounding. Bilateral commitments exclude IRFFI deposits. Amounts may differ from prior quarters due to changes in foreign exchange rates.

Source: NEA-I, response to SIGIR data call, 7/13/2010.

UNDAF Priorities and Available Resources

The UNDAF cites Iraq's substantial oil revenue as a means to accelerate the nation's recovery to middle-income status, but cautions against the potential for corruption. According to UNCT analysis, Iraq "lacks the systems necessary to ensure state account-ability and transparency," and the UNDAF concludes that "the development process is inextricably linked with the political one."[86]

Based on the UN Millennium Development Goals, a joint UN-Iraq needs assessment, and the GOI's five-year NDP, the UNDAF identifies five priority areas and estimates resource requirements for those areas:[87]

1. improved governance, including the protection of human rights ($299 million)
2. inclusive, more equitable, and sustainable economic growth ($417 million)
3. environmental management and compliance with ratified international environmental treaties and obligations ($219 million)
4. increased access to quality essential services ($870 million)
5. investment in human capital and empowerment of women, youth, and children ($98 million)

The total estimated cost of the UN's contribution to the five-year UNDAF effort is almost $1.90 billion, of which only $250 million was available to support the framework when it was released. The remaining $1.65 billion had yet to be "mobilized" from donor countries.[88] According to NEA-I, donors pledged $3.51 billion to support its precursor, the ICI: $723 million from bilateral donors and $2.79 billion from multilateral donors. No data is available on ICI commitments.[89]

Covering a similar period of time, the total cost of the UNDAF is approximately 1% of the total cost of the NDP.[90]

> The total estimated cost of the UNDAF is approximately 1% of the total cost of the NDP.

UNDAF Implementation Plan and Metrics

The UNDAF is a strategic framework. A national-level steering committee will periodically assess progress, but actual implementation depends on the ability of UN agencies and Iraqi partners to put the framework into action in support of Iraq's national priorities. Working groups organized around the five priorities will focus on planning, monitoring, and evaluating programs and projects.[91]

The UNDAF, like the ICI, includes many metrics to assess progress toward meeting the agreed upon goals. For an example related to international funding, see Table 2.1. Additional UNDAF metrics and targets can be found throughout this Report.

UNDAF Assumptions and Risks

Iraq's MoPDC will remain the UNCT's primary partner,[92] but almost every part of the Iraqi

TABLE 2.1

UNDAF Target for International Aid

Metric	Baseline	2014 Target
Percentage of international aid flows which reflect development priorities of Iraq	15% (2009)	60%

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

government is involved in some aspect of the framework. The UNDAF calls for particular emphasis on the increased engagement of civil society and the private sector.[93] The broad array of GOI partners is potentially problematic given post-election uncertainties, including the development priorities and capacities of the new ruling coalition.[94]

The UNDAF identifies several overarching assumptions as necessary to successful implementation:[95]

- Security and access to communities will continue to improve.
- The incoming government will honor the commitments made by the incumbent government.
- Sufficient resources will be available to realize the UNDAF.
- There will be willingness from the people of Iraq as a whole to support and be engaged in the process of their own recovery and development.

Overarching risks identified by the UNDAF include:[96]

- Major shifts within ministries and other counterpart institutions following elections could delay implementation of agreed programs.
- Capacity gaps within government and social institutions may undermine governance and reform efforts.
- Relationships between central and provincial authorities regarding decentralization may remain unresolved.
- Global economic and political influences may hinder growth.

- Renewed violence may trigger population movements and create an overriding humanitarian situation.

U.S. Funding

Since 2003, the U.S. Congress has appropriated or otherwise made available $53.79 billion for reconstruction efforts in Iraq, including the building of physical infrastructure, establishment of political and societal institutions, reconstitution of security forces, and the purchase of products and services for the benefit of the people of Iraq.[97]

As of June 30, 2010, $47.28 billion had been made available through four major funds:[98]

- Iraq Relief and Reconstruction Fund (IRRF)—$20.86 billion
- Iraq Security Forces Fund (ISFF)—$18.04 billion
- Economic Support Fund (ESF)—$4.56 billion
- Commander's Emergency Response Program (CERP)—$3.82 billion

Among the major funds, $2.08 billion of obligated funds had not been expended as of June 30, 2010. An additional $2.34 billion remained unobligated, but $1.35 billion of these unobligated funds had expired. Only funds that have not yet expired—$995 million as of June 30, 2010—may be obligated to new projects.[99]
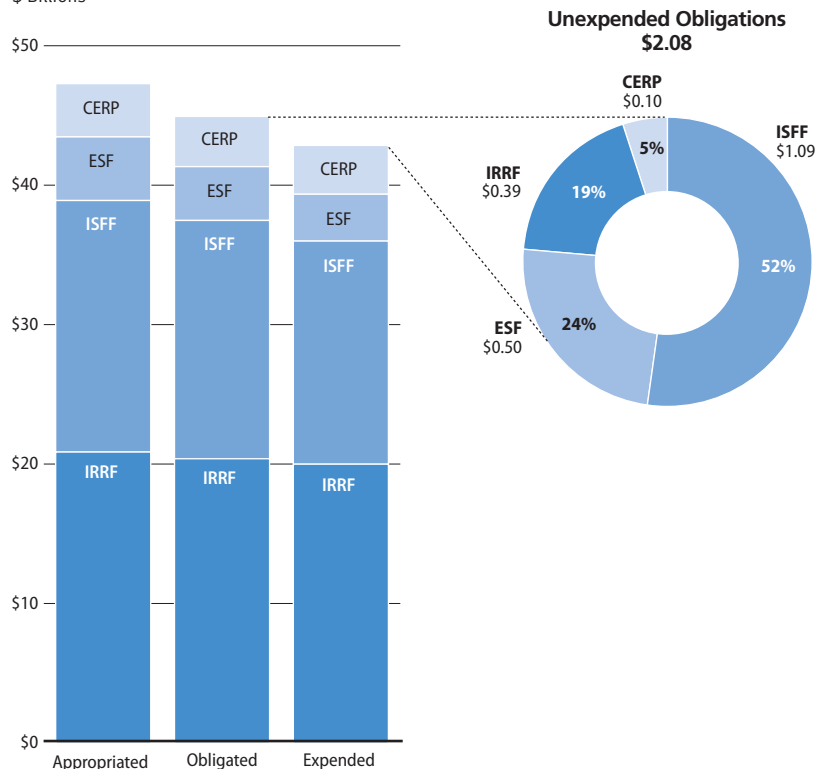
The Congress also made $6.51 billion available through several smaller funding streams.[100]

For an overview of U.S. appropriations, obligations, and expenditures from the four major funds, as of June 30, 2010, see Figure 2.3. For details on appropriations and the status of funds as of June 30, 2010, see Table 2.3.

FY 2010 Supplemental Request Considered by Congress

Last quarter, the Administration requested $4.45 billion in new appropriations for Iraq reconstruction: $1.52 billion in FY 2010 supplemental appropriations and $2.93 billion in FY 2011

FIGURE 2.3
STATUS OF MAJOR U.S. FUNDS
$ Billions

Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: P.L. 108-106; P.L. 108-11; P.L. 108-287; P.L. 108-7; P.L. 109-102; P.L. 109-13; P.L. 109-148; P.L. 109-234; P.L. 109-289; P.L. 110-161; P.L. 110-252; P.L. 110-28; P.L. 110-92, P.L. 110-116, P.L. 110-137, P.L. 110-149; P.L. 111-117; P.L. 111-118; P.L. 111-32; DoS, response to SIGIR data call, 4/5/2007; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, 7/6/2010, and 7/8/2010; OSD, responses to SIGIR data calls, 4/10/2009 and 7/13/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USACE, response to SIGIR data call, 7/12/2010; USAID, responses to SIGIR data call, 7/8/2010 and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009.

regular appropriations.[101] The Administration also requested $1.57 billion in reconstruction-related operating expenses for DoS, which were intended to support the transition of five Provincial Reconstruction Teams (PRTs) to more permanent Enduring Presence Posts (EPPs) administered by the Chief of Mission.[102] The Administration's budget requests are currently being considered by the Congress; for the status as of July 22, 2010, see Table 2.2.

On March 24, 2010, the House passed H.R. 4899, its FY 2010 supplemental appropriations bill. As

TABLE 2.2
FY 2010 Supplemental and FY 2011 Regular Appropriations, as of 7/22/2010
$ Millions

	Fund	FY 2010 Supplemental				FY 2011 Regular
		Request	House	Senate	Appropriation	Request
Foreign Assistance						
Defense	ISFF	1,000	1,000	1,000	*	2,000
	CERP					200
	Subtotal	**1,000**	**1,000**	**1,000**	*	**2,200**
Foreign Operations	ESF	0				383
	INCLE	517	650	650	*	315
	NADR	0				30
	IMET	0				2
	Subtotal	**517**	**650**	**650**	*	**729**
Total Assistance		**1,517**	**1,650**	**1,650**	*	**2,929**
Reconstruction-Related Operating Expenses						
State		1,570	1,030	1,030	*	0
Total Operating		**1,570**	**1,030**	**1,030**	*	**0**

Note: Numbers affected by rounding. The table reflects the House Appropriations Committee's July 1, 2010, amendment to H.R. 4899. The amounts passed by the House and Senate are not final. Negotiations are ongoing, and it is not known when the final bill will pass.

Sources: DoD, "Fiscal Year 2011 Budget Request: Overview," 2/2010, Chapter 6, pp. 5, 9; DoS, "FY 2010 Supplemental Budget Justification," 2/1/2010, p. 31; DoS, "FY 2011 Foreign Assistance Congressional Budget Justification: Summary Tables," 3/8/2010, p. 23; H.R. 4899; Senate Report 111-188, to accompany H.R. 4899, "Making Emergency Supplemental Appropriations for Disaster and Relief and Summer Jobs for the Fiscal Year Ending September 30, 2010, and for Other Purposes," pp. 25, 55, 64.

originally passed, the bill contained largely summer jobs and disaster relief provisions and did not include any funding for Iraq or DoS operations.[103]

On May 27, 2010, the Senate passed its amendment to H.R. 4899.[104] The bill included $1.00 billion for the ISFF, to remain available until September 30, 2011. It also included $650 million in International Narcotics Control and Law Enforcement (INCLE) funding for Iraq: $450 million for one-time start-up costs and limited operational costs of the Iraqi police program; and $200 million for implementation, management, security, communications, and other expenses related to the program.[105] This represented a net increase of $133 million to the Administrations' request—less money than requested for one-time start-up costs associated with DoS's new police training responsibility, but an additional $200 million for an unrequested, police-related "Implementation, Management, and Security" line item.[106]

In its report accompanying the bill, the Senate Appropriations Committee allocated $1.03 billion "to support additional personnel, temporary facility construction, and security for the transition to a civilian-led effort in Iraq." The net recommendation for reconstruction-related operating expenses was $540 million less than the Administration's request. The Senate Appropriations Committee noted that it supported the placement of posts "along volatile Arab-Kurdish fault lines," and allowed funding for temporary facility construction for that purpose, but did not recommend a requested $527 million for "site development and construction of permanent consulates in Basrah and northern Iraq." Instead, the committee recommended that funding requirements for these facilities be prioritized within the amounts appropriated for Embassy security, construction, and maintenance in regular appropriations acts.[107]

TABLE 2.3
U.S. APPROPRIATED FUNDS
$ Millions

	APPROPRIATIONS BY FISCAL YEAR, FY 2003–FY 2008					
	P.L. 108-7, P.L. 108-11	P.L. 108-106, P.L. 108-287	P.L. 109-13	P.L. 109-102, P.L. 109-148, P.L. 109-234	P.L. 109-289, P.L. 110-28	P.L. 110-92, P.L. 110-116, P.L. 110-137, P.L. 110-149, P.L. 110-161, P.L. 110-252
	2003	2004	2005	2006	2007	2008
MAJOR FUNDS						
Iraq Relief and Reconstruction Fund (IRRF 1 and IRRF 2)[a]	2,475	18,389				
Iraq Security Forces Fund (ISFF)			5,490	3,007	5,542	3,000
Economic Support Fund (ESF)[b]	50			1,545	1,478	664
Commander's Emergency Response Program (CERP)[c]		140	718	649	743	986
Subtotal	**2,525**	**18,529**	**6,208**	**5,201**	**7,764**	**4,650**
OTHER ASSISTANCE PROGRAMS						
Natural Resources Risk Remediation Fund (NRRRF)[d]	801					
Iraq Freedom Fund (Other Reconstruction Activities)[e]	700					
Migration and Refugee Assistance (MRA) and Emergency Refugee & Migration Assistance (ERMA)	1				66	278
International Narcotics Control and Law Enforcement (INCLE)	20			91	170	85
P.L. 480 Food Aid (Title II and Non-Title II)	368		3			24
Democracy Fund (Democracy)					250	75
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	24		7		45	85
Iraq Freedom Fund (TFBSO)					50	50
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)[f]					19	16
Child Survival and Health Programs Fund (CSH)	90					
Department of Justice (DoJ)	37			5	6	10
Education and Cultural Exchange Programs (ECA)[g]				7	5	7
International Affairs Technical Assistance				13	3	
Overseas Humanitarian, Disaster and Civic Aid (OHDACA)	9	3	3			
U.S. Marshals Service			1	3	2	2
International Military Education and Training (IMET)					1	
Alhurra-Iraq Broadcasting		5				
Subtotal	**2,049**	**9**	**14**	**119**	**618**	**631**
RECONSTRUCTION-RELATED OPERATING EXPENSES						
Coalition Provisional Authority (CPA)[h]		908				
Project and Contracting Office (PCO)[i]				200	630	
USAID Operating Expenses (USAID OE)	21		24	79		46
U.S. Contributions to International Organizations (IO Contributions)						38
Iraq Freedom Fund (PRT Administrative Costs)					100	
Subtotal	**21**	**908**	**24**	**279**	**730**	**84**
RECONSTRUCTION OVERSIGHT						
Special Inspector General for Iraq Reconstruction (SIGIR)		75		24	35	3
USAID Office of the Inspector General (USAID OIG)	4	2	3		3	7
DoD Office of the Inspector General (DoD OIG)				5		21
DoS Office of the Inspector General (DoS OIG)				1	3	4
Defense Contract Audit Agency (DCAA)					16	
Subtotal	**4**	**77**	**3**	**30**	**57**	**34**
Total	**4,599**	**19,523**	**6,249**	**5,629**	**9,169**	**5,399**

[a] The Congress initially appropriated $18,649 million to IRRF 2, but earmarked $210 million to be transferred to other accounts for programs in Jordan, Liberia, and Sudan. The Administration transferred another $562 million for Iraq-related programs that could be implemented only in other accounts (such as bilateral debt forgiveness). In FY 2006, the Congress transferred roughly $10 million into the IRRF from the ESF. In FY 2008, P.L. 110-252 rescinded $50 million.
[b] FY 2003 reflects $40 million from the ESF base account that was not reimbursed and $10 million from P.L. 108-11.
[c] Generally, the Congress does not appropriate the CERP to a specific country, but rather to a fund for both Iraq and Afghanistan. SIGIR reports DoD's allocation to the CERP for Iraq as an appropriation. FY 2009 CERP funding was provided under P.L. 110-252.
[d] Includes funds transferred from the Iraq Freedom Fund (IFF).
[e] Includes funds appropriated to the IFF by P.L. 108-11, Title I, and transferred to reconstruction activities, with the exception of funds transferred to NRRRF, which are recorded under that fund.
[f] The $20 million reported for FY 2009 was appropriated by P.L. 111-8.
[g] The status of funds as of 3/31/2010 for ECA was not available.
[h] Excludes $75 million for the Special Inspector General for Iraq Reconstruction under P.L. 108-106.
[i] Reconstruction support funding is provided for Project and Contracting Office (PCO) activities per the P.L. 109-234 and P.L. 110-28 conference reports.

| | FY 2009 | FY 2010 | | | STATUS OF FUNDS | | |
| | P.L. 110-252, P.L. 111-32 | P.L. 111-117 | P.L. 111-118 | | | | |
	6/24/09	12/16/09	12/19/09	TOTAL APPROPRIATED	OBLIGATED	EXPENDED	EXPIRED
MAJOR FUNDS							
Iraq Relief and Reconstruction Fund (IRRF 1 and IRRF 2)				20,864	20,385	19,991	479
Iraq Security Forces Fund (ISFF)	1,000			18,039	17,091	16,003	483
Economic Support Fund (ESF)	439	383		4,559	3,857	3,361	254
Commander's Emergency Response Program (CERP)	335		245	3,816	3,601	3,502	134
Subtotal	**1,774**	**383**	**245**	**47,278**	**44,934**	**42,857**	**1,349**
OTHER ASSISTANCE PROGRAMS							
Natural Resources Risk Remediation Fund (NRRRF)				801	801	801	
Iraq Freedom Fund (Other Reconstruction Activities)				700	680	654	
Migration and Refugee Assistance (MRA) and Emergency Refugee & Migration Assistance (ERMA)	260			604	592	546	
International Narcotics Control and Law Enforcement (INCLE)	20	52		438	368	240	
P.L. 480 Food Aid (Title II and Non-Title II)				395	395	395	
Democracy Fund (Democracy)				325	265	197	
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	51	6		219	215	194	
Iraq Freedom Fund (TFBSO)	74			174	86	50	
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)	36	30		101	62	62	
Child Survival and Health Programs Fund (CSH)				90	89	89	1
Department of Justice (DoJ)	4	3		65	58	36	
Education and Cultural Exchange Programs (ECA)	7	7		33			
International Affairs Technical Assistance				16	16	14	
Overseas Humanitarian, Disaster and Civic Aid (OHDACA)				16	16	10	
U.S. Marshals Service	1			9	9	9	
International Military Education and Training (IMET)	2	2		6	6	3	
Alhurra-Iraq Broadcasting				5	5	5	
Subtotal	**454**	**101**		**3,996**	**3,663**	**3,304**	**1**
RECONSTRUCTION-RELATED OPERATING EXPENSES							
Coalition Provisional Authority (CPA)				908	832	799	
Project and Contracting Office (PCO)				830			
USAID Operating Expenses (USAID OE)	52	57		279			
U.S. Contributions to International Organizations (IO Contributions)	30	33		101			
Iraq Freedom Fund (PRT Administrative Costs)				100			
Subtotal	**82**	**90**		**2,218**	**832**	**799**	
RECONSTRUCTION OVERSIGHT							
Special Inspector General for Iraq Reconstruction (SIGIR)	44	23		203	185	173	
USAID Office of the Inspector General (USAID OIG)	4	7		29			
DoD Office of the Inspector General (DoD OIG)				26			
DoS Office of the Inspector General (DoS OIG)	6	7		21			
Defense Contract Audit Agency (DCAA)				16			
Subtotal	**54**	**37**		**295**	**185**	**173**	
Total	**2,364**	**610**	**245**	**53,787**	**49,614**	**47,133**	**1,350**

FIGURE 2.4

PROJECTION OF U.S. FUNDS AVAILABLE FOR IRAQ RECONSTRUCTION FROM THE IRFF, ISFF, ESF, AND CERP
$ Billions

Note: Data not audited. Numbers affected by rounding. Projections include IRFF, ISFF, ESF, and CERP. Lines represent appropriations less expended and expired funds. The projected expenditure rate is equal to the average expenditure rate, by fund, over the previous year. Projected expired funds are equal to expired funds, as of June 30, 2010. Both projections assume that Congress will appropriate the entire $1.00 billion in FY 2010 supplemental appropriations for ISFF. The second projection also assumes that the Congress will appropriate the entire $2.58 billion for ISFF, CERP, and ESF for FY 2011.

Sources: P.L. 108-106; P.L. 108-11; P.L. 108-287; P.L. 108-7; P.L. 109-102; P.L. 109-13; P.L. 109-148; P.L. 109-234; P.L. 109-289; P.L. 110-161; P.L. 110-252; P.L. 110-28; P.L. 110-92, P.L. 110-116, P.L. 110-137, P.L. 110-149; P.L. 111-117; P.L. 111-118; P.L. 111-32; DoS, response to SIGIR data call, 4/5/2007; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, 7/6/2010, and 7/8/2010; OSD, responses to SIGIR data calls, 4/10/2009 and 7/13/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USACE, response to SIGIR data call, 7/12/2010; USAID, responses to SIGIR data call, 7/8/2010 and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009; SIGIR; *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–4/2010.

On July 1, 2010, the House agreed to the Senate's amendment to H.R. 4899 (with its own amendment related to other accounts) and formally supported the Senate's $2.68 billion in FY 2010 supplemental appropriations for Iraq.[108] On July 22, the Senate rejected the House amendment, returning the bill to the House.[109]

The amounts passed by the House and Senate are not final, and negotiations are ongoing. As of July 22, it is not known when the supplemental appropriations legislation will pass.

U.S. Appropriations Remaining for Iraq Reconstruction

Based on historical expenditure rates and anticipated appropriations, SIGIR estimates that the major

U.S. reconstruction funds so far appropriated and requested will be largely expended at some point during the next two years. Figure 2.4 shows two projections, based on the following scenarios:[110]

- full appropriation of the Administration's request for the FY 2010 supplemental
- full appropriation of the Administration's requests for the FY 2010 supplemental appropriation and FY 2011 regular appropriation

SIGIR Forensic Audit

In July, SIGIR released the fourth interim report on its forensic audit of Iraq reconstruction funds, identifying additional instances of questionable financial activity. This quarter, SIGIR reviewed an additional 25,000 transactions valued at $3.8 billion, bringing

SIGIR estimates that the major U.S. reconstruction funds so far appropriated and requested will be largely expended at some point during the next two years.

TABLE 2.4
IRRF: Status of Funds, by Appropriation and Sector
$ Millions

APPROPRIATION	SECTOR	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
IRRF 1	**Subtotal**	**2,258.7**	**2,248.5**	**-2.1 (0%)**	**-0.3 (0%)**
IRRF 2	Security & Law Enforcement	4,929.6	4,892.5	-1.4 (0%)	
	Electric Sector	4,102.6	4,057.6	2.8 (0%)	6.5 (0%)
	Justice, Public Safety Infrastructure, & Civil Society	2,313.8	2,209.2	-0.2 (0%)	2.2 (0%)
	Water Resources & Sanitation	1,968.0	1,944.6	-3.5 (0%)	17.6 (1%)
	Oil Infrastructure	1,604.3	1,592.5	0.1 (0%)	-0.1 (0%)
	Private Sector Development	860.0	830.0		
	Health Care	816.8	801.5	14.9 (2%)	19.1 (2%)
	Education, Refugees, Human Rights, Democracy, & Governance	519.6	447.6		
	Transportation & Telecommunications Projects	466.6	452.8	-0.3 (0%)	13.0 (3%)
	Roads, Bridges, & Construction	279.8	267.1	-0.2 (0%)	
	Administrative Expenses	219.5	217.9		
	ISPO Capacity Development	45.4	28.8	-3.1 (-6%)	2.2 (8%)
	Subtotal	**18,126.0**	**17,742.0**	**9.1 (0%)**	**60.5 (0%)**
Total		**20,384.6**	**19,990.6**	**7.0 (0%)**	**60.2 (0%)**

Note: Data not audited. Numbers affected by rounding. The sector previously called "ITAO Capacity Development" has been renamed "ISPO Capacity Development."

Sources: DoS, response to SIGIR data call, 4/5/2007; NEA-I, response to SIGIR data call, 7/6/2010; OSD, response to SIGIR data call, 4/10/2009; U.S. Treasury, response to SIGIR data call, 4/2/2009; USAID, responses to SIGIR data calls, 4/13/2009 and 7/8/2010; USTDA, response to SIGIR data call, 4/2/2009.

the total transactions reviewed to 108,000 valued at $35.8 billion. The effort has yielded 49 criminal investigations, including 4 opened this quarter. For more information, see Section 3 of this Report.

Iraq Relief and Reconstruction Fund

The IRRF has been the largest source of U.S. reconstruction funds, comprising $20.86 billion made available through two appropriations: IRRF 1 ($2.48 billion) and IRRF 2 ($18.39 billion).[111]

As of June 30, 2010, $394 million of obligated funds had not been expended: $10 million from IRRF 1 and $384 million from IRRF 2. An additional $479 million remained unobligated; however, these funds have expired, and they may not be obligated to new projects.[112]

IRRF 1 was canceled on September 30, 2009, five years after the end of the period during which it was permissible to make new obligations; consequently, there is no longer authority to obligate or expend any funds from IRRF 1.[113]

For the status of the IRRF, as of June 30, 2010, see Table 2.4.

Iraq Security Forces Fund

Since 2005, the Congress has appropriated $18.04 billion to the ISFF to support Iraq's Ministry of Defense (MOD) and Ministry of Interior (MOI) in developing the Iraqi Security Forces (ISF).[114]

As of June 30, 2010, $1.09 billion of obligated funds had not been expended. An additional $949 million remains unobligated, but $483 million of this amount has expired. This leaves $466 million,

appropriated by P.L. 111-32 for FY 2009/2010, available for obligation to new projects. Funds appropriated to the ISFF by P.L. 111-32 expire on September 30, 2010, after which time they cannot be obligated to new projects.[115]

For the status of the ISFF, including a breakdown of unexpended obligations, as of June 30, 2010, see Figure 2.5.

ISFF Quarterly Obligations and Expenditures

As of June 30, 2010, $17.06 billion (95%) of the $18.04 billion appropriated to the ISFF had been allocated to four major sub-activity groups: Equipment, Infrastructure, Sustainment, and Training. The remaining $976 million (5%) of the ISFF has been allocated to smaller sub-activity groups. Collectively termed "Related Activities," they include the ISFF Quick Response Fund and construction of detention centers and rule-of-law complexes.[116]
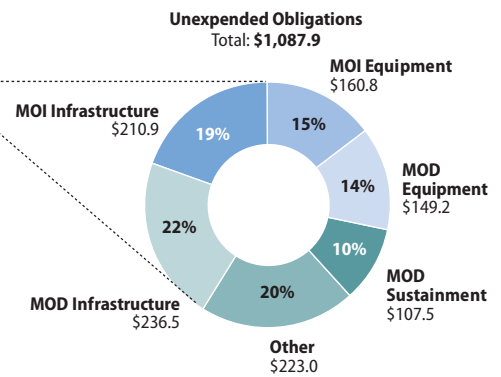
For the status and quarterly change of the ISFF, by ministry and sub-activity group, as of June 30, 2010, see Table 2.5.

FIGURE 2.5
ISFF: STATUS OF FUNDS
$ Millions

Appropriated **$18,039.3**
Obligated **$17,090.7**
Expended **$16,002.8**

Unexpended Obligations
Total: **$1,087.9**

MOI Equipment $160.8 — 15%
MOD Equipment $149.2 — 14%
MOD Sustainment $107.5 — 10%
Other $223.0 — 20%
MOD Infrastructure $236.5 — 22%
MOI Infrastructure $210.9 — 19%

Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 108-7; P.L. 109-102; P.L. 109-234; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; OSD, response to SIGIR data call, 7/13/2010.

This quarter, USF-I obligated $49.9 million of the ISFF, the lowest amount obligated in any quarter since the ISFF was established and less than 6% of average quarterly ISFF obligations.[117] Unless the Congress extends the period of obligation for funds

> This quarter, USF-I obligated $49.9 million of the ISFF, the lowest amount obligated in any quarter since the ISFF was established.

TABLE 2.5
ISFF: STATUS OF FUNDS, BY MINISTRY AND SUB-ACTIVITY GROUP
$ Millions

MINISTRY	SUB-ACTIVITY GROUP	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	**EXPENDED**	**OBLIGATED**	**EXPENDED**
Defense	Equipment	4,621.7	4,472.5	29.4 (1%)	87.8 (2%)
	Infrastructure	3,075.5	2,839.0	-13.1 (0%)	76.1 (3%)
	Sustainment	1,882.9	1,775.4	4.8 (0%)	66.6 (4%)
	Training	466.2	423.0	15.0 (3%)	27.2 (7%)
	Subtotal	**10,046.3**	**9,509.8**	**36.1 (0%)**	**257.6 (3%)**
Interior	Training	2,449.2	2,387.4	20.8 (1%)	13.8 (1%)
	Equipment	1,753.7	1,592.9	2.6 (0%)	56.0 (4%)
	Infrastructure	1,374.9	1,164.0	-4.1 (0%)	56.1 (5%)
	Sustainment	595.2	554.2	-0.3 (0%)	7.5 (1%)
	Subtotal	**6,172.9**	**5,698.6**	**19.0 (0%)**	**133.3 (2%)**
Varies	**Related Activities**	**871.5**	**794.5**	**-5.2 (-1%)**	**28.1 (4%)**
Total		**17,090.7**	**16,002.8**	**49.9 (0%)**	**419.0 (3%)**

Note: Data not audited. Numbers affected by rounding.

Sources: OSD, responses to SIGIR data calls, 4/12/2010 and 7/13/2010.

FIGURE 2.6

QUARTERLY OBLIGATIONS AND EXPENDITURES FROM THE ISFF
$ Billions
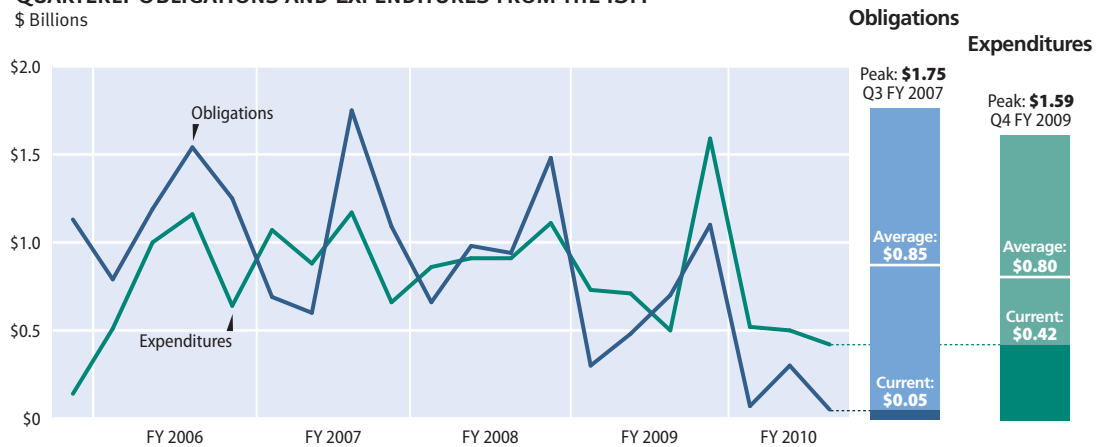
Note: Data not audited. Numbers affected by rounding.

Sources: OSD, response to SIGIR data call, 7/13/2010; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 10/2005–4/2010.

appropriated to the ISFF under P.L. 111-32, any of the $466 million in available funds that are not obligated before September 30, 2010, will expire.[118] Most of the new obligations this quarter were for MOD and MOI equipment.[119]

This quarter, USF-I expended $419.0 million, the lowest amount expended since the first quarter the ISFF was available and barely 50% of average quarterly ISFF expenditures. Most of the new expenditures were for the MOD.[120]

For an overview of quarterly obligations and expenditures from the ISFF, see Figure 2.6.

Economic Support Fund

The majority of ESF allocations have been made to the Security track each year.

Since 2003, the Congress has appropriated $4.56 billion to the ESF to improve infrastructure and community security, promote democracy and civil society, and support capacity building and economic development.[121]

As of June 30, 2010, $496 million of obligated funds had not been expended. An additional $702 million remains unobligated, but $254 million of this amount has expired. This leaves $448 million, appropriated by P.L. 111-32 and

P.L. 111-117, available for obligation to new projects. Funds appropriated to the ESF by P.L. 111-32 expire on September 30, 2010, after which time they cannot be obligated to new projects.[122]

This quarter, SIGIR released an audit of ESF obligations and liquidations, which includes discussion of funds that have been de-obligated and their potential reprogramming. Funding totals in SIGIR's audit differ from those reported in this section because the audit is more narrowly focused and analyzes financial records, not agency-reported values. For a summary of SIGIR's findings and recommendations, see Section 3 of this Report.

For the status of the ESF, including a breakdown of unexpended obligations, as of June 30, 2010, see Figure 2.7.

ESF Quarterly Obligations and Expenditures

The ESF has been allocated to programs in three tracks: Security, Political, and Economic. The majority of ESF allocations have been made to the Security track each year.[123]

For the status and quarterly change of the ESF, by track and program, as of June 30, 2010, see Table 2.6.

This quarter, there were $110.7 million in net obligations from the ESF. The vast majority were made for programs in the Security Track, including $57.5 million for the PRT Quick Response Fund (PRT/QRF) and $40.0 million for PRT/Provincial Reconstruction Development Council (PRT/PRDC) projects. There were net de-obligations for programs in the Economic Track.[124]

This quarter, there were $241.1 million in net expenditures from the ESF. As with obligations, the majority of expenditures were for programs in the Security Track, including $49.8 million for the Local Governance Program and $45.8 million for the PRT/QRF.[125]

PRT/QRF: Project Approval, Administration, and Assessment

The PRT/QRF is an ESF-funded program that DoS initiated in August 2007 to provide PRTs and embedded PRTs with a flexible funding mechanism to support short-term, high-impact economic, social, and governance projects.[126] PRTs work with local groups to develop project proposals to address needs in their communities.[127] QRF is, in some respects, analogous to DoD's CERP,[128] but has been funded at much lesser levels: $303 million allocated to PRT/QRF versus $3.82 billion allocated to CERP.[129] According to USAID, grants aim to "advance peaceful democratic change," and may focus on high-risk issues or activities not currently being funded by others.[130]

According to NEA-I, $154.5 million of the $266.4 million in PRT/QRF obligations has been provided to beneficiaries in the form of grants. There are two types of PRT/QRF grants:[131]

- Small grants are administered by DoS and the U.S. Embassy-Baghdad Office of Provincial Affairs (OPA). They are limited to $100,000, and account for $64.6 million (24%) of PRT/QRF obligations.
- The Iraq Rapid Assistance Program (IRAP), administered by USAID and its contractor, Development Alternatives International, Inc. (DAI), comprises the large grant component of the QRF.

FIGURE 2.7
ESF: STATUS OF FUNDS
$ Millions
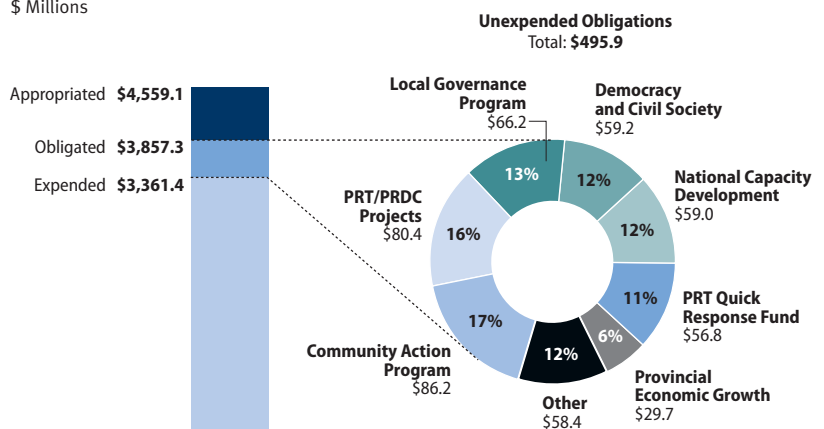
Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 108-7; P.L. 109-102; P.L. 110-28; P.L. 110-161; P.L. 111-32; P.L. 111-117; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, and 7/8/2010; USACE, response to SIGIR data call, 7/12/2010; USAID, response to SIGIR data call, 7/13/2010.

Large grants are limited to $500,000, and account for $89.9 million (34%) of PRT/QRF obligations.

Of the remaining $111.9 million obligated, at least $50.8 million (19%) in funded contract costs and fees are paid to DoS and USAID contractors.[132] SIGIR did not receive reporting from NEA-I and USAID on the use and disposition of the remaining $61.1 million (23%) of PRT/QRF obligations. At least some of that money may have been used by USAID to fund IRAP subcontracts.[133]

Using grant and procurement authority, DoS and USAID provide assistance to U.S., Iraqi, and third-country non-governmental organizations (NGOs), Iraqi provincial and municipal governments, business and professional associations, charitable organizations, and educational institutions.[134] Grants transfer cash or goods to an entity to carry out an activity. The grant performance period cannot exceed twelve months.[135] Procurement authority is used to acquire goods and services required by the U.S. government to support PRT projects, and may be transferred to the grantee.[136]

All QRF grant proposals are reviewed by the Embassy Technical Evaluation Committee

QRF is, in some respects, analogous to DoD's CERP, but has been funded at much lesser levels.

TABLE 2.6
ESF: STATUS OF FUNDS, BY TRACK AND PROGRAM
$ Millions

TRACK	PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Security	Community Stabilization Program	619.3	619.0		
	PRT/PRDC Projects	548.5	468.1	40.0 (8%)	32.1 (7%)
	Local Governance Program	410.5	344.3	3.0 (1%)	49.8 (17%)
	Community Action Program	388.9	302.6	6.8 (2%)	34.4 (13%)
	PRT Quick Response Fund	266.4	209.6	57.5 (28%)	45.8 (28%)
	Infrastructure Security Protection	187.7	183.9	3.7 (2%)	2.1 (1%)
	Subtotal	**2,421.2**	**2,127.4**	**111.0 (5%)**	**164.3 (8%)**
Political	National Capacity Development	309.4	250.4		-1.2 (0%)
	Democracy and Civil Society	238.0	178.8	3.8 (2%)	23.2 (15%)
	Iraqi Refugees	95.0	90.6		
	Economic Governance II, Policy and Regulatory Reforms	85.0	85.0		
	Ministerial Capacity Development	41.0	30.0		
	Regime Crimes Liaison Office	28.5	28.0	-1.6 (-5%)	-0.4 (-1%)
	Elections Support	13.9	13.8		0.4 (3%)
	Monitoring and Evaluation	7.5	3.2	-0.1 (-2%)	2.7 (575%)
	USAID Program Expenses	0.0	0.0	-0.2 (-100%)	-0.1 (-100%)
	Subtotal	**818.3**	**679.8**	**1.9 (0%)**	**24.6 (4%)**
Economic	O&M Sustainment	267.6	266.6	-4.4 (-2%)	-4.2 (-2%)
	Inma Agribusiness Development	124.0	115.3		32.7 (40%)
	Provincial Economic Growth	85.8	56.1		18.0 (47%)
	Targeted Development Program	57.4	36.9		5.5 (18%)
	Plant-Level Capacity Development & Technical Training	50.1	47.9	2.2 (5%)	0.1 (0%)
	Izdihar	32.8	31.4		
	Subtotal	**617.7**	**554.1**	**-2.3 (0%)**	**52.2 (10%)**
Total		**3,857.3**	**3,361.4**	**110.7 (3%)**	**241.1 (8%)**

Note: Data not audited. Numbers affected by rounding. The program formerly known as "USAID Program Expenses" has been reclassified as "Monitoring and Evaluation."

Sources: NEA-I, responses to SIGIR data calls, 4/12/2010, 4/14/2010, 6/30/2010, and 7/8/2010; U.S. Embassy-Baghdad, responses to SIGIR data calls, 4/8/2010, 7/14/2010, and 7/16/2010; USACE, responses to SIGIR data calls, 4/1/2010 and 7/12/2010; USAID, response to SIGIR data call, 7/13/2010.

(ETEC) in Baghdad. If valued at more than $25,000, they are forwarded to the Washington Technical Evaluation Committee (WTEC) for further review. Once approved, the Baghdad QRF team can write the grant and release the funds.[137] Purchase requests under $25,000 are approved and executed by PRTs.[138] Purchase requests over $25,000 are no longer supported by the QRF.[139]

Small Grants

Small grants (less than $100,000) and small procurements (less than $25,000) are administered by DoS and OPA, which provide policy guidance and support to PRTs in Iraq. Small grant proposals originate from the PRTs and are submitted through the QRF Database, a web-based application managed by DoS/OPA's contractor, Management Systems International, Inc. (MSI). PRTs must

input grant or procurement proposal details into the database and upload a detailed budget along with any other forms required by the particular funding mechanism.[140]

Small grant performance is monitored and evaluated by the sponsoring PRT, using metrics recorded in the MSI-managed grants database.[141] Performance metrics for each small grant are unique to the nature of the project.[142]

Large Grants

According to USAID, although the IRAP will continue until September 30, 2010,[143] it is currently in its close-out phase, and USAID will no longer approve any new grants using the QRF.[144] IRAP grants—which constitute the "large grants" portion of the QRF—were designed, and beneficiaries selected, by USAID's PRT/QRF contractor, DAI, with input from the sponsoring PRT.[145] According to USAID, DAI provided technical assistance and reviewed all grant proposals before submitting them for ETEC review to ensure they were consistent with USAID policies and procedures, grant format, and disposition of property.[146] After approval by ETEC—and WTEC if in excess of $25,000—IRAP proposals are submitted to the USAID contracting officer's technical representative and the contracting officer for review and approval.[147]

Large grant performance is monitored and evaluated by DAI and the sponsoring PRT,[148] which maintain contact with the beneficiary throughout the grant performance period and occasionally conduct site visits.[149] Grant deliverables and overall performance are tracked using a grants database.[150] As with small grants, metrics for each grant are unique.[151] DAI establishes performance indicators at the beginning of the project, tracks progress throughout the grant performance period, and produces a final report at the end of the project.[152] The IRAP program has an overall performance and monitoring plan, with targets and indicators against which DAI reports.[153] USAID also conducts mid-term and final evaluations of all grant agreements.[154]

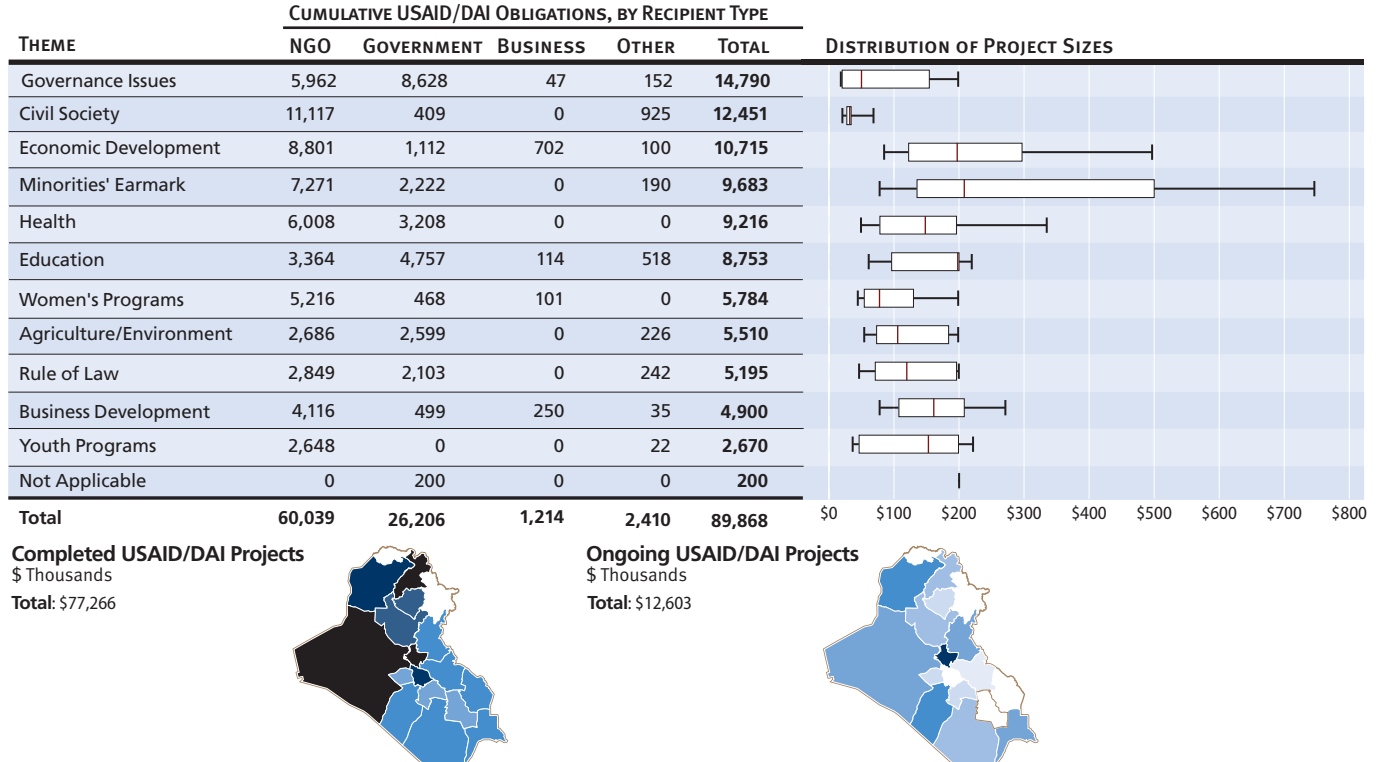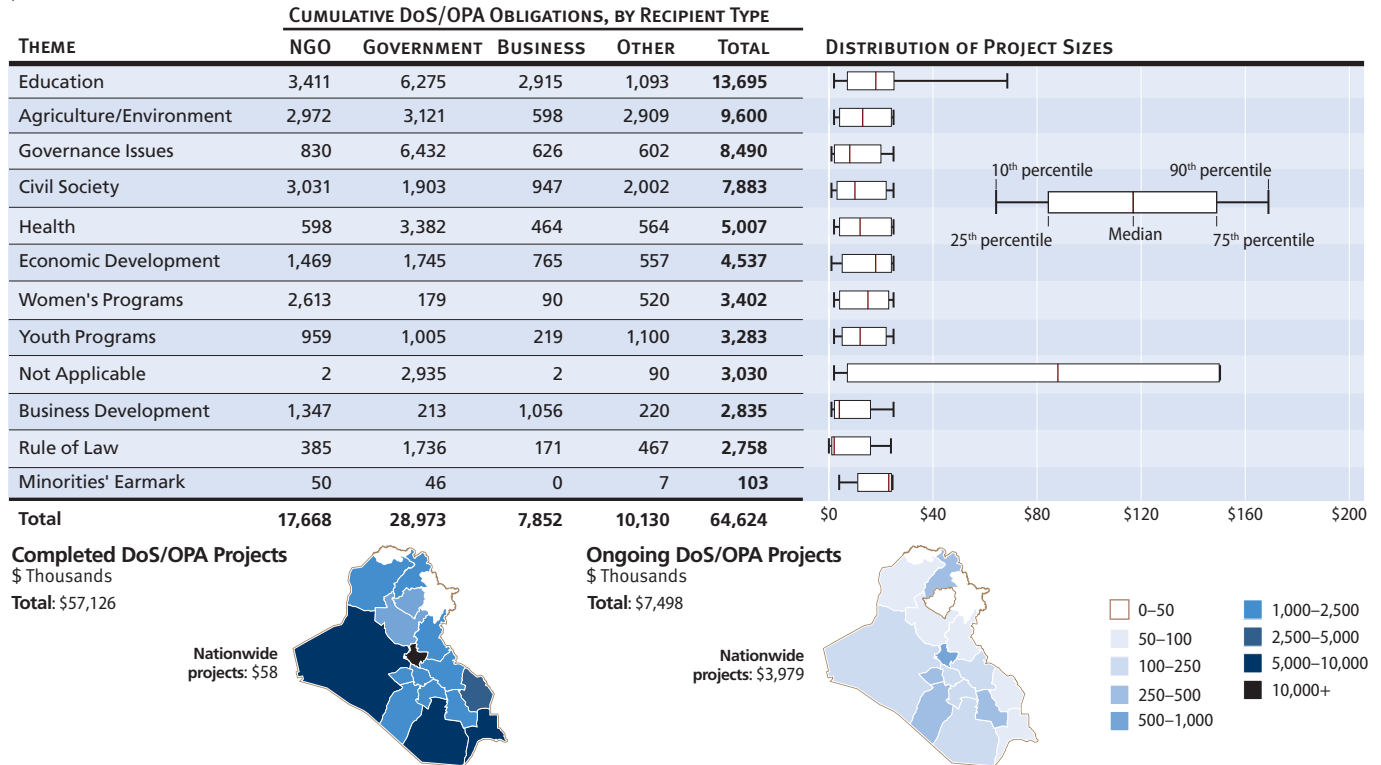### Priorities and Patterns in QRF Grant Distribution

According to NEA-I, both the DoS/OPA and USAID/DAI QRF grant programs have recently emphasized assistance to minority communities, in accordance with a congressional directive that earmarked $10 million of the $382.5 million FY 2010 ESF appropriation for that purpose.[155] As of June 30, 2010, $9.79 million had been obligated to projects intended primarily to benefit minorities, most of which had already been completed.[156]

More than 80% of ongoing and completed minority projects—valued at nearly 99% of total obligations—were implemented through the IRAP.[157] IRAP support of Iraqi minorities has focused on areas of Ninewa predominantly populated by certain minority groups, including Shabak, Turkmen, Christian, and Yazidi groups. According to a USAID/DAI report, the effort's "distinctive nomenclature" at times led grantees and others to claim that an activity was specified for their particular ethnic or religious group, even though DAI's selection of beneficiaries was not intended to disqualify any non-minority individual or group residing in the target area. This confusion was especially evident during the site selection process for IRAP grant-supported school construction, as various political affiliations among local leaders caused conflicts between need-based decisions and those strictly made out of religious or ethnic concerns.[158]

According to U.S. Embassy-Baghdad, the primary remaining goal of the DoS/OPA small grants program is to fund short-term (less than one-year) projects, implemented by provincial governments and other beneficiaries, which support the strategic objectives outlined in the *PRT Work Plan* and *Joint Campaign Plan* (JCP). DoS/OPA priorities include providing technical training and resources to Provincial Councils. This quarter, QRF supported an eGovernment initiative in Najaf, an information technology capacity-building project in Babylon, and a provincial Gazette in Anbar.[159] Nearly 60% of ongoing DoS/OPA grants support Education.[160]

> Various political affiliations among local leaders caused conflicts between need-based decisions and those strictly made out of religious or ethnic concerns.

FIGURE 2.8

PRT/QRF PROJECTS, AS OF 6/30/2010
$ Thousands

	Cumulative DoS/OPA Obligations, by Recipient Type					Distribution of Project Sizes
Theme	NGO	Government	Business	Other	Total	
Education	3,411	6,275	2,915	1,093	13,695	
Agriculture/Environment	2,972	3,121	598	2,909	9,600	
Governance Issues	830	6,432	626	602	8,490	
Civil Society	3,031	1,903	947	2,002	7,883	
Health	598	3,382	464	564	5,007	
Economic Development	1,469	1,745	765	557	4,537	
Women's Programs	2,613	179	90	520	3,402	
Youth Programs	959	1,005	219	1,100	3,283	
Not Applicable	2	2,935	2	90	3,030	
Business Development	1,347	213	1,056	220	2,835	
Rule of Law	385	1,736	171	467	2,758	
Minorities' Earmark	50	46	0	7	103	
Total	**17,668**	**28,973**	**7,852**	**10,130**	**64,624**	

Box plot legend: 10th percentile, 90th percentile, 25th percentile, Median, 75th percentile

X-axis: $0 $40 $80 $120 $160 $200

Completed DoS/OPA Projects
$ Thousands
Total: $57,126

Nationwide projects: $58

Ongoing DoS/OPA Projects
$ Thousands
Total: $7,498

Nationwide projects: $3,979

Legend:
- 0–50
- 50–100
- 100–250
- 250–500
- 500–1,000
- 1,000–2,500
- 2,500–5,000
- 5,000–10,000
- 10,000+

	Cumulative USAID/DAI Obligations, by Recipient Type					Distribution of Project Sizes
Theme	NGO	Government	Business	Other	Total	
Governance Issues	5,962	8,628	47	152	14,790	
Civil Society	11,117	409	0	925	12,451	
Economic Development	8,801	1,112	702	100	10,715	
Minorities' Earmark	7,271	2,222	0	190	9,683	
Health	6,008	3,208	0	0	9,216	
Education	3,364	4,757	114	518	8,753	
Women's Programs	5,216	468	101	0	5,784	
Agriculture/Environment	2,686	2,599	0	226	5,510	
Rule of Law	2,849	2,103	0	242	5,195	
Business Development	4,116	499	250	35	4,900	
Youth Programs	2,648	0	0	22	2,670	
Not Applicable	0	200	0	0	200	
Total	**60,039**	**26,206**	**1,214**	**2,410**	**89,868**	

X-axis: $0 $100 $200 $300 $400 $500 $600 $700 $800

Completed USAID/DAI Projects
$ Thousands
Total: $77,266

Ongoing USAID/DAI Projects
$ Thousands
Total: $12,603

Note: Data not audited. Numbers affected by rounding. Nationwide projects refer to DoS-managed projects that are not being implemented within a particular province. Projects represented on maps are coded by the province in which the implementing PRT/ePRT is located. Some PRTs implement projects outside the province in which they are located, notably Erbil, which serves as a regional reconstruction team and implements projects in Dahuk and Sulaymaniyah (which are coded as having no projects, using this methodology) in addition to Erbil. Project location data was not available. Most of the project themes coded by DoS/USAID as "Not Applicable" were described as road or building construction projects.

Source: NEA-I, response to SIGIR data call, 7/13/2010.

The IRAP is currently in its close-out phase. The deadline for new grant proposals was the end of April 2010.[161] Ongoing USAID/DAI projects are more thematically mixed than those supported by DoS/OPA; in terms of grant obligations, the focus is on projects supporting Health (20%), Minorities (18%), Education (13%), Agriculture/Environment (12%), and Women's Programs (11%).[162]

For details about completed and ongoing QRF grants, see Figure 2.8.

PRT/QRF grant information is available from NEA-I and USAID in a database that is accessible to PRT members who request access.[163] Details include proposal name, administering agency (DoS or USAID), PRT sponsor, amounts obligated and disbursed, theme, and recipient type.[164] According to NEA-I, project start and completion dates and objectives and measures of progress for individual grants are not yet available in a report format.[165]

Overhead Costs

DoS/OPA's contract with MSI is funded by approximately $2 million from the PRT/QRF, which equals roughly 3% of the total cost of PRT/QRF grants provided through the DoS/OPA small grants program.[166] NEA-I did not provide information on whether funding for the PRTs from other sources offset the cost of implementing the DoS/OPA small grants program.

The costs and fees associated with DAI's contract total $48.8 million, or roughly 54% of the total cost of PRT/QRF grants provided through USAID's large grants program.[167]

Overhead costs for the DAI contract include security,[168] which according to USAID has not been and will not be affected by the withdrawal of U.S. forces.[169] DAI also provides field staffing, administrative offices, logistics and communications, procurement of office equipment and vehicles, and finance support.[170]

Commander's Emergency Response Program

Since 2004, the Congress has provided $3.82 billion in CERP funding for the purpose of enabling military commanders in Iraq to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility.[171]
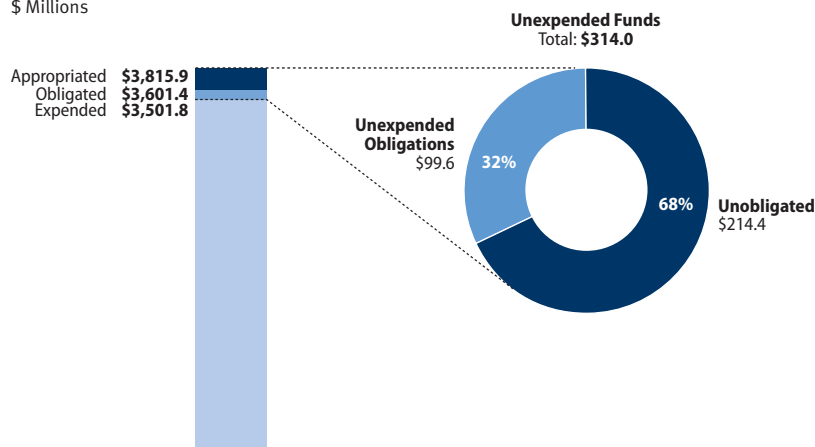
As of June 30, 2010, $100 million of obligated funds had not been expended. An additional $214 million remains unobligated, but $134 million of this amount has expired. This leaves $81 million, appropriated by P.L. 111-118 for FY 2010, available for obligation to new projects. Funds appropriated to the CERP by P.L. 111-118 expire on September 30, 2010, after which time they cannot be obligated to new projects.[172]

For the status of the CERP, including a breakdown of unexpended funds, as of June 30, 2010, see Figure 2.9.

CERP Quarterly Obligations and Expenditures

In this Report, as in the past, SIGIR is unable to provide a full project-level accounting of the CERP with data supplied by the DoD Office of the Under

FIGURE 2.9
CERP: STATUS OF FUNDS
$ Millions

Appropriated	**$3,815.9**
Obligated	**$3,601.4**
Expended	**$3,501.8**

Unexpended Funds
Total: **$314.0**

Unexpended Obligations
$99.6

32%

68%

Unobligated
$214.4

Note: Data not audited. Numbers affected by rounding.

Sources: OSD, response to SIGIR data call, 7/13/2010; IRMS, *USF-I CERP Category Report*, 7/2/2010.

Secretary of Defense(Comptroller) (OUSD(C)). This is because OUSD(C) does not report quarterly obligations and expenditures, by project or project category, for prior fiscal year CERP appropriations.

On June 2, 2010, the Inspector General discussed this issue with the Deputy Secretary of Defense, who promised to help SIGIR obtain access to the needed data. Subsequently, on July 19, OUSD(C) wrote to SIGIR offering access to project-level CERP data maintained by the Defense Finance and Accounting Service (DFAS). According to OUSD(C), DFAS maintains updated project-level data on obligations and expenditures from 2005 to the present. OUSD(C) has assured SIGIR that it is working with DFAS to provide the information in a format that would enable SIGIR to analyze the data by project category, although the fields necessary for sorting projects conducted before 2008 may be inconsistent.[173]

When SIGIR gains access to the project-level CERP data maintained by DFAS, SIGIR will attempt to use it to update project and project-category data for the CERP. Presumably, this will result in a different—but more accurate—accounting of CERP obligations and expenditures, compared with what SIGIR has been able to report up to now. However, until SIGIR obtains the DFAS data, it will continue to rely on the Iraq Reconstruction Management System (IRMS) to meet its congressional reporting mandate to provide CERP obligation and expenditure data by project category for all fiscal year appropriations. As discussed in prior SIGIR Quarterly Reports, the IRMS does not account for all obligations and expenditures reflected in top-line CERP data provided by DFAS.[174] Furthermore, IRMS is scheduled to be shut down on September 1, 2010.[175]

For the status and quarterly change of the CERP, using IRMS data, as of June 30, 2010, see Table 2.7.

Use and Justification of the CERP

The Congress required that $500 million of the FY 2010 appropriation for the CERP be withheld pending submission of a "thorough review" of the program.[176] In its report on H.R. 3326, the

> The Committee noted a lack of project justification and oversight and a "'rush to spend' hundreds of millions of dollars."

DoD appropriations bill for FY 2010, the House Appropriations Committee stated that "it is deeply concerned that CERP has grown from an incisive counter-insurgency tool to an alternative U.S. development program with few limits and little management." It noted a lack of project justification and oversight and a "'rush to spend' hundreds of millions of dollars."[177]

The public law's explanatory statement stipulated that the CERP review should include:[178]

- an assessment for Iraq (and a separate one for Afghanistan) of the goals, purpose, and expected requirement for CERP funds in the coming year
- the process by which CERP budget requests are generated and justified
- existing management and oversight of CERP funds and contracts by the Department of the Army, OUSD(C), and U.S. Central Command
- the coordination process of projects with other U.S. government agencies and NGOs carrying out projects in Iraq (and Afghanistan)
- the requirements for the sustainment of projects carried out under the CERP
- the procedures for ensuring that projects carried out under the CERP are coordinated with the host governments and local community leaders
- the process and systems for tracking projects carried out under the CERP

The Congress also requested that DoD report on the advisability of establishing a program office for the CERP to be responsible for the development of budgets, strategic plans, program controls, requirements for program coordination, and standards for training.[179]

CERP Review Conclusions and Corrective Actions

OUSD(Policy) and OUSD(C) co-led the review, and key CERP stakeholders from across the DoD provided input. The DoD's report, issued in July 2010, concluded that its management of the CERP was satisfactory, but that there was significant room for improvement. According to its report,

TABLE 2.7

CERP: STATUS OF FUNDS, BY PROJECT CATEGORY
$ Millions

PROJECT CATEGORY	STATUS OF FUNDS		QUARTERLY CHANGE	
	OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Water & Sanitation	690.2	625.7	1.8 (0%)	
Protective Measures	476.8	440.4	0.5 (0%)	
Electricity	381.5	330.7	1.3 (0%)	0.5 (0%)
Transportation	357.2	303.9	3.1 (1%)	
Education	339.9	297.1	3.4 (1%)	
Civic Cleanup Activities	207.5	192.9	0.2 (0%)	
Other Humanitarian and Reconstruction Projects	174.0	137.0	8.6 (5%)	
Economic, Financial, and Management Improvements	137.2	114.7	0.3 (0%)	0.2 (0%)
Agriculture	122.3	109.5	1.5 (1%)	
Law & Governance	120.6	110.9	0.4 (0%)	
Healthcare	112.6	104.1	0.3 (0%)	
Civic Infrastructure Repair	104.5	100.0	0.3 (0%)	
Condolence Payments	50.8	48.8		
Battle Damage	44.1	37.7		
Telecommunications	32.6	28.3		
Civic Support Vehicles	24.6	23.3		
Food Production & Distribution	17.4	16.1	0.6 (3%)	
Detainee Release Payments	1.4	1.3		
Subtotal	**3,395.5**	**3,022.6**	**22.2 (1%)**	**0.7 (0%)**
Unaccounted-for CERP Allocations	205.9	479.3		
Total	**3,601.4**	**3,501.8**	**51.5 (1%)**	**72.2 (2%)**

Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections. Also, quarterly change figures displayed in this table may understate actual quarterly changes. "Unaccounted-for CERP Allocations" is the difference between top-line values provided by OSD and project data available from IRMS.

Sources: OSD, responses to SIGIR data calls, 4/13/2010 and 7/13/2010; IRMS, *USF-I CERP Category Report*, 7/2/2010.

DoD initiated corrective action immediately as issues were identified. Key reforms identified by the report include:[180]

- better coordination between USF-I and PRTs on the nomination, development, and execution of CERP projects
- emphasis on consultation with the GOI, especially with regard to project sustainment
- focus on capacity building through requirements for local contractor participation
- new limits on the number of active projects under each project manager and project purchasing officer

- monthly reviews at the command level of all open and closed projects
- new training standards for key CERP personnel
- improved project data-integration capabilities

Most of the reforms identified by DoD are consistent with SIGIR recommendations.

Project Thresholds and Approval Authority

CERP funds a variety of project types, and actual project costs vary distinctly between them. Each

project type has its own defining characteristics and set of project cost thresholds. As project costs increase beyond prescribed limits, they require higher levels of approval authority.

General guidance from USF-I maintains that CERP is for sustainable projects that cost less than $500,000. Projects in excess of $500,000 are expected to be relatively few in number; however, "essential" projects of that size may be approved by the USF-I Deputy Commanding General for Operations (DCG-O) "on an exception basis."[181] Projects in excess of $50,000 must be coordinated with PRTs, and such coordination must be noted in the project documentation.[182]

Some projects fall in categories that give local commanders greater flexibility—and speed—in project design and approval. However, these special categories are narrowly defined and carry stricter cost limits:

- Condolence payments can be paid to express sympathy or provide urgently needed humanitarian relief. Payments for death or injury generally can be authorized up to $2,500. Death or injury of a head of household could result in a maximum payment of $5,000. In extraordinary cases, payments of $10,000 per incident and $50,000 per event can be made with higher-level approval.[183]
- Battle damage payments reimburse Iraqis for incidents of property damage caused by U.S. or Iraqi forces. Amounts generally do not exceed $2,500, but can be approved up to $10,000 per incident and $50,000 per event in extraordinary cases. There is no limit for Battle Damage payments when caused by ISF actions.[184]
- Iraqi Hero payments are made to the surviving spouse or next of kin of ISF personnel or (in extraordinary cases) government civilians who were killed as a result of incidents caused by U.S. forces. Commanders making Iraqi Hero payments must coordinate any assistance with the Ministries of Interior and Defense, which manage their own long-term assistance programs.[185]

- Micro-grants provide financial assistance to "disadvantaged entrepreneurs,"[186] which USF-I defines as experienced business owners who lack access to sufficient business credit at commercially reasonable terms. In-kind distributions are preferred, as they help to ensure that grants will not be lost to corruption or diverted to insurgents.[187]

For details on project thresholds and the number and value of FY 2010 projects in each tier, see Figure 2.10. Project thresholds are per requirement, not per item or project. Project splitting—whereby multiple procurements related to the same requirement are made to stay below prescribed limits—is prohibited.[188]

CERP projects are clustered near prescribed limits. For example, as of March 31, 2010, 85% of all FY 2010 micro-grants fall just under the $2,500 limit for a "typical" project or just under the $5,000 limit to what a Brigade Commander can approve.[189]

Similarly, there is a $1 million limit to reconstruction projects that can be approved by the USF-I DCG-O; projects in excess of $1 million must be approved by the Secretary of Defense.[190] As of June 30, 2010, there were no FY 2010 projects in excess of $1 million, but six projects with values between $950,000 and $1 million each.[191] For details on these large projects, see Table 2.8.

According to the *MAAWS*, projects in excess of $950,000 should include a project de-scoping plan that can be executed in the event of cost increases that would bring the total cost of the project over $1 million. The de-scoping plan should identify facets or components of the project that may be removed or down-sized to decrease cost, while still meeting the overall intent of the project. The presence of a de-scoping plan "hedges against potential project cancellations."[192]
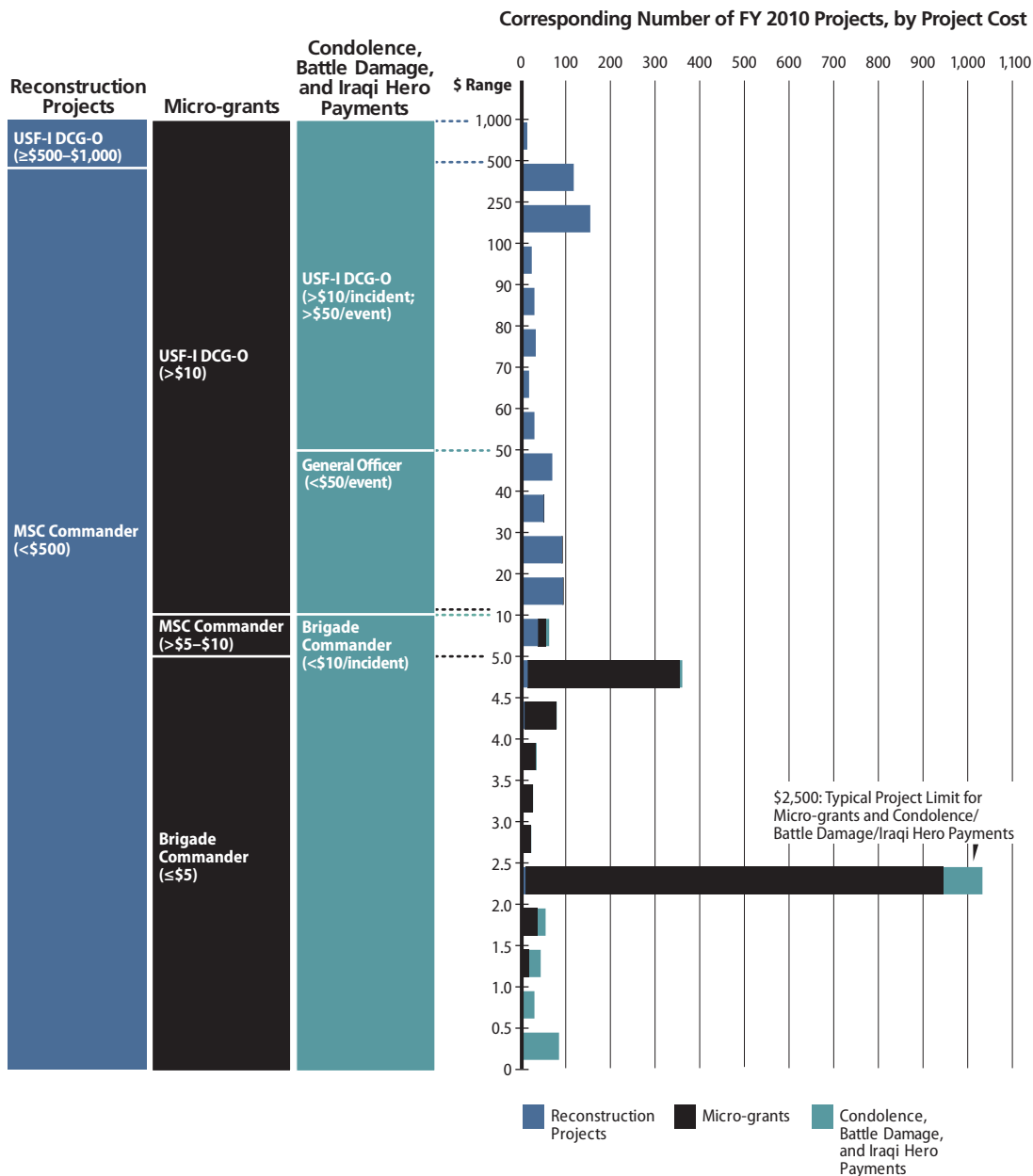
The large number of very small projects (particularly micro-grants)—and the small number of very large projects—skew the distribution of CERP project costs. For example, nearly 69% of FY 2010 CERP projects are valued at less than $5,000. However, the existence of very large

FIGURE 2.10

CERP AWARD AUTHORITY THRESHOLDS AND CORRESPONDING NUMBER OF FY 2010 PROJECTS
$ Thousands

Corresponding Number of FY 2010 Projects, by Project Cost

Reconstruction Projects
- USF-I DCG-O (≥$500–$1,000)
- MSC Commander (<$500)

Micro-grants
- USF-I DCG-O (>$10)
- MSC Commander (>$5–$10)
- Brigade Commander (≤$5)

Condolence, Battle Damage, and Iraqi Hero Payments
- USF-I DCG-O (>$10/incident; >$50/event)
- General Officer (<$50/event)
- Brigade Commander (<$10/incident)

$2,500: Typical Project Limit for Micro-grants and Condolence/Battle Damage/Iraqi Hero Payments

Legend:
- Reconstruction Projects
- Micro-grants
- Condolence, Battle Damage, and Iraqi Hero Payments

Note: Data not audited. The "Reconstruction Projects" category does not include micro-grants, condolence payments, battle damage payments, or Iraqi Hero payments. The Secretary of Defense can approve projects in excess of $2,000,000, but must notify the Congress within 15 days. There is an Aggregate Brigade Limit of $250,000 for micro-grants, which triggers a halt and review process. There is no limit for Battle Damage payments when caused by ISF actions. DCG-O = Deputy Commanding General for Operations. MSC = Major Subordinate Command.

Sources: USF-I, *Money as a Weapon System (MAAWS)*, 3/1/2010, Appendix B and Annex B-2; OSD, response to SIGIR data call, 7/15/2010.

reconstruction projects results in a mean project size of $40,964—more than 12 times the median. A similar relationship has held over the life of the CERP program, as shown in Figure 2.11. In general, a small number of very large projects accounts for most CERP obligations. In FY 2010, 10% of the projects accounted for 74% of obligations.[193]

The last time SIGIR reported the historical distribution of CERP project sizes (in April 2009), it appeared that there was a strong trend toward smaller CERP projects.[194] However, that apparent decrease was due primarily to a high number of reported micro-grants and incomplete data, and the trend was not maintained. The first quarter of

TABLE 2.8
FY 2010 CERP Projects in Excess of $950,000
$US

Project Title	Province	U.S. Cost	GOI Cost	Description
Al-Zubair Water Treatment Facility	Basrah	995,287	1,500,000	Provision of material, equipment, and labor to complete a water treatment facility that will provide safe, clean water to 150,000 people.
Diwaniyah Water Treatment Facility Pump Station Refurbishment	Qadissiya	989,000	5,400,000	Restoration of water treatment facility's pumping stations, sedimentation tank, and dosing station to provide a reliable water supply for 500,000 people.
Haditha Biological Lagoon	Anbar	983,883	585,000	Provision of labor, materials, and equipment to construct a biological lagoon treatment facility that will benefit 100,000 residents.
Habbaniya Biological Lagoon	Anbar	981,951	675,000	Provision of labor, materials, and equipment to construct a biological lagoon treatment facility that will benefit 100,000 residents.
Hammad Shebab Hospital Refurbishment	Baghdad	979,953	200,000	Refurbishment of a wing of the Hammad Shehab Hospital to provide a maternity ward and emergency medical care services to 1,000,000 residents.
Al-Qaim Biological Lagoon	Anbar	972,291	750,000	Provision of labor, materials, and equipment to construct a biological lagoon treatment facility that will benefit 500,000 residents.
Total		**5,902,366**	**9,110,000**	

Note: Data not audited. Numbers affected by rounding.

Source: USF-I, response to SIGIR data call, 7/1/2010.

FIGURE 2.11
Distribution of CERP Obligations for Ongoing Project Activities, by Quarter, 2004–2010
$ Thousands
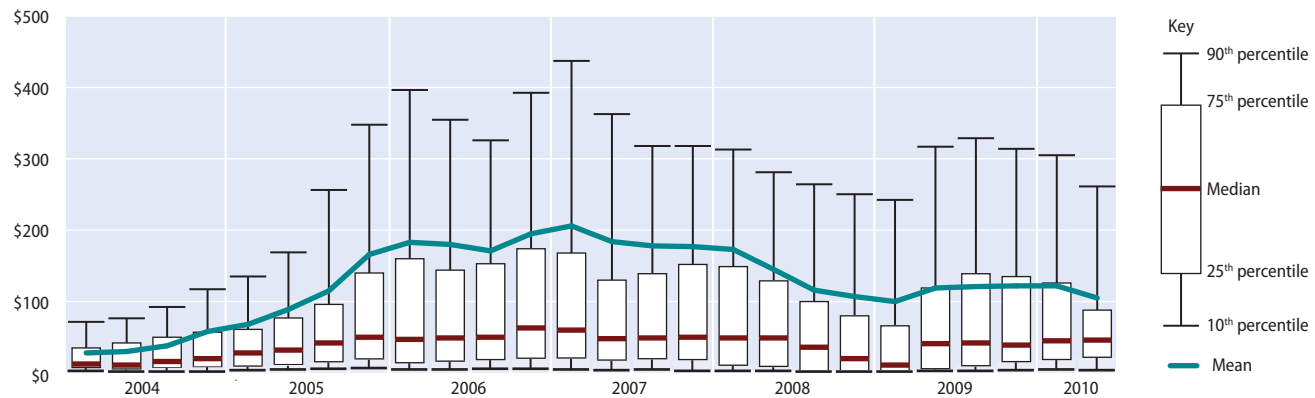
Note: Data not audited. Quarterly values include obligations from all ongoing projects. Projects are considered ongoing if they started before the quarter ended and were completed after the quarter started (or have not yet been completed).

Source: IRMS, *CERP Category Report*, 7/2/2010.

2009 now appears to have been a low point. Project sizes have since increased, especially at the lower end of distribution.[195]

Coordinating the CERP Drawdown in Iraq

The USF-I DCG-O recently held a meeting with division commanders and comptrollers to discuss FY 2010 CERP execution and requirements for FY 2011 CERP funds. USF-I and the new CENTCOM Contracting Command (C³) are developing recommended time lines for the drawdown of the CERP and revising project authorization rules to require increased approval authority for high-risk projects. In addition, USF-I planned to host a conference on July 7–8, 2010, where representatives from U.S. Embassy-Baghdad, OPA, the PRTs, USAID, and USF-I were to develop a mutually supporting plan for the use of CERP to support civil capacity building and stability operations during the drawdown.[196]

Smaller Funds

The Congress has appropriated, or otherwise made available, nearly $6.51 billion in smaller funding streams for Iraq reconstruction. SIGIR has classified these funding streams into three categories:[197]

- Other Assistance Programs—$4.00 billion
- Reconstruction-related Operating Expenses $2.22 billion
- Reconstruction Oversight—$0.29 billion

As of June 30, 2010, at least $4.68 billion (72%) of these funds had been obligated, and at least $4.28 billion (66%) had been expended.[198] For details on the status of funds, see Table 2.3. ◆

RECONSTRUCTION FUNDING MANAGEMENT AND USES

The U.S. role in Iraq continues to evolve from the current emphasis on U.S.-funded capacity development and an "advise and assist" security arrangement to a long-term partnership focused on bilateral economic, diplomatic, cultural, and security relations. This quarter, numerous organizational changes consolidated the U.S. presence on the ground.

Evolving Missions Shape Organizational Changes

On June 28, 2010, President Obama nominated Ambassador James Jeffrey to succeed Ambassador Christopher Hill as the U.S. Chief of Mission to Iraq.[199] Ambassador Jeffrey is currently serving as the U.S. Ambassador to Turkey.[200] From June 2004 to March 2005, he served as the Deputy Chief of Mission to Iraq under Ambassador John Negroponte. After Ambassador Negroponte's departure in March 2005, Ambassador Jeffrey served as the U.S. chargé d'affaires to Iraq until June 2005.[201]

On July 8, 2010, Secretary of Defense Robert Gates recommended General James Mattis to be the new commander of U.S. Central Command (CENTCOM). He will replace General David Petraeus, who now commands U.S. and NATO troops in Afghanistan. General Mattis is currently the commander of U.S. Joint Forces Command.[202]

On May 18, 2010, Secretary Gates nominated Lieutenant General Lloyd Austin to succeed General Raymond Odierno as the USF-I commander.[203] He was confirmed by the Senate on June 30, 2010.[204]

As of July 15, there were approximately 75,000 U.S. troops in Iraq[205]—less than half the approximately 176,000 U.S. troops that were in Iraq at the height of the U.S. "surge" in October 2007.[206] By September 2010, USF-I anticipates that there will be 49,392 U.S. troops in Iraq.[207]

As of July 15, there were approximately 75,000 U.S. troops in Iraq—less than half the number that were in Iraq at the height of the U.S. "surge."

ISPO: Replacing ITAO

On May 10, 2010, President Obama issued an executive order to establish a temporary organization called the Iraq Strategic Partnership Office (ISPO), within DoS, to support executive departments and agencies "in facilitating the strategic partnership between the U.S. Government and the Republic of Iraq, in further securing and stabilizing the country, and in continuing an effective diplomatic presence in Iraq."[208] The executive order stipulates that ISPO shall:[209]

- assist with and coordinate the drawdown of Provincial Reconstruction Teams (PRTs)
- support and create a sustainable rule-of-law mission in Iraq, including the Police Development Program (PDP)
- complete any remaining coordination, oversight, or reporting functions for IRRF monies
- assume any remaining functions assigned to the Iraq Transition Assistance Office (ITAO)
- perform such other functions related to its purpose as the Secretary of State may assign

According to the executive order, ISPO was also to inherit all of ITAO's personnel, assets, liabilities, and records.[210] Among the inherited records are those contained in the Iraq Reconstruction Management System (IRMS),[211] which is scheduled to be shut down on September 1, 2010.[212] When that occurs, ISPO plans to utilize the *Iraq Status of Construction* (ISOC) report to track ongoing projects. The ISOC is a compilation of project data that has been prepared and distributed by the U.S. Army Corps of Engineers (USACE) for many years.[213]

Regarding the rule-of-law mission, ISPO is currently involved in completing or repairing substandard ITAO construction projects, such as courthouses and other judicial facilities. ISPO's involvement in the PDP is limited to assisting INL to hire Section 3161 employees (temporary

U.S. government employees). According to U.S. Embassy-Baghdad, employment of 3161s should help redress the problem of contractors overseeing the work of other contractors.[214] The U.S. Embassy-Baghdad's Rule of Law Coordinator (RoLC) has not been included in any discussion or planning regarding ISPO's rule-of-law mission.[215] RoLC works with counterparts in relevant Iraqi institutions to coordinate rule-of-law activities throughout Iraq.[216]

ISPO is headed by an acting director. The Baghdad office is currently staffed by 11 personnel: 9 Section 3161 employees, a U.S. military advisor, and a contracted interpreter/cultural advisor. Among the Section 3161 employees are three senior consultants who work with Embassy staff on issues of electricity generation, electricity transmission, and water sanitation and environmental issues. The staff will draw down as ISPO's projects are completed and its ministerial advisory function is terminated. Currently, all projects are expected to be completed and all ISPO Baghdad employees are expected to have departed by July 2011.[217]

INL: Planning the New Police Development Program and Assuming Control of Anticorruption Efforts

The DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) is scheduled to assume full responsibility for the PDP on October 1, 2011, as the U.S. military's withdrawal nears conclusion.[218] As of June 30, 2010, INL was working with other DoS bureaus and elements of U.S. Embassy-Baghdad on operational and logistics planning.[219]

To prepare for the transition of police-training responsibility from DoD to INL, the Administration requested $832 million in FY 2010 supplemental and FY 2011 regular appropriations for the INCLE.[220] The request was almost double the cumulative appropriations to the INCLE for Iraq from FY 2003 through the regular FY 2010 appropriation, which totaled $438 million.[221]

In late April 2010, the Assistant Secretary of State for INL traveled to Iraq to hold joint planning meetings with Iraqi counterparts in Baghdad, Erbil, and

Basrah provinces on the transition to a civilian-led PDP.[222] On April 26, at a roundtable meeting at the U.S. Embassy-Baghdad, INL and GOI officials outlined a program that might last three to five years.[223] For details of the ongoing security assistance mission and planned programmatic changes, see the Security subsection of this Report.

As of mid-June, the U.S. Embassy-Baghdad Anti-Corruption Coordination Office (ACCO) will report directly to the INL director stationed in Baghdad. Previously, the ACCO reported to the Assistant Chief of Mission.[224] According to U.S. Embassy-Baghdad, ACCO will remain a separate office, and its programs will build on past work.[225] For more information on U.S. and GOI anticorruption activities, see the Governance subsection of this Report.

U.S. Embassy-Baghdad: Consolidating and Securing PRTs

Last quarter, the Administration requested $1.57 billion to transition five PRTs to more permanent Enduring Presence Posts (EPPs), located in Basrah and along the Arab-Kurd "fault line" of Ninewa, Erbil, Tameem, and Diyala provinces.[226]

Funding has not yet been approved by the Congress; and according to U.S. Embassy-Baghdad, planning will not be completed until the final appropriations are known.[227] As of June 30, 2010, the PRT footprint comprised 18 teams: 15 PRTs, 1 Regional Reconstruction Team (RRT) and 2 embedded PRTs.[228] Six months ago (as of December 31, 2009), there were 22 teams.[229] Satellite offices have been re-designated as "Forward Presences." As of June 30, there were 15 "Forward Presences," down from 22 satellite offices six months ago.[230] For the current PRT footprint, see Figure 2.12. For the number of personnel, by PRT, see Table 2.9. For more information on PRT activities, see the Governance subsection of this Report.

To support and protect its personnel working around Iraq, DoS has reportedly requested 24 UH-60 helicopters, 50 bomb-resistant vehicles, heavy cargo trucks, fuel trailers, and high-tech surveillance systems. According to the OUSD(P),

According to U.S. Embassy-Baghdad, employment of 3161s should help redress the problem of contractors overseeing the work of other contractors.

FIGURE 2.12

PROVINCIAL RECONSTRUCTION TEAM FOOTPRINT, AS OF 6/30/2010
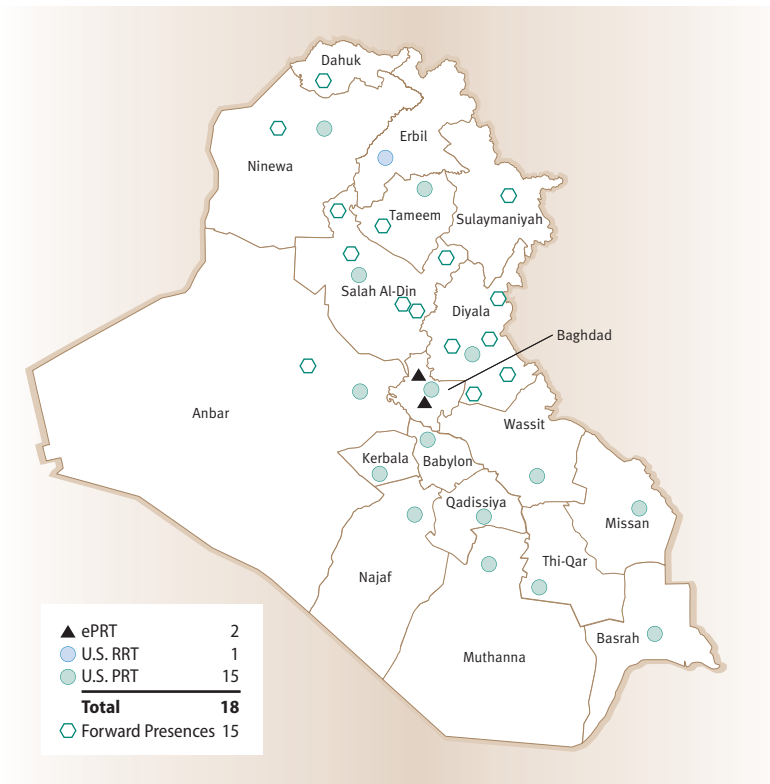
Sources: U.S. Embassy-Baghdad, responses to SIGIR data call, 7/5/2010 and 7/12/2010.

TABLE 2.9

NUMBER OF PERSONNEL, BY PRT

PRT	PERSONNEL
Anbar	64
Anbar al-Asad	6
Babylon	34
Baghdad Central	93
Baghdad North	14
Baghdad South	11
Baghdad West	8
Basrah	49
Diyala	100
Erbil	55
Kerbala	30
Missan	25
Muthanna	35
Najaf	27
Ninewa	61
Qadissiya	25
Salah Al-Din	45
Tameem	60
Thi-Qar	57
Wassit	34
Total	**833**

Note: Data not audited. Includes military and civilan personnel.

Source: U.S. Embassy-Baghdad, response to SIGIR data call, 7/5/2010.

this equipment would complement DoS-sourced security efforts and help reduce risk.[231]

DoS has also requested that it be allowed to use the Logistics Civil Augmentation Program (LOGCAP) III to support its operations in Iraq beyond December 2011. As of June 30, 2010, however, Kellogg, Brown and Root, Inc. (KBR)—the sole LOGCAP III contractor—is scheduled to remain in Iraq only until the end of 2011.[232] According to U.S. Embassy-Baghdad, it does not have a plan to meet its support requirements if KBR pulls out.[233]

USACE: Transferring GRD Command and Exploring Options for Ongoing Projects

On July 9, 2010, Colonel Jon Christensen replaced Colonel Dionysios Anninos as commander of the USACE Gulf Region District (GRD). USACE anticipates that Colonel Christensen will be the final commander of GRD, which is scheduled to stand down in late 2011.[234]

GRD is currently exploring options for handling projects that will not be completed before USACE leaves Iraq.[235] As of July 1, 2010, USACE had completed 4,855 projects at a construction cost of $7.8 billion; and it had 261 projects ongoing, at a construction cost of $1.0 billion.[236] One option, "aggressively" promoted by USACE, is the hiring and training of local Iraqi engineers and support personnel. As of June 8, 2010, USACE had 233 Arabic-speaking personnel enrolled in the Iraqi Associates Program (IAP), a $10 million contract funded by the ESF to teach international building

> GRD is currently exploring options for handling projects that will not be completed before USACE leaves Iraq.

standards and safety. The contract personnel associated with the IAP provide a variety of services on USACE projects, including administrative and engineering support.[237]

JCC-I/A: Transitioning to CENTCOM Contracting Command

On June 11, 2010, CENTCOM transitioned the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) to the CENTCOM Contracting Command (C^3). The change was made to facilitate expansion of the organization's oversight to all contingency operations in CENTCOM's area of operations—including Kuwait and Pakistan—in accordance with joint doctrine, "which has evolved to consider complex long-term contingencies."[238] To that end, C^3 will relocate to Qatar and reassess its staffing requirements.[239]

In addition to contract oversight, C^3's responsibilities in Iraq will include liaising with the armed services' contracting organizations, providing monthly contractor census and SPOT data, and establishing and chairing a joint contracting support board to coordinate the enforcement of contracting and payment procedures.[240]

Recordkeeping Issues

Preserving Reconstruction Records

Reporting requirements and practices have changed continually since the start of the U.S. reconstruction effort in Iraq in 2003, as metrics evolved and as responsibility was transferred to succeeding reconstruction management and contracting agencies.

Most major reports, including SIGIR's *Quarterly and Semiannual Reports to the United States Congress*, OMB/U.S. Embassy-Baghdad's Section 2207 Report, and DoD's *Measuring Stability and Security in Iraq*, are required by law. Others, including some weekly and monthly status reports, were created by the agencies. Responsibility for some reports, such as the *Iraq Status Report*, changed hands several times. The metrics

The former commander of the Gulf Region District reviews a site plan for the al-Alil Training Center in Mosul with a contractor and an Iraqi associate from the Mosul Resident Office. (USACE photo)

evolved accordingly as policy priorities and data availability changed. Some metrics changed over time to better serve policymakers or in response to recommendations provided by oversight agencies. For example, ISF metrics were subject to significant revision, successively featuring forces on duty, forces trained and equipped, unit readiness assessments (Transition Readiness Assessments), and assessments of the ISF's ability to control territory (Provincial Iraqi Control).[241] Other metrics were dropped because they were no longer tracked by the U.S. government, such as the ISF training numbers formerly published in DoD's *Measuring Stability and Security in Iraq*.

As the U.S. reconstruction effort draws down, U.S. agencies are involved in fewer activities and are staffed by fewer personnel. At the same time, reporting has been reduced. In the past year, agencies stopped producing or distributing several prominent reports:

- *ITAO Essential Indicators Report*
- *GRD Weekly and Monthly Situation Reports (SITREPs)*
- *Iraq Energy Analysis Overview*
- *ITAO Weekly Electricity Report*
- *Energy Fusion Cell Oil Report*

In addition, release of DoD's *Measuring Stability and Security in Iraq* has become less predictable. For example, the March 2010 issue was not released until April 29, 2010.[242] Finally, the IRMS, which has been the central repository of data regarding U.S.-funded reconstruction projects since its inception in late 2005, will be shut down on September 1, 2010.[243]

This quarter, SIGIR issued an audit report on DoD, DoS, and USAID plans to preserve Iraq reconstruction program and contract records. Although these agencies have records management policies and procedures, the audit found that they have not fully implemented those procedures for preserving their Iraq reconstruction records. This situation leaves the U.S. government vulnerable to waste and theft as it may not have the necessary information to pursue potential cases of fraud and/or to perform audits of reconstruction activities. SIGIR's

review showed a range of progress in preserving the records. Further details on this audit are in Section 3 of this Report.[244]

Property Control at U.S. Embassy-Baghdad

In April 2010, the DoS Office of Inspector General (OIG) released its "Audit of Property Accountability at Embassy Baghdad." Conducted in June 2009, the audit evaluated DoS's controls for inventorying, recording, and safeguarding U.S. government equipment and property in Iraq.[245] For details on key findings from the audit and U.S. Embassy-Baghdad's response, see Table 2.10.

The audit acknowledged that, although violence has decreased, Iraq remains a challenging post: tours of duty are shorter than normal, the Embassy continues to rely on the U.S. military for transportation and logistics, and the environment is

TABLE 2.10

PROPERTY CONTROL AT U.S. EMBASSY-BAGHDAD

DoS OIG Finding	U.S. Embassy-Baghdad Response
U.S. Embassy-Baghdad possessed approximately 1,168 vehicles; 159 of them, valued at $18.5 million, could not be accounted for. Additionally, 282 vehicles valued at $40.4 million were not entered in the motor vehicle database.	From December 2009 to March 2010, U.S. Embassy-Baghdad conducted a thorough inventory of DoS-owned vehicles in Iraq. They were unable to account for 27 vehicles, some of which may never have arrived in-country. All vehicles are now entered into the database, and better tracking processes have been established to avoid confusion in the future.
A comparison of inventory records with physical inventories of three Embassy buildings revealed $2.3 million in missing nonexpendable property. Additionally, $2.25 million in property found during the inventories had not been recorded. An estimated $1.3 million worth of expendable supplies were issued without proper documentation, were not recorded in the appropriate inventory system, were missing, or were of unknown disposition.	In February 2010, U.S. Embassy-Baghdad developed standard operating procedures governing the expendable supply program. As of April 4, 2010, the Embassy implemented eServices as the sole mechanism to request, issue, and track expendable supplies.
Nearly 20% of items recorded in the Embassy medical unit's inventory system were not found.	U.S. Embassy-Baghdad enters all medications into its inventory system, and as of September 2009, staff members taking medications out of the pharmacy have provided consistent documentation. However, medical supplies are not entered, because to do so would create an "inordinate amount of meaningless double-entry work." Instead, the Embassy maintains a list of medical supplies in an Excel spreadsheet, based on orders submitted.
U.S. Embassy-Baghdad had approximately 1,000 excess hand-held radios valued at $936,000.	New military interoperability requirements required U.S. Embassy-Baghdad use of 59 compatible radios; 80 more were transferred to U.S. Embassy-Cairo. Current planning for EPPs may require use of all remaining radios, and further transfers have been put on hold.
U.S. Embassy-Baghdad spends approximately $830,000 on cell phone lines annually. Nearly half of the 4,568 cell phones at the Embassy remained unassigned, yet they were incurring $268,000 in charges per year.	On May 19, 2010, U.S. Embassy-Baghdad issued written cellular phone policies. It also inventoried excess cellular phones and is in the process of disposing of them. New user-request forms clearly state the user limit per billing cycle of $100 (unless an increase is authorized) and describe personal liability for unauthorized use. International calling capabilities are only available if authorized by supervisors with written justification.

Sources: DoS OIG Report Number MERO-A-10-07, "Audit of Property Accountability at Embassy Baghdad," 4/2010, p. 1; U.S. Embassy-Baghdad Information Memorandum to DoS OIG, "Response to MERO Audit of Property Accountability at Embassy Baghdad (MERO-A-10-07)," 6/8/2010.

Table 2.11
U.S.-funded Contractors and Grantees in Iraq, as of 6/30/2010

Agency	Purpose	U.S. Citizen	Third-country National	Iraqi National	Total
DoD	Non-security	31,071	13,467	44,913	**89,451**
	PSCs	1,365	14,136	1,311	**16,812**
	Subtotal	**32,436**	**27,603**	**46,224**	**106,263**
DoS	PSCs	1,202	2,491	1,177	**4,870**
	Non-security	*	*	*	*
	Subtotal	**1,202**	**2,491**	**1,177**	**4,870**
USAID	Non-security	157	1,190	138	**1,485**
	PSCs	3	541	487	**1,031**
	Subtotal	**160**	**1,731**	**625**	**2,516**
Total		**33,798**	**31,825**	**48,026**	**113,649**

Note: Data not audited. SIGIR did not receive reporting from DoS on the number of non-security contractors and grantees.

Sources: U.S. Embassy-Baghdad, RSO, response to SIGIR data call, 7/1/2010; USF-I, response to SIGIR data call, 7/1/2010; USAID, response to SIGIR data call, 7/2/2010; USACE, response to SIGIR data call, 7/3/2010.

"transient and unstable."[246] Additionally, according to the DoS OIG, the "significant size and sheer number of personnel" means that U.S. Embassy-Baghdad owns a considerable amount of property. Coupled with the complexities of moving to the New Embassy Compound (NEC) over a short period of time, the Embassy had been unable to properly monitor or control its inventory.[247]

By law, U.S. government agencies must maintain adequate inventory controls and property records. DoS policies require that embassies conduct annual physical inventories and certify the results by March 15 of each year. U.S. Embassy-Baghdad received a waiver of this requirement in 2004, which was extended each year through 2009.[248] U.S. Embassy-Baghdad completed its first annual inventory certification—covering FY 2009—on June 17, 2010. The report cited $17.85 million in nonexpendable inventory on hand (6.0% short of the total reflected in its inventory records), and $1.61 million in expendable inventory on hand (3.6% more than its records indicated).[249] However, U.S. Embassy-Baghdad noted that the inventory of information technology equipment had not yet been certified.[250]

Contractor and Grantee Support

As of June 30, 2010, there were 113,649 contractor and grantee personnel supporting U.S. efforts in Iraq.[251] For a breakdown of contractors and grantees—by agency, purpose, and national origin—see Table 2.11.

Contractors provide a variety of services. According to the most recent DoD census of its contractors in Iraq, roughly 65% performed base support functions,[252] such as maintaining the grounds, running dining facilities, and providing laundry services.[253] Comparable data was not available from DoS or USAID.

The profile of DoD contractors in Iraq has changed over time. The number of contractors providing base support has generally paralleled the number of U.S. troops in Iraq. Meanwhile, as the focus of the U.S. assistance program shifted away from large-scale infrastructure projects, the number of construction contractors has declined and the percentage of contractors providing security has increased. Third-country nationals currently make up a larger percentage of total DoD contractors than they have at any previous time, and the

Third-country nationals currently make up a larger percentage of total DoD contractors than they have at any previous time.

percentage of Iraqi nationals has declined to its lowest point yet.[254]

For details on the types of service provided by DoD contractors, and their national origin, see Figure 2.13.

Tracking Contractors and Grantees in Iraq

On March 23, 2010, the House Armed Services Committee's Subcommittee on Oversight and Investigations held hearings on grants and contracts in Iraq and Afghanistan. Among the topics discussed was the ongoing development of the Synchronized Predeployment and Operational Tracker (SPOT) database, which is intended to serve as a coordination tool for U.S. government agencies, contractors, and grantees.

Representatives of DoD, DoS, USAID, and GAO stated the following:

- According to DoD, approximately 75% of its contractor personnel were entered into SPOT. Registering Iraqi contractors who are not operating at U.S. military bases or DoD installations is the largest remaining challenge. DoD is using SPOT to track its contractor drawdown.[255]
- According to DoS, it has expanded its use of SPOT to include grantees as well as contractor personnel. Additionally, DoS uses SPOT-generated Letters of Authorization (LOAs) to grant privileges to contractors—such as meals and common access cards (CACs)—and can track contractor movements in-country using LOA reader machines.[256]
- According to USAID, the administrative and financial burden of entering individual data for all its partners (which it defines as contractors and grantees) outweighs the benefits, because many do not require LOAs. Additionally, there are concerns that registration of USAID partners working in certain communities could endanger their safety. USAID has arranged with DoD to enter personal data for partners that require LOAs and aggregate data for partners that do not.[257]
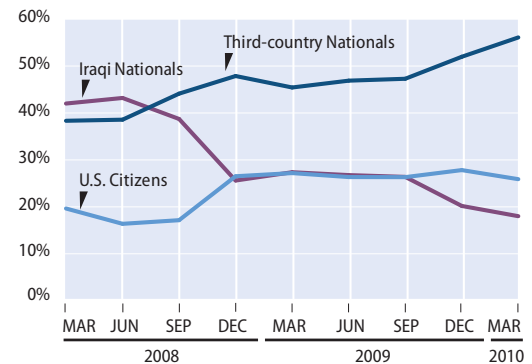
FIGURE 2.13
DoD CONTRACTORS IN IRAQ, 3/2008–3/2010

Number of Contractors, by Type of Service Provided
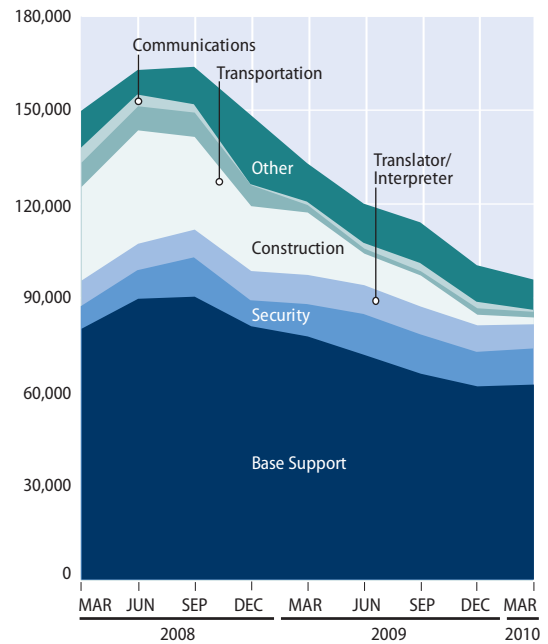
Percentage of Contractors, by National Origin

Note: Data not audited. DoD ADUSD(Program Support) provides top-line data for the number of contractors by national origin and the number of contractors by type of service provided; DoD does not disaggregate national origin data by type of service provided, so it is not possible to determine, for example, if security contractors are predominantly third country nationals. DoD did not separately track Logistics/Maintenance or Training until the first quarter of 2010; those categories are grouped into the "Other" category here.

Sources: Moshe Schwartz, CRS Report R40764, "Department of Defense Contractors in Iraq and Afghanistan: Background and Analysis," 7/2/2010, pp. 24–25; ADUSD(Program Support), "Contractor Support of U.S. Operations in USCENTCOM AOR, Iraq, and Afghanistan," 2/2010 and 5/2010.

- According to GAO, its audits have revealed that inadequate information about contractors and grantees may inhibit planning, increase costs, and introduce unnecessary risk. Agencies have made some progress in implementing SPOT, but their efforts still fall short in terms of having complete and reliable data to fulfill statutory requirements and improve management and oversight. Alternatives to SPOT, including periodic surveys, are generally incomplete and unreliable, particularly for identifying trends and drawing conclusions.[258]

According to further testimony by DoD and USAID, those agencies have reached an agreement whereby USAID will provide aggregate data for grantees—broken down by the broad categories of U.S., local-national, and third-country nationals—which should be sufficient to allow them to use SPOT as a management tool.[259] The GAO representative acknowledged that different types of data may be required for different classes of contractors and grantees, and that it was up to the agencies to determine what worked best and to coordinate among themselves.[260]

FAPIIS Launched To Help Evaluate Contractors

On April 22, 2010, the General Services Administration (GSA) launched the Federal Awardee Performance and Integrity Information System (FAPIIS), which is "designed to significantly enhance the government's ability to evaluate the business ethics and quality of prospective contractors competing for federal contracts and to protect taxpayers from doing business with contractors that are not responsible sources."[261] The system was designed to meet the requirements of Section 872 of the Duncan Hunter National Defense Authorization Act of 2009 (P.L. 110-417),[262] which directed GSA to establish a database to track contractor integrity and performance.[263]

Before mid-2009, the only government-wide information available to contracting officers were

lists of debarment and suspension actions, which are maintained in the Excluded Parties List System (ELPS). The FAPIIS expands the scope of information available to contracting officers, including:[264]

- records of contractor performance
- contracting officers' non-responsibility determinations
- contract terminations for default or cause
- agency defective pricing determinations
- administrative agreements used to resolve a suspension or debarment
- contractor self-reporting of criminal convictions, civil liability, and adverse administrative actions

The web-based system is accessible only to government officials and contractors entering data.[265] Inspectors general and federal law enforcement agencies can request access under P.L. 110-417's provision for access to "other Government officials as the Administrator determines appropriate." Freedom of Information Act requests would be handled on a case-by-case basis.[266]

Funding Uses

SIGIR classifies the major U.S. reconstruction funds by their use into 4 reconstruction areas, comprising 17 sectors. Developments in the Security, Infrastructure, Governance, and Economy areas are discussed in the following pages of this Report. For the status of U.S. reconstruction funding by use, see Table 2.12. For the status of the IRRF, ISFF, ESF, and CERP, by program, see Appendix C.

As of June 30, 2010, $42.86 billion (91%) of the $47.28 billion appropriated to the four major reconstruction funds had been expended. According to SIGIR analysis, more than $22.31 billion (52%) of expenditures supported security-related programs, including efforts to develop the Iraqi Security Forces (ISF) and improve the rule of law in Iraq. Roughly $11.77 billion (27%) supported

> FAPIIS is "designed to significantly enhance the government's ability to evaluate the business ethics and quality of prospective contractors."

TABLE 2.12

STATUS OF IRRF, ISFF, ESF, AND CERP, BY USE
$ Millions

AREA	SECTOR	STATUS OF FUNDS			CHANGE OVER QUARTER			
		ALLOCATED	OBLIGATED	EXPENDED	OBLIGATED		EXPENDED	
Security	Equipment	7,337.9	7,066.2	6,755.9	32.0	(0%)	143.7	(2%)
	Training	6,003.4	5,818.9	5,688.0	34.5	(1%)	41.0	(1%)
	Infrastructure	5,807.1	5,531.8	5,078.5	-17.3	(0%)	132.2	(3%)
	Sustainment	2,635.2	2,478.1	2,329.6	4.4	(0%)	74.1	(3%)
	Rule of Law	1,592.6	1,550.7	1,411.1	-1.1	(0%)	1.7	(0%)
	Related Activities	1,249.7	1,135.1	1,047.2	-5.2	(0%)	28.1	(3%)
	Subtotal	**24,625.9**	**23,580.8**	**22,310.3**	**47.3**	**(0%)**	**420.7**	**(2%)**
Infrastructure	Electricity	5,188.1	5,054.5	4,955.4	8.5	(0%)	9.0	(0%)
	Water and Sanitation	2,846.2	2,694.2	2,606.5	-1.6	(0%)	17.7	(1%)
	Oil and Gas	2,046.9	1,926.5	1,913.8	-0.6	(0%)	0.1	(0%)
	General Infrastructure	1,250.7	1,236.8	1,236.0	-1.6	(0%)	-0.3	(0%)
	Transportation and Communications	1,195.0	1,140.8	1,054.3	-0.3	(0%)	8.7	(1%)
	Subtotal	**12,526.9**	**12,052.9**	**11,766.0**	**4.4**	**(0%)**	**35.3**	**(0%)**
Governance	Capacity Development	2,481.7	2,397.3	2,132.2	94.3	(4%)	81.7	(4%)
	Democracy and Civil Society	2,226.7	2,186.0	1,934.9	13.6	(1%)	107.9	(6%)
	Public Services	2,040.1	2,000.6	1,903.9	19.1	(1%)	19.1	(1%)
	Humanitarian Relief	900.9	895.4	845.6	9.2	(1%)		
	Subtotal	**7,649.3**	**7,479.3**	**6,816.5**	**136.2**	**(2%)**	**208.6**	**(3%)**
Economy	Economic Governance	839.8	843.6	787.9	0.3	(0%)	0.2	(0%)
	Private Sector Development	826.6	771.5	696.7	1.5	(0%)	56.2	(9%)
	Subtotal	**1,666.4**	**1,615.1**	**1,484.6**	**1.7**	**(0%)**	**56.5**	**(4%)**
Unaccounted-for CERP Allocations		292.8	205.9	479.3	29.3	(17%)	71.5	(18%)
Total		**46,761.3**	**44,934.0**	**42,856.7**	**219.0**	**(0%)**	**792.5**	**(2%)**

Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding subsection of this Report may not match top-line values found in the four subsections on major reconstruction areas.

Sources: DoS, response to SIGIR data call, 4/5/2007; IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, responses to SIGIR data calls, 4/12/2010, 4/14/2010, 6/30/2010, 7/6/2010, and 7/8/2010; OSD, responses to SIGIR data calls, 4/10/2009, 4/12/2010, 4/13/2010, and 7/13/2010; U.S. Embassy-Baghdad, responses to SIGIR data calls, 4/2/2009, 4/8/2010, 7/14/2010, and 7/16/2010; USACE, responses to SIGIR data calls, 4/1/2010 and 7/12/2010; USAID, response to SIGIR data call, 4/13/2009, 7/8/2010, and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009.

> More than 52% of expenditures supported security-related programs.

infrastructure-related programs, including rehabilitation or construction in the oil and gas, electricity, water and sanitation, and transportation and communications sectors. The remainder was expended on programs to develop governance capacity ($6.82 billion) and support economic development ($1.48 billion).[267]
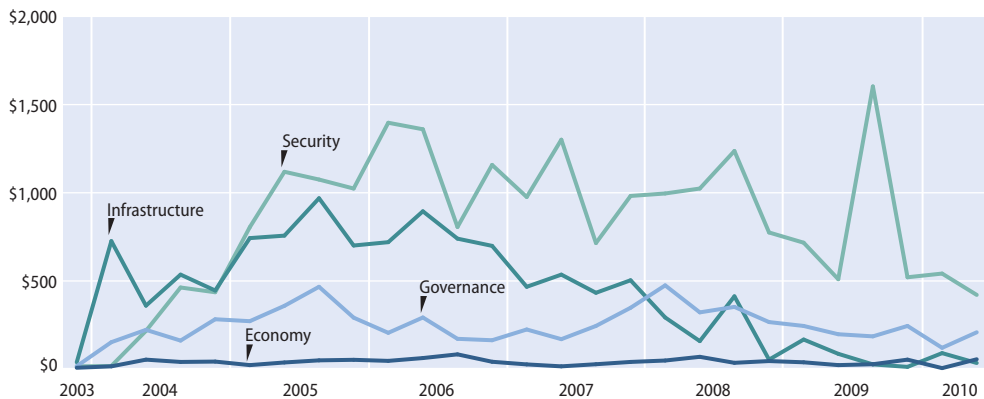
The focus of the U.S. reconstruction effort has fluctuated over time. The United States focused primarily on infrastructure in FY 2003–FY 2004 and security in the years that followed.[268]

For details on quarterly expenditures, by reconstruction area, see Figure 2.14. For an overview of cumulative expenditures, as of June 30, 2010, by fund and use, see Figure 2.15. ◆
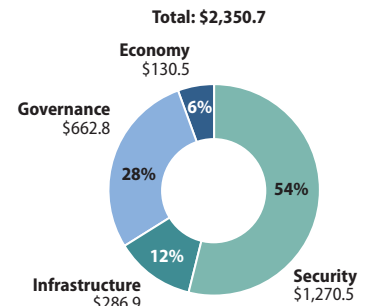
FIGURE 2.14

EXPENDITURES OF THE MAJOR RECONSTRUCTION FUNDS, BY RECONSTRUCTION AREA
$ Millions

Quarterly Expenditures, 2003–2010

Unexpended Obligations

Total: $2,350.7

Economy
$130.5

Governance
$662.8

Infrastructure
$286.9

Security
$1,270.5

6%

28%

12%

54%

Note: Data not audited. Numbers affected by rounding. The Economy line does not include $352 million in Iraq debt forgiveness, funded by the IRRF in the second fiscal quarter of 2005; however, that amount is included in top-line values for Economy in this Report. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.
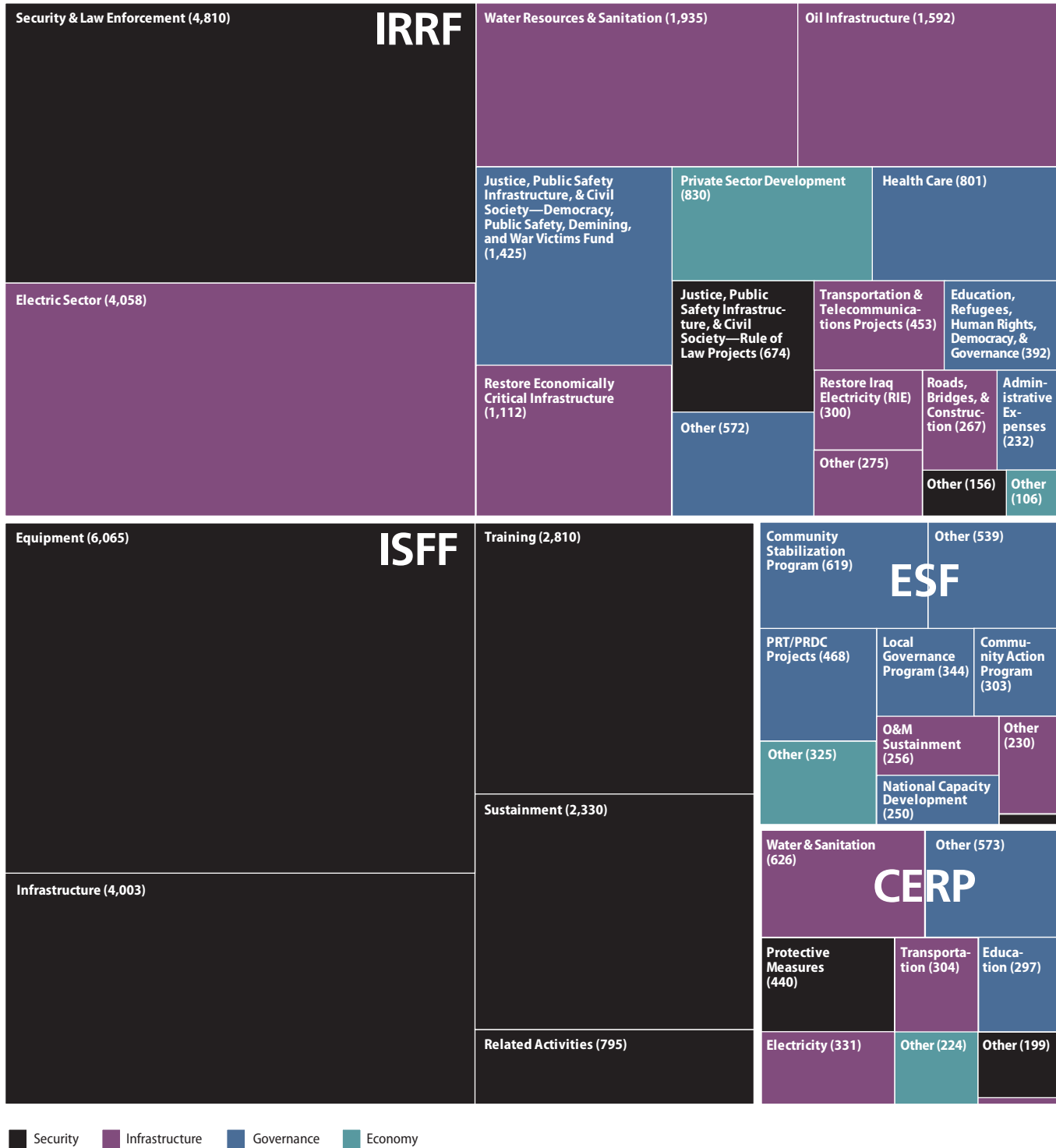
Sources: DoS, response to SIGIR data call, 4/5/2007; IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, 7/6/2010, and 7/8/2010; OSD, responses to SIGIR data calls, 4/10/2009 and 7/13/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USACE, response to SIGIR data call, 7/12/2010; USAID, responses to SIGIR data call, 7/8/2010 and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–4/2010.

FIGURE 2.15

U.S. PROGRAM EXPENDITURES, BY FUND AND USE
$ Millions

IRRF

Security & Law Enforcement (4,810)

Electric Sector (4,058)

Water Resources & Sanitation (1,935)

Oil Infrastructure (1,592)

Justice, Public Safety Infrastructure, & Civil Society—Democracy, Public Safety, Demining, and War Victims Fund (1,425)

Private Sector Development (830)

Health Care (801)

Justice, Public Safety Infrastructure, & Civil Society—Rule of Law Projects (674)

Transportation & Telecommunications Projects (453)

Education, Refugees, Human Rights, Democracy, & Governance (392)

Restore Economically Critical Infrastructure (1,112)

Other (572)

Restore Iraq Electricity (RIE) (300)

Roads, Bridges, & Construction (267)

Administrative Expenses (232)

Other (275)

Other (156)

Other (106)

ISFF

Equipment (6,065)

Infrastructure (4,003)

Training (2,810)

Sustainment (2,330)

Related Activities (795)

ESF

Community Stabilization Program (619)

Other (539)

PRT/PRDC Projects (468)

Local Governance Program (344)

Community Action Program (303)

Other (325)

O&M Sustainment (256)

Other (230)

National Capacity Development (250)

CERP

Water & Sanitation (626)

Other (573)

Protective Measures (440)

Transportation (304)

Education (297)

Electricity (331)

Other (224)

Other (199)

■ Security   ■ Infrastructure   ■ Governance   ■ Economy

Note: Data not audited. Numbers affected by rounding. Programs that account for less than 1% of total expenditures are grouped into "other" categories, by fund and reconstruction area. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting by one quarter. Therefore, category totals found in the Funding subsection of this Report may not match top-line values found in the four subsections on major reconstruction areas.

Sources: DoS, response to SIGIR data call, 4/5/2007; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, 7/6/2010, and 7/8/2010; OSD, responses to SIGIR data calls, 4/10/2009 and 7/13/2010; IRMS, *USF-I CERP Category Report*, 7/2/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USACE, response to SIGIR data call, 7/12/2010; USAID, responses to SIGIR data call, 7/8/2010 and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009.

SECURITY

As of June 30, 2010, the United States had allocated $24.63 billion, obligated $23.58 billion, and expended $22.31 billion for programs and projects to develop the Iraqi Security Forces (ISF) and support the rule of law in Iraq.[269] For the status of these funds, see Figure 2.16. Table 2.13 is a breakdown of spending categories that experienced the greatest increases in obligations and expenditures this quarter.

As shown in Figure 2.17, security expenditures averaged about $1 billion per quarter every quarter from mid-2005 through 2008. Quarterly expenditures reached their highest point in the fourth quarter of FY 2009, when $1.59 billion was expended from the ISFF 2007/2008 and 2008/2009 accounts—principally on Ministry of Defense (MOD) and Ministry of Interior (MOI) equipment purchases ($940.3 million) and MOI training ($380.9 million).[270]

GOI Support for the MOD and MOI: International Context

From 2007 to 2010, the GOI allocated $43.51 billion to the MOD and MOI.[271] Over roughly that same period of time, the United States allocated $9.54 billion in ISFF funding to the MOD and MOI, or 22% of the GOI allocation.[272] In February 2010, the Administration requested $1.00 billion in FY 2010 supplemental appropriations.[273] For a comparison between GOI and U.S. contributions to Iraqi security institutions, see Table 2.14.

According to the U.S. Central Intelligence Agency, Iraq's defense spending totals 8.6% of its gross domestic product (GDP).[274] As a percentage of GDP, Iraq contributes more to defense spending than all but three countries worldwide (Oman, Qatar, and Saudi Arabia).[275] For a worldwide comparison of defense spending, see Table 2.14.

FIGURE 2.16

SECURITY: STATUS OF FUNDS FROM THE IRRF, ISFF, ESF, AND CERP
$ Millions
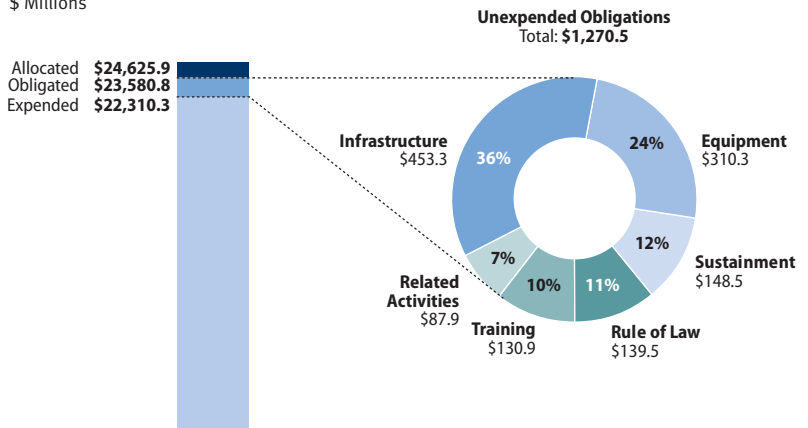
Allocated	**$24,625.9**
Obligated	**$23,580.8**
Expended	**$22,310.3**

Unexpended Obligations
Total: **$1,270.5**

Infrastructure $453.3 — 36%
Equipment $310.3 — 24%
Sustainment $148.5 — 12%
Rule of Law $139.5 — 11%
Training $130.9 — 10%
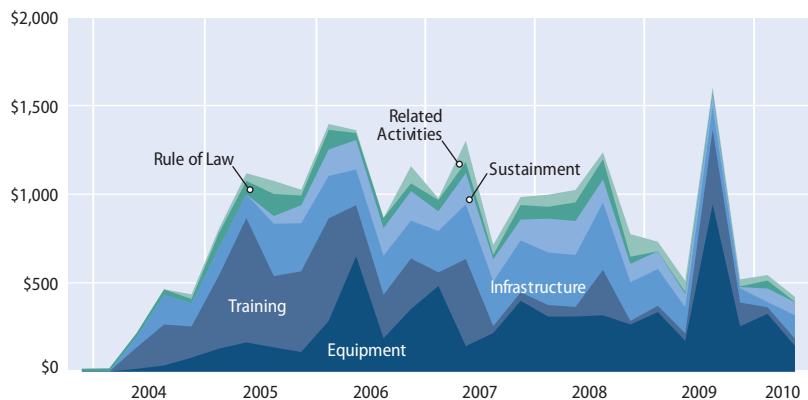Related Activities $87.9 — 7%

Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: DoS, response to SIGIR data call, 4/5/2007; IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, response to SIGIR data call, 7/6/2010; OSD, responses to SIGIR data calls, 4/10/2009 and 7/13/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010.

FIGURE 2.17

SECURITY: QUARTERLY U.S. EXPENDITURES, BY RECONSTRUCTION SECTOR
$ Millions

Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: DoS, response to SIGIR data call, 4/5/2007; IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, response to SIGIR data call, 7/6/2010; OSD, responses to SIGIR data calls, 4/10/2009 and 7/13/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–4/2010.

Table 2.13
Security: Status of Selected Programs
$ Millions

Program	Status of Funds		Quarterly Change	
	Obligated	Expended	Obligated	Expended
MOD Equipment (ISFF)	4,621.7	4,472.5	29.4 (1%)	87.8 (2%)
MOD Infrastructure (ISFF)	3,075.5	2,839.0	-13.1 (0%)	76.1 (3%)
MOD Sustainment (ISFF)	1,882.9	1,775.4	4.8 (0%)	66.6 (4%)
MOI Infrastructure (ISFF)	1,374.9	1,164.0	-4.1 (0%)	56.1 (5%)
MOI Equipment (ISFF)	1,753.7	1,592.9	2.6 (0%)	56.0 (4%)
Related Activities (ISFF)	871.5	794.5	-5.2 (-1%)	28.1 (4%)
MOD Training (ISFF)	466.2	423.0	15.0 (3%)	27.2 (7%)
MOI Training (ISFF)	2,449.2	2,387.4	20.8 (1%)	13.8 (1%)
Other	7,085.3	6,861.7	-2.9 (0%)	9.2 (0%)
Total	**23,580.8**	**22,310.3**	**47.3 (0%)**	**420.7 (2%)**

Note: Data not audited. Numbers affected by rounding. Programs listed in this table had changes of at least $20 million in combined quarterly obligations and expenditures. Appendix C shows the status of all programs funded by the four major funds, including those in the Security reconstruction area that are grouped in the "Other" category here. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: DoS, response to SIGIR data call, 4/5/2007; IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, responses to SIGIR data calls, 4/2/2010 and 7/6/2010; OSD, responses to SIGIR data calls, 4/10/2009, 4/12/2010, and 7/13/2010; U.S. Embassy-Baghdad, responses to SIGIR data calls, 7/16/2009 and 7/14/2010.

Security in Iraq

Internal security threats persisted this quarter, but they are well below the level reported before the March 7, 2010, parliamentary elections. Events of mass violence and targeted attacks on individuals were generally aimed at state institutions (especially banks and police) or sectarian interests (including SOI members and Sunni and Shia neighborhoods). External threats, however, picked up this quarter, with two neighboring states (Iran and Turkey) attacking militants who are based in Kurd-populated areas within the borders of Iraq.

Security incidents during April–June 2010 averaged 7 per day, down 76% from last quarter and 92% from the same period last year. Nearly 85% of all attacks occurred in Baghdad, Anbar, Diyala, Ninewa, and Salah Al-Din provinces, which are home to approximately half of Iraq's population.[276] For a historical look at security incidents, see Figure 2.18.

> Security incidents during April–June 2010 averaged 7 per day, down 76% from last quarter.

Emerging Threats

The recent spate of high-profile car-bomb attacks continued this quarter. For example, on June 20, a car-bomb explosion killed 26 in Baghdad outside the Trade Bank of Iraq.[277] Extremists also demonstrated tactical adaptability. On June 13, 2010, they conducted a commando-style raid on the Central Bank of Iraq. Fifteen bank employees and all seven militants were killed during the ensuing firefight with the ISF.[278] Moreover, police officers, an Iraqi Army (IA) general, and Provincial Council officials were among those assassinated this quarter, and numerous attacks targeted SOI leaders and checkpoints manned by SOI units.[279]

In June, unmet demand for electricity sparked violent demonstrations in southern Iraq. On June 19, security forces killed two demonstrators in Basrah and wounded two others. Two days later, in Nassiriya, at least 14 people were wounded.[280] For more information on the electricity situation, see the Infrastructure section in this Report.
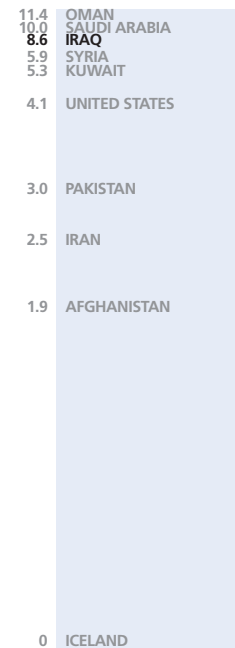
TABLE 2.14

GOI AND U.S. SUPPORT FOR IRAQI SECURITY INSTITUTIONS, IN CONTEXT
$ Billions

GOI Budgets for the MOD and MOI

MINISTRY	BUDGET CATEGORY	CALENDAR YEAR				TOTAL
		2007	2008	2009	2010	
MOD	Operating	4.09	4.92	3.85	4.52	**17.38**
	Capital	0.05	4.92	0.27	0.38	**5.62**
	Subtotal	**4.14**	**9.84**	**4.12**	**4.90**	**23.00**
MOI	Operating	3.14	5.16	5.27	5.89	**19.46**
	Capital	0.04	0.54	0.22	0.26	**1.06**
	Subtotal	**3.18**	**5.70**	**5.49**	**6.14**	**20.51**
Total		**7.32**	**15.54**	**9.61**	**11.04**	**43.51**
Combined MOD/MOI Budget as % of Total GOI Budget		18%	22%	16%	15%	**18%**

ISFF Appropriations

MINISTRY/CATEGORY	FISCAL YEAR				TOTAL
	2007	2008	2009	2010	
MOD	3.57	1.59	0.55	0.00	**5.71**
MOI	1.57	1.26	0.38	0.00	**3.21**
Related Activities	0.40	0.15	0.08	0.00	**0.63**
Total	**5.54**	**3.00**	**1.00**	**0.00**	**9.54**
ISFF as a % of Combined MOD/MOI Budget	76%	19%	10%	0%	**22%**

Defense Spending, as a Percentage of GDP (Ranked by Percentile)

11.4	OMAN
10.0	SAUDI ARABIA
8.6	**IRAQ**
5.9	SYRIA
5.3	KUWAIT
4.1	UNITED STATES
3.0	PAKISTAN
2.5	IRAN
1.9	AFGHANISTAN
0	ICELAND

Notes: Data not audited. Numbers affected by rounding. GOI support includes operating and capital budget allocations to the MOD and MOI. Most U.S. funding to assist these ministries comes from the ISFF. Other U.S. funds also support Iraq's security institutions, but in a more limited capacity. The figure displays spending on defense programs as a percentage of gross domestic product (GDP). Data is from the most recent year available. GDP is calculated on an exchange rate basis, not in terms of purchasing power parity (PPP).

Sources: OSD, response to SIGIR data call, 7/13/2010; U.S. Embassy-Baghdad, Treasury Attaché, response to SIGIR data call, 1/17/2010; GOI, "Federal Public Budget Law for the Fiscal Year 2010," 1/27/2010, Annex Schedule B; CIA, *The World Factbook*, www.cia.gov/library/publications/the-world-factbook/rankorder/2034rank.html, accessed 7/16/2010.

In northern Iraq, politically motivated violence claimed the lives of three al-Iraqiya coalition members—one newly elected in March. The assassinations were carried out during a two-week span in late May and early June in Sunni-controlled areas near Mosul.[281]

In June, Turkey restarted its campaign against the Kurdish Workers Party (PKK), a militant group favoring an independent Kurdistan that had recently ended its unilateral ceasefire against Turkey. Turkish ground forces reportedly penetrated as far as two miles inside Iraq's borders.[282] On July 1, 2010, it was reported that 12 Kurdish militants and 5 Turkish guards were killed in these clashes.[283]
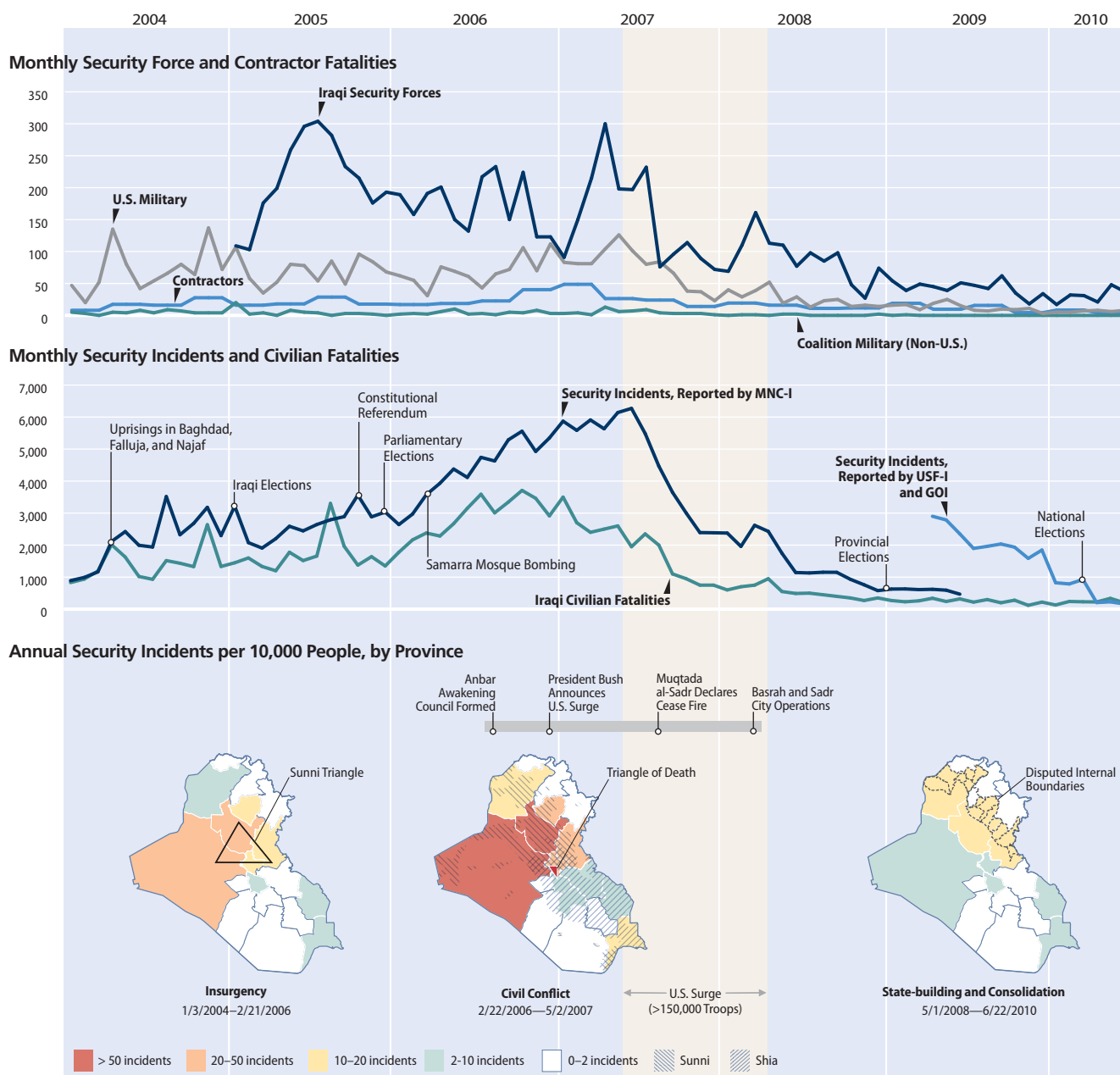
On the border between Iran and the Kurdistan Region, conflicting reports of Iranian attacks against Party of Free Life of Kurdistan (PJAK) militants have emerged. Shelling is reported to have begun on May 29, 2010, against members of the Kurdish terrorist group based in the area, but details have not been confirmed by KRG officials.[284] See Figure 2.19 for the locations of major attacks carried out this quarter.

Continuing Intercommunal Conflict
A decline in overall security incidents appears to reflect favorably on the ongoing transition of security responsibilities to the GOI. However, the

> Politically motivated violence claimed the lives of three al-Iraqiya coalition members—one newly elected in March.

FIGURE 2.18
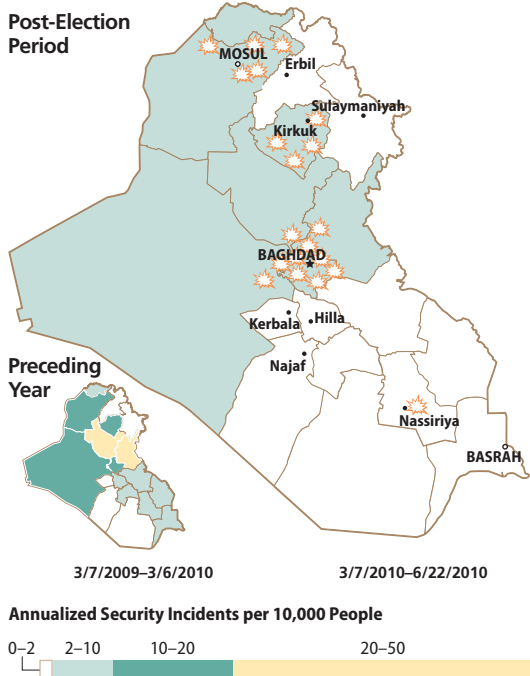SECURITY INCIDENTS AND FATALITIES IN IRAQ, 1/2004–6/2010

Monthly Security Force and Contractor Fatalities

Monthly Security Incidents and Civilian Fatalities

Annual Security Incidents per 10,000 People, by Province

Insurgency
1/3/2004—2/21/2006

Civil Conflict
2/22/2006—5/2/2007

U.S. Surge
(>150,000 Troops)

State-building and Consolidation
5/1/2008—6/22/2010

> 50 incidents | 20–50 incidents | 10–20 incidents | 2-10 incidents | 0–2 incidents | Sunni | Shia

Note: Data not audited. Numbers affected by rounding. "U.S. Surge" denotes period when at least 150,000 U.S. troops were in Iraq. ISF fatality data for deaths that occurred before 1/4/2005 is not available. Security incidents data from two sources are displayed: MNC-I, for 1/1/2004–6/24/2009 and USF-I for 4/1/2009–3/26/2010 (USF-I incorporates GOI reports).

Sources: DoD, *Measuring Stability and Security in Iraq*, 2/2006–9/2009; DoL, responses to SIGIR data calls, 1/5/2010, 4/12/2010, and 7/7/2010; Brookings Institution, *Iraq Index*, 6/30/2010, pp. 3, 5, 13; SIGIR, *Quarterly Reports to the United States Congress*, 4/2009, 10/2009, and 1/2010; GOI, response to SIGIR data call, 12/21/2009; MNF-I, responses to SIGIR data calls, 10/6/2008, 7/2/2009, 3/31/2010 and 4/1/2010; CENTCOM, responses to SIGIR data calls, 1/10/2009 and 2/22/2010; USF-I, responses to SIGIR data calls, 3/31/2010 and 7/7/2010.

threat of internal violence has not dissipated. In his confirmation hearing before the Senate Armed Services Committee, Lieutenant General Lloyd Austin testified that one of the enduring challenges to stability in Iraq is the "absence of a shared national vision and development of a new political culture compatible with democracy." The incoming Commanding General of the U.S. Forces-Iraq (USF-I) highlighted continuing Arab-Kurd tensions over disputed internal boundaries, power sharing, and

FIGURE 2.19
SECURITY INCIDENTS IN IRAQ, 3/7/2010–7/18/2010

Post-Election Period

MOSUL · Erbil · Sulaymaniyah · Kirkuk · BAGHDAD · Kerbala · Hilla · Najaf · Nassiriya · BASRAH

Preceding Year

3/7/2009–3/6/2010   3/7/2010–6/22/2010

Annualized Security Incidents per 10,000 People

0–2   2–10   10–20   20–50

Sources: MNF-I, responses to SIGIR data calls, 10/6/2008 and 7/2/2009; CENTCOM, response to SIGIR data call, 1/10/2009; USF-I, responses to SIGIR data calls, 4/1/2010, 3/31/2010, and 7/1/2010; SIGIR analysis of GOI and U.S. government documents and open source information in English and Arabic.

Iraqi Police patrol the Tigris River in southern Missan province with U.S. Navy advisors on April 11, 2010. (U.S. Army photo)

hydrocarbon legislation, as well as the vulnerability of Iraqi minorities.[285]

Sunni and Shia groups in part motivated by religious differences continue to conduct attacks either to expel U.S. forces or to reduce the influence of the GOI in their areas. These groups, supported by either Sunni Ba'athists or militant wings of Shia organizations, conduct operations throughout the country.[286] Additionally, political and ethnic friction in Tameem and Ninewa has fueled provincial government infighting as well as frequent threats and violence targeting minority communities. Unexpected Arab and Turkmen electoral gains in Tameem have exacerbated political tensions and may result in increased violence.[287]

Some level of violence continues to be attributable to the activities of opportunistic criminal gangs, personal grudges, or tribal rivalries, frequently making it difficult to differentiate insurgent activities. However, Al-Qaeda in Iraq (AQI) and Shia extremist elements appear to be responsible for most of the violence in Baghdad. Christians remain a particular target for AQI, especially in Mosul, where a May 2, 2010, bombing targeted a bus carrying Christian students. AQI has also attacked members of Iraq's Yazidi minority using suicide vests and car bombs.[288]

For an overview of the continuing cycle of violence, see Figure 2.20.

This quarter, USF-I and ISF operations made considerable gains against the AQI network, detaining or killing 34 of its top 42 leaders.[289] Although AQI continues to maintain its logistical and financial hub in Ninewa province, it faces an increasingly difficult operational environment. The flow of foreign fighters into Iraq is at historical lows, and current estimates place AQI's makeup at 95% Iraqi. As U.S. forces draw down, AQI has been focusing its rhetoric and attacks against the GOI and Shia groups in an effort to discredit the central government and incite sectarian violence.[290]

On May 3, 2010, the Baghdad Operations Command, a joint USF-I/GOI headquarters, announced that a security wall would be built around Iraq's capital to help the ISF keep insurgent groups from accessing the city. In addition, the concrete enclosure is expected to reduce traffic jams inside the city by replacing internal checkpoints with eight perimeter entrances. Plans call for these perimeter

USF-I and ISF operations made considerable gains against the AQI network.

FIGURE 2.20
CYCLE OF VIOLENCE IN IRAQ
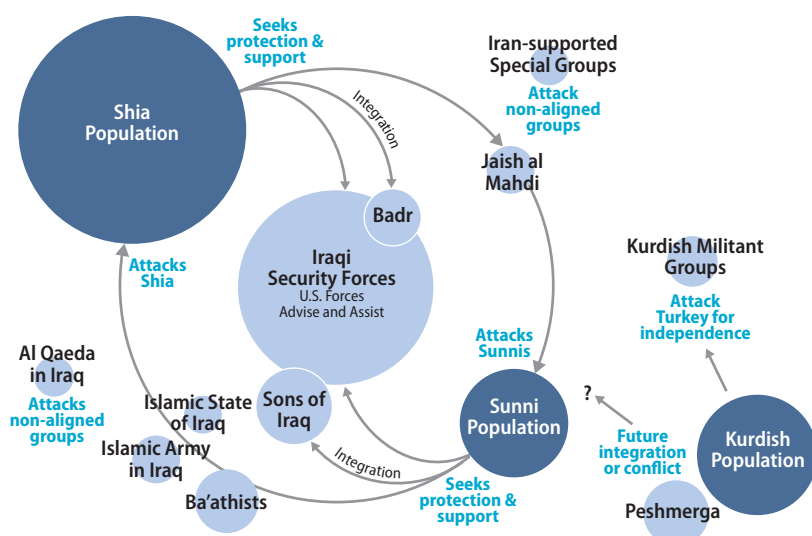
Sources: David Kilcullen, *The Accidental Guerrilla: Fighting Small Wars in the Midst of a Big One,* New York: Oxford University Press, 2009; David C. Gompert, Terrence K. Kelly, and Jessica Watkins, *Security in Iraq: A Framework for Analyzing Emerging Threats as U.S. Forces Leave,* Santa Monica: RAND Corporation, 2010.

checkpoints to be supported by cameras situated around the wall's perimeter. According to the Baghdad Operations Command, the combination of managed checkpoints and modern surveillance systems should allow the ISF to shift personnel and resources to other security-challenged areas. USF-I reports that it has not been involved in the planning, construction, or funding of the proposed security wall.[291]

Status of Forces

> Between 2003 and 2007, DoD, DoS, and USAID paid more than $5 billion directly to security contractors.

On June 1, 2010, the ISF assumed sole responsibility for operating entry control points for Baghdad's International Zone. U.S. soldiers began securing these posts in 2003 and assumed a supporting role more than a year ago. This transition marks the first time U.S. troops have not been involved in securing the International Zone, one of many steps in the continuing drawdown of U.S. combat forces under the U.S.-Iraq Security

Agreement (SA) and President Obama's direction articulated on February 27, 2009.[292]

For the status of U.S., Iraqi, and armed private security contractor (PSC) personnel in Iraq, as of June 30, 2010, see Table 2.15.

As of mid-July 2010, approximately 75,000 U.S. military personnel remained in Iraq, operating from 124 bases.[293] The United States has turned over control of 373 additional bases to the GOI. Of the more than three million pieces of equipment USF-I controlled in January 2010, more than half have already been shipped back to the United States, transferred to the GOI, or scheduled for transfer to Afghanistan.[294]

By August 31, 2010, fewer than 50,000 U.S. military personnel are expected to remain in Iraq to conduct stability operations.[295] Anticipated activities include:[296]

- training, advising, and equipping the ISF
- protecting U.S. military and civilian personnel and facilities
- conducting counterterrorism operations, principally with special operations forces

Plans call for U.S. military personnel to train, advise, and assist the ISF until December 2011, when the U.S. withdrawal is scheduled to conclude.[297] For the projected U.S. force strength by September 2010, see Figure 2.21.

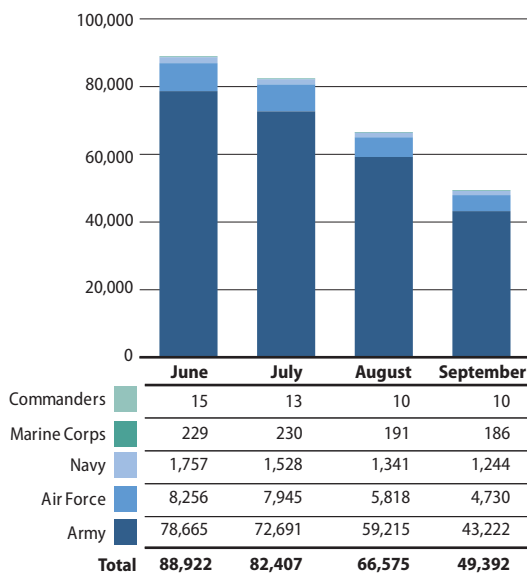## Private Security Contractor Support

A June 2010 RAND study offers new details on the unprecedented use of PSC support in Iraq over the past seven years. According to the report, between 2003 and 2007, the main employers of PSCs—DoD, DoS, and USAID—paid more than $5 billion directly to security contractors. During that same period, prime contractors in Iraq paid an additional $3 billion–$6 billion for PSC services.[298]

The U.S. military has called on PSCs for a wide range of services, including static security for

FIGURE 2.21

PROJECTED U.S. FORCE STRENGTH IN IRAQ, 6/2010–9/2010

	June	July	August	September
Commanders	15	13	10	10
Marine Corps	229	230	191	186
Navy	1,757	1,528	1,341	1,244
Air Force	8,256	7,945	5,818	4,730
Army	78,665	72,691	59,215	43,222
Total	**88,922**	**82,407**	**66,575**	**49,392**

Note: All totals are as of the first day of each month. "Commanders" denotes positions held by flag-rank officers.

Source: USF-I, response to SIGIR data call, 7/1/2010.

bases, convoy security, force protection for USACE, personal security details, and coordination of military activities through the Reconstruction Operations Center. DoS employs several types of armed contractors to staff security programs in Iraq, including diplomatic security special agents, marine security guards, third-country nationals, and personal security specialists.[299]

According to DoD regulations, "PSC personnel are not authorized to participate in offensive operations and must comply with specific USCENTCOM Rules for the Use of Force," which allow the use of deadly force only in self-defense and defense of facilities or property (as specified in their contracts) or for "prevention of life-threatening acts directed against civilians." USF-I provides guidance on the rules of use of force and issues weapons cards to approved PSC personnel, allowing them to carry weapons. The contractor's signature on the weapons card acknowledges an understanding of these rules.[300]

TABLE 2.15

SECURITY FORCES PROTECTING IRAQ, AS OF 6/30/2010

SERVICE		ASSIGNED PERSONNEL	TREND
U.S. Forces[a]		**75,000**	⬇
DoD/DoS/USAID Armed Private Security Contractors[b]		**20,738**	⬆
Iraqi Security Forces			
Ministry of Defense[c]	Iraqi Army (IA)	197,336	—
	Training and Support	46,459	—
	Air Force	4,023	—
	Navy	2,910	—
	Total MOD	**250,728**	—
Ministry of Interior[c]	Iraqi Police	301,286	—
	Iraqi Federal Police	43,957	⬆
	Border Enforcement	60,605	⬆
	Oil Police	29,411	⬆
	Facilities Protection Service (FPS)	90,000	—
	Total MOI	**525,259**	⬆
Special Forces		4,120	—
ISF Total		**780,107**	⬆
Grand Total		**875,845**	⬆

Note: Numbers affected by rounding.
[a] Number of troops as of 7/15/2010.
[b] PSC numbers shift continually based on changing contract activity and level of security services required.
[c] Assigned numbers illustrate payroll data; they do not reflect present-for-duty totals.

Sources: SIGIR, *Quarterly and Semiannual Reports to the United States Congress,* 1/2009–7/2009; OSD, responses to SIGIR data calls, 4/2/2009, 7/1/2009, and 9/30/2009; DoD, *Measuring Stability and Security in Iraq,* 12/31/2008; OSD, response to SIGIR data call, 7/1/2010; U.S. Embassy-Baghdad, RSO, response to SIGIR data call, 7/1/2010; USAID, response to SIGIR data call, 7/2/2010.

For the totals of armed PSCs serving DoD, DoS, and USAID, see Table 2.16. For more details on contractors in Iraq, see the Reconstruction Funding Management and Uses subsection of this Report.

As SIGIR reported last quarter, some GOI agencies and personnel have harassed PSCs this year. The U.S. Embassy's Regional Security Office provided additional examples of undue bureaucratic restrictions and operational challenges reported this quarter:[301]

Table 2.16

Armed Private Security Contractors in Iraq, as of 6/30/2010

	U.S. Citizen	Third-country National	Iraqi	Total
DoD	887	12,204	1,646	**14,837**
DoS/USAID	1,205	3,032	1,664	**5,901**
Total	**2,089**	**14,695**	**2,823**	**20,738**

Sources: U.S. Embassy-Baghdad, response to SIGIR data call, 7/1/2010; OSD, response to SIGIR data call, 7/1/2010; USAID, response to SIGIR data call, 7/2/2010.

- In mid-June, a non-Chief of Mission PSC, on an administrative move without a client, reached an entry control point and prepared to present documents. IA personnel reportedly removed PSC personnel from their vehicles and assaulted them under the threat of deadly force. PSC personnel were arrested, equipment and vehicles confiscated, and the PSC members taken to another location where, reportedly, they were once again assaulted. The reasons for the IA's actions are unknown.
- The MOI Private Security Companies Licensing and Registration Office has reportedly been issuing arbitrary orders and imposing deadlines that are difficult to meet, which strains the MOI's capacity to manage its own workload.
- Some PSCs report waiting months for the MOI to approve annual license renewal applications, requiring companies to file a renewal even before the original application has been adjudicated. The Regional Security Office (RSO) is uncertain whether this is intentional or simply the result of inaction.

The first of 140 M1A1 tanks purchased by the GOI began rolling in this summer.

Iraqi Security Forces

According to USF-I, the ISF is striving to reach its "minimum essential capability" objectives:[302]

- **MOD forces**—The Iraqi Army is functioning well as a counterinsurgency force, the Navy is providing offshore oil terminal defense, and the Air Force is increasing capability and capacity in mobility, airspace control, and ground attack.

Soldiers of the 5th Iraqi Army Division salute the Iraqi flag during a change-of-command ceremony to transition control of the Combat Outpost Mullalah in Diyala province. Iraqi forces relieved U.S. 1st Stryker Brigade Combat forces on June 25, 2010. (USF-I photo)

- **MOI forces**—Both the Federal Police and Oil Police are operationally capable, and the Provincial Police and Border Police have shown progress in performing their security functions.

The newly confirmed USF-I Commanding General testified in June that, "while we are witnessing Iraqi security forces that are increasingly independent and capable of providing internal security, much work remains to be done." He emphasized that "continued U.S. efforts to train, advise, and equip the Iraqi security forces will be required to meet the President's guidance and vision for a sovereign, stable, and self-reliant Iraq."[303]

Current training plans and equipment expectations anticipate a shift in ISF operations, with MOI forces assuming a larger role in internal security as MOD forces move to a more conventional force structure and focus on external threats, while retaining the ability to conduct targeted counterinsurgency and stability operations. This transition is well underway, and the MOD is building its conventional defense capabilities:[304]

- The first of 140 M1A1 tanks purchased by the GOI began rolling in this summer, and 65 tank crews have already received training. The IA is actively training at 10 Iraqi-run training centers across the country, honing specialized individual skills and working toward a large joint-training exercise planned for April 2011.

- The Iraqi Air Force currently operates 110 aircraft. It nearly doubled its personnel in the past year and has a plan to double its numbers again (to a force of 10,000 personnel) by the end of 2011. The MOD is training its own fixed-wing and helicopter pilots. During the national elections, the Iraqi air force squadrons flew 134 sorties—securely transporting ballot boxes, performing overwatch, and providing intelligence, surveillance, and reconnaissance with real-time communications to their operation centers.

- The Iraqi Navy is also growing in size and capabilities, with more than 50 vessels deployed to protect critical offshore oil infrastructure, territorial waters, and commercial ports. The Iraqi Navy conducted 50 patrols per month this quarter, a 300% increase from the same quarter last year. For the last six months, the Iraqi Navy has been fully responsible for securing one of the two oil platforms. Additionally, the first of 15 new U.S.-built patrol boats are scheduled to arrive later this summer, and 50 Iraqi sailors, who will form the first crews for those patrol boats, were training in Louisiana this quarter.

The MOI has approximately 410,000 officers, and it is beginning the transition to police primacy for internal security. USF-I reports that police are increasingly capable at all levels.[305]

Training
Increasingly, U.S. support for the ISF comes in the form of advising, assisting, and equipping—as opposed to earlier periods, where training was conducted by U.S. personnel and contractors and security missions were led by U.S. forces.[306]

Ministry of Interior
The MOI has principal responsibility for Iraqi police training, which is conducted at 23 training centers across the country (see Figure 2.22). As of June 29, 2010, U.S. support was being provided by more than 320 U.S.-funded International Police Advisors (IPAs), who offer training and mentoring

U.S. soldiers advise Iraqi Commandos near Baghdad, on June 22, 2010. (U.S. Army photo)

at the station level, in academies, border forts, ports of entry, and at the MOI. In addition, U.S. advisors continue to provide specialized training in lab forensics, canine teams, counter-explosives, and other skills.[307]

This quarter, the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) continued operational and logistics planning for its Police Development Program (PDP). The PDP is scheduled to begin when DoS assumes full responsibility for the U.S. role in Iraqi police training on October 1, 2011. Planners anticipate that the PDP will be smaller in scope and scale than the current military-led program.[308] For further details of the transition, see the Reconstruction Funding Management and Uses subsection in this Report.

On April 26, 2010, DoS discussed with the GOI an extended security and rule-of-law assistance program of three to five years. Tentative plans call for more than 320 U.S. advisors to work with the MOI on developing Iraqi judicial and legal institutions. Programs will focus on forensics training, advisor support for MOI and MOD managers, and other rule-of-law activities. Discussions continue about launching this broad cooperative effort in Baghdad, Erbil, and Basrah provinces.[309] Next quarter, SIGIR will be reporting on management issues related to the U.S. program to support Iraqi Police training.

Ministry of Defense
The MOD has principal responsibility for training the Iraqi Army,[310] with limited support from

Planners anticipate that the Police Development Program will be smaller in scope and scale than the current military-led program.

FIGURE 2.22
IRAQI SECURITY FORCES TRAINING CENTERS

Source: U.S. Embassy-Baghdad, response to SIGIR data call, 5/15/2010.

were acknowledged by Prime Minister al-Maliki as part of the security forces of Iraq for the purpose of receiving U.S. military equipment and training.[315]

Equipment and Foreign Military Sales

Equipping the ISF to meet the requirements of its external security role remains a challenge. According to ITAM, GOI budgetary outlays for ISF equipment have been constrained by past revenue shortfalls and a dependence on the ISFF for key purchases.[316] It reports that these challenges are underscored by the MOD's inability to establish and maintain capable logistics/sustainment infrastructure—a capability that remains under construction and is deemed marginally responsive to core requirements such as ammunition requests and procurement of repair parts. The following are key items on a list of "critical unique resources" that ITAM reports are being employed to address equipment requirements:[317]

- The U.S. military has designated 60,000 pieces of surplus equipment for the U.S. Equipment Transfer to Iraq (USETTI) program. USETTI involves equipment transfers to the MOD, MOI, and Special Forces. Currently, the GOI has obligated $143 million to fund refurbishment and transportation costs for selected items. Key equipment identified for the IA includes armored personnel carriers, tracker mortar carries, tracked maintenance vehicles, and M198 Howitzers. Surplus equipment is meant to complement ISFF purchases and items procured via the Foreign Military Sales (FMS) program to help the ISF reach its readiness requirement goals.

- As of June 30, 2010, the GOI reported that 158 cases worth $5.6 billion had been endorsed by a Letter of Offer and Acceptance through the FMS program. The value of cases already delivered to the GOI is $2.8 billion.

- Development of Iraq's air force capability has involved both U.S. and GOI funding for fixed-wing and rotary aviation platforms. DoD reports that the Iraqi Air Force retains high readiness rates and is capable of surging missions but

U.S. advisors in the Iraq Training and Advisory Mission (ITAM). As of June 30, 2010, the largest U.S. advisor staffs supported the Iraqi Air Force, the MOD's Joint Headquarters, and the National Intelligence Cell.[311]

This quarter, 20,300 IA soldiers graduated from a diverse collection of courses.[312] Specialized training focused on officer and NCO professionalization, mechanized equipment, artillery, engineering, and logistics capabilities.[313] According to DoD, training was negatively affected by IA operational requirements related to the parliamentary elections and delays in seating a new government.[314]

Also this quarter, the Minister of Defense approved training for officers and NCOs of the Kurdistan Region's four Regional Guard Brigades, beginning in July 2010. In April, these Peshmerga forces

is reliant on contractor sustainment to do so. Recently, the GOI requested F-16 fighter aircraft through the FMS program. USF-I leadership indicates that these requests are being assessed.

Sons of Iraq

As of July 2010, more than 41,000 Sons of Iraq (SOI) members had transitioned into the ISF or various civil ministries. A May 11, 2010, memorandum from the MOD formally requested that further transition be postponed until the security situation improves. The GOI had intended to resume transition of the remaining members shortly after the national elections, but various circumstances apparently prevented that from happening. Chief among them, a hiring freeze called for in the 2010 GOI Budget Law, remains a matter of debate between the Ministries of Finance and Interior.[318]

Meanwhile, support for the SOI remains problematic. The GOI provided more than $270 million to pay SOI salaries in 2009 and an estimated $75 million thus far in 2010. However, timely pay continues to be a challenge. Payment of March salaries was projected to begin in mid-April, but was delayed until the end of May.[319] As of June 30, 2010, the GOI was only able to distribute salaries to about 85% of SOI nationwide; approximately 50% of Baghdad SOI had not received their April and May salaries. On July 18, 2010, multiple suicide bombers attacked SOI members, who were lining up to get paid, killing more than 40 and injuring dozens.[320]

In addition, anecdotal reporting from U.S. advisory teams embedded within the IA indicates the GOI is providing minimal logistical and security support to the SOI—including inadequate ISF protection and support at checkpoints. This has led to complaints from SOI members that they feel exposed and defenseless.[321]

Numerous negative media reports in Iraq and abroad have highlighted the perception that the GOI is not committed to the SOI program. DoD has reported on the SOI's persistent belief that its members are being transitioned to menial jobs and unfairly targeted for arrest; continuing pay

problems have further contributed to SOI distrust of the government. According to DoD, the GOI has been largely ineffective in countering this perception and communicating to the SOI its commitment to the reconciliation process.[322]

SIGIR has an audit underway examining the costs and outcomes of the SOI program.

Daughters of Iraq

The Daughters of Iraq (DOI) continue to support local Iraqi Police checkpoints in Anbar, Baghdad, and Diyala. DOI personnel do not carry weapons, but are stationed with armed males, and work in pairs to conduct body searches of female visitors for possible weapons and explosives. As the Iraqi Police continue to add females to their ranks, the need for the DOI is diminishing, and there are no plans to transition its members into permanent employment in the ISF.[323]

The Rule of Law

As of June 30, 2010, the United States had allocated $1.59 billion, obligated $1.55 billion, and expended $1.41 billion to improve the rule of law, including human rights, in Iraq.[324]

U.S. efforts to improve the judicial and criminal justice systems continue to focus on judicial security, capacity and capability to collect and process criminal evidence, and capacity and oversight of detention facilities.[325] INL funds the Rule of Law Coordinator (RoLC) program and has separate corrections, law enforcement, and judiciary programs that complement RoLC efforts.

Iraq's Judiciary

In May 2010, the Inspector General met with Iraq's Chief Justice, Medhat al-Mahmoud, in Baghdad. They discussed Iraq's election certification process and the status of Iraqi anticorruption agencies (Council of Integrity, Board of Supreme Audit, and ministry IGs). The Chief Justice stressed the importance of selecting good

On July 18, 2010, multiple suicide bombers attacked SOI members, who were lining up to get paid, killing more than 40 and injuring dozens.

SIGIR's Inspector General meeting with Chief Justice Medhat al-Mahmoud, Baghdad, May 2010.

IGs, remarking that some officials had been taking advantage of the system.

The Chief Justice also described the "circle of money," which is being spent among the offices of the president and prime minister, as well as the CoR. No one knows how much and for what. Remarking that a "bad financial system makes corruption possible," Justice Medhat emphasized that the government will need to hire competent financial managers.

On judicial security, the Chief Justice said there have been many troubling events, not just the ones in February. He advocated for the judges to have "true protection," in the form of more weapons and extension of protection to the judges' families. He added that Iraq would do well to pattern its judicial security program after the U.S. Marshals system.[326]

The Iraqi judiciary has advanced markedly as an institution since the re-establishment of the Higher Judicial Council (HJC) as an independent branch of the GOI in 2003. In 2009, a record number of judges graduated from the Iraqi Judicial Training Institute, which provides basic training for judges and prosecutors. As of January 2010, there were 1,263 judges working in Iraq—almost double the number in 2003—including 925 trial judges, 338 prosecutors, and 9 HJC judges. The Chief Justice has expressed particular pride about the number of female judges increasing from 7 to 67 (including 15 trial judges and 52 prosecutors) during this time period.[327]

Some offices of the INL-supported Judicial Development Institute (JDI) opened in January 2010, and work on the rest of the facility nears completion. This new facility supports HJC capacity building by providing advanced training to judges, judicial investigators, and staff.[328]

USACE reports that construction of a new $7.2 million, INCLE-funded courthouse in Hilla is nearly complete. The GOI is set to begin operating from the facility shortly.[329]

Judicial Security Initiatives

This quarter, a year-long, INCLE-funded assessment of key vulnerabilities in courts around the country was completed. The results of the assessments have contributed to security training curriculum, courthouse security upgrades, and a specialized course to train HJC staff in performing security assessments independently. INL has also funded equipment for the HJC to replace items lost in the bombing of court facilities in October and December 2009.[330]

In April 2010, the MOI approved a training strategy for all judicial personal security details and added a personal protection program for the judges of its General Directorate of Dignitary Protection. The directorate issued personal weapons and weapon identification cards to the personal security details of 298 participating judges. Based on the initial success of the program, more judges have submitted applications, and there are currently almost 300 applications pending.[331]

Court Docket Processing

In June, the HJC discussed the possibility of reconvening the Ministerial Committee on the Rule of Law for Detentions to address methods for improving the investigation and processing of pretrial detainees in GOI detention facilities. RoLC reports that the committee has great potential to improve this process as it brings together judges and investigating police. Additionally, at the request of MOI Deputy Minister Ali Hussein Kamal, U.S. Embassy-Baghdad and USF-I are planning to meet and review current practices and procedures on case processing of pretrial detainees.[332]

The Central Criminal Court of Iraq (CCC-I) continues to operate out of half of the JDI. In May

The U.S.-funded, $7.2 million al-Hillah Courthouse was designed to provide a modern complex for rule-of-law authorities in Babylon province. (USACE photo)

2010, the HJC assumed principal responsibility for the operational costs of the CCC-I and continues to work alongside U.S. forces to become more self-sufficient. INL has been working with USF-I staff on-site to begin exit planning as the USF-I winds down engagement at the JDI.[333]

This quarter, operational information began to flow through the new INCLE-funded case tracking system that is intended to speed the adjudication of court cases. Jointly managed by the HJC, MOI, and MOJ, the system comprises three entity-specific databases built on a shared data dictionary that allow each organization to address its own data-management priorities while sharing data as agreed with partners. The HJC has taken the lead in rolling out the system, and eight courts now have working servers that operate the application.[334]

In June 2010, the GOI-managed Inter-Agency Working Group began sharing data records, at an initial volume of 15,000–20,000 records. The records include warrant and other information necessary to ensure the efficient and accurate transmission of information from initial arrest through trial and, if relevant, incarceration and release.[335]

With INL support, the GOI has implemented two additional automated systems—one for managing the records of criminals processed by the MOI and the other for tracking prisoners at the MOJ. The ministries now have the capacity to update, expand, and manage these software applications.[336]

Prisons and Detainees

As of June 30, 2010, U.S. forces had 1,769 Iraqi detainees in custody. More than 70% are Sunni, and 30% are Shia. USF-I continues to work cooperatively with the GOI to obtain arrest warrants for detainees that can be processed in Iraq's criminal justice system. Consistent with the obligations under the SA, U.S. forces work closely with the GOI to release those detainees who cannot be transferred to the GOI in a safe and orderly manner. U.S. forces have released approximately 8,200 detainees since January 2009 and transferred nearly 5,600 additional detainees to the GOI with arrest warrants, detention orders, or as convictions.[337]

On July 15, 2010, USF-I transferred the Cropper Theater Internment Facility—the last large internment facility operated by USF-I—to Iraqi control. New infrastructure investment at the facility totaled $48 million, and nearly $50.2 million in contracts to sustain Iraqi detention operations through December 2010 were transferred with the facility. At the time of the transfer to the GOI, approximately 1,600 detainees with Iraqi arrest warrants, detention orders, or convictions were housed there; the maximum capacity is 4,000 detainees. USF-I continues to conduct limited detainee operations at the facility in support of ongoing counterterrorism operations and at the special request of the GOI. In the last year, USF-I closed the Bucca Theater Internment Facility and transferred the Taji Theater Internment Centers to GOI control.[338] For locations of all prisons in Iraq, see Figure 2.23.

Human Rights Update

As underscored in the *UN Development Assistance Framework for Iraq 2011–2014* (UNDAF), "the Iraqi state's capacity to exert legitimate authority through the rule of law has been weakened by the cumulative effect of years of violence and general degradation of state institutions." According to the UNDAF, the most vulnerable groups in Iraq—women, widows, female heads of household, children, persons with disabilities, minority communities, and IDPs—"have limited access to the formal justice

U.S. forces have released approximately 8,200 detainees since January 2009 and transferred nearly 5,600 additional detainees.

FIGURE 2.23
Iraq's Prisons
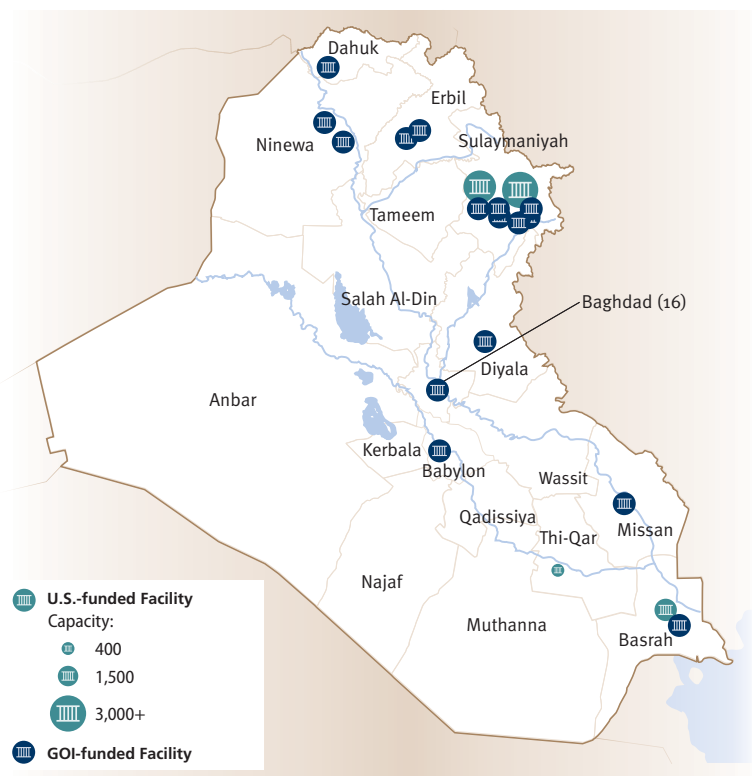
Sources: U.S. Embassy-Baghdad, responses to SIGIR data calls, 4/14/2010 and 5/15/2010.

TABLE 2.17
UNDAF Targets for Human Rights

Metric	Baseline	2014 Target
A national human rights responsive population policy in place	No (2009)	Yes
Number of criminal codes and criminal procedures codes harmonized with international human rights law	0 (2009)	2
Percentage of periodic reports submitted as required by international human rights treaties ratified by Iraq	TBD (2009)	100%

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

system and express little confidence in its workings." They rely on traditional justice mechanisms, which often are not compliant with national and international human rights standards.[339]

According to the UNDAF, Iraq's accession to and ratification of several international human rights instruments, as well as the International Labor Organization core conventions, have not been consistently translated into domestic law. The United Nations Country Team (UNCT)

reports an increase in human rights abuses, gender discrimination, marginalization and exclusion of some communities, and insufficient protection of vulnerable groups. And although Iraq has passed a law for establishing an independent high commission for human rights, it has yet to be established.[340]

The UNDAF has set priorities to align with worldwide Millennium Development Goals for improving the lives of impoverished populations by 2015. At the foundation of this work is the need to meet the basic rights of Iraq's people to education, health, food, safe and clean water, and decent housing. Improvement of the protective environment in Iraq for children and young people is a primary goal. The UN has planned support for reforms to the juvenile justice system so that it may conform to international standards.[341] See Table 2.17 for UNDAF human rights metrics and targets in Iraq. ◆

INFRASTRUCTURE

As of June 30, 2010, the United States had allocated $12.53 billion, obligated $12.05 billion, and expended $11.77 billion from the four major funds to rehabilitate Iraq's infrastructure, including projects in the oil and gas, electricity, water and sanitation, and transportation and communications sectors.[342] For the status of U.S. infrastructure funds, see Figure 2.24 and Table 2.18.

U.S. expenditures on infrastructure projects peaked in the last quarter of FY 2005, when $969.4 million was expended. As shown in Figure 2.25, this quarter's expenditures were just 4% of that amount. Of the $286.9 million in unexpended obligations at the end of the quarter, the largest share was in the electricity sector, followed closely by water and sanitation and then transportation and communications. Roughly two-thirds of these unexpended obligations were CERP funds.[343]

The winding down of direct U.S. support for reconstruction comes as the GOI and United Nations launch coordinated five-year plans to continue critical development work. Much remains to be done in the infrastructure sector:

- Crude oil production has reached at least a temporary plateau.
- Domestic production of refined fuels, such as gasoline and liquefied petroleum gas (LPG), is insufficient to meet demand.
- Electricity shortfalls are widespread and, together with inadequate supplies of drinking water, contributed to violent demonstrations in several provinces this quarter.
- The civil aviation and port sectors require help in meeting international standards.

Now the GOI is relying more on support from international partners and organizations and is exploring various mechanisms for attracting private investment to continue the rebuilding effort.

FIGURE 2.24

INFRASTRUCTURE: STATUS OF FUNDS FROM THE IRFF, ISFF, ESF, AND CERP
$ Millions
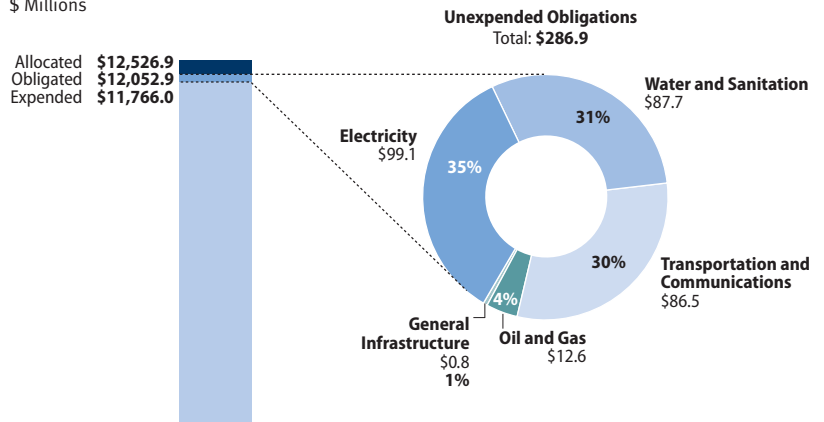
Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, response to SIGIR data call, 7/6/2010; OSD, response to SIGIR data call, 4/10/2009; USACE, response to SIGIR data call, 7/12/2010; USAID, response to SIGIR data call, 7/8/2010.

FIGURE 2.25

INFRASTRUCTURE: QUARTERLY U.S. EXPENDITURES, BY RECONSTRUCTION SECTOR
$ Millions

Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, responses to SIGIR data call, 6/30/2010, 7/6/2010, and 7/8/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USAID, responses to SIGIR data call, 7/8/2010 and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–4/2010.

Table 2.18

Infrastructure: Status of Selected Programs
$ Millions

PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
	OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Water Resources & Sanitation - Potable Water (IRRF)	1,338.4	1,332.5	-0.8 (0%)	15.3 (1%)
Transportation & Telecommunications Projects - Railroad Rehab and Restoration (IRRF)	196.1	196.1	0.0 (0%)	10.4 (6%)
Electric Sector - Transmission (IRRF)	1,023.1	1,012.6	3.1 (0%)	6.4 (1%)
Infrastructure Security Protection - Electricity (ESF)	27.0	24.1	4.3 (19%)	1.9 (9%)
Transportation (CERP)	357.2	303.9	3.1 (1%)	0.0 (0%)
Transportation & Telecommunications Projects - Iraqi Communications Systems (IRRF)	52.9	40.0	-0.2 (0%)	2.6 (7%)
Plant-Level Capacity Development & Technical Training - Communication (ESF)	4.2	2.1	2.2 (104%)	0.1 (7%)
Electricity (CERP)	381.5	330.7	1.3 (0%)	0.5 (0%)
Water & Sanitation (CERP)	690.2	625.7	1.8 (0%)	0.0 (0%)
Other	7,982.3	7,898.2	-10.3 (0%)	-1.9 (0%)
Total	**12,052.9**	**11,766.0**	**4.4 (0%)**	**35.3 (0%)**

Note: Programs listed in this table had changes of at least $1 million in combined quarterly obligations and expenditures. Appendix C shows the status of all programs funded by the four major funds, including those in the Infrastructure reconstruction area that are grouped in the "Other" category here. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, response to SIGIR data call, 7/6/2010; OSD, response to SIGIR data call, 4/10/2009; USACE, responses to SIGIR data calls, 4/1/2010 and 7/12/2010; USAID, responses to SIGIR data calls, 4/13/2009 and 7/8/2010.

Oil and Gas

As of June 30, 2010, the U.S. government had allocated $2.05 billion, obligated $1.93 billion, and expended $1.91 billion to rehabilitate the oil and gas sector in Iraq.[344]

This quarter, for the first time, oil pipelines protected by Pipeline Exclusion Zones were damaged by attacks.

Crude Oil Production and Exports

Despite month-to-month fluctuations, crude oil production in Iraq has been relatively flat for the past two-and-a-half years, averaging 2.42 million barrels per day (MBPD) in 2008, 2.40 MBPD in 2009, and 2.38 MBPD thus far in 2010. Production this quarter was unchanged from last quarter and 1% less than the amount produced in the April–June quarter of 2009. Exports of crude oil this quarter averaged 1.85 MBPD, a 5% drop from last quarter and 2% less than the same quarter in 2009. Of the crude oil that was not exported, 0.43 MBPD went to refineries, a 16% increase from last quarter and

a 19% increase from the same quarter last year.[345] For crude oil production, refinery input, and export levels since 2003, see Figure 2.26.

Attacks on Oil Infrastructure

This quarter, for the first time, oil pipelines protected by Pipeline Exclusion Zones (PEZ) were damaged by attacks:[346]

- On April 22, unknown attackers damaged a section of the pipeline in Ninewa province that transports crude oil to the export terminal in Ceyhan, Turkey. The event reportedly halted the flow of oil to the north for five to six days while the line was repaired, resulting in the delayed transport of about 200,000 barrels of oil, but had no effect on northern crude oil production. The estimated value of the lost oil, cost of repairs, and demurrage totaled less than $30 million.
- On April 27, an attack on the PEZ-protected Baiji-to-Baghdad pipeline prevented the Doura refinery

FIGURE 2.26

CRUDE OIL PRODUCTION AND EXPORTS, BY MONTH, 10/2003–6/2010

Million Barrels per Day
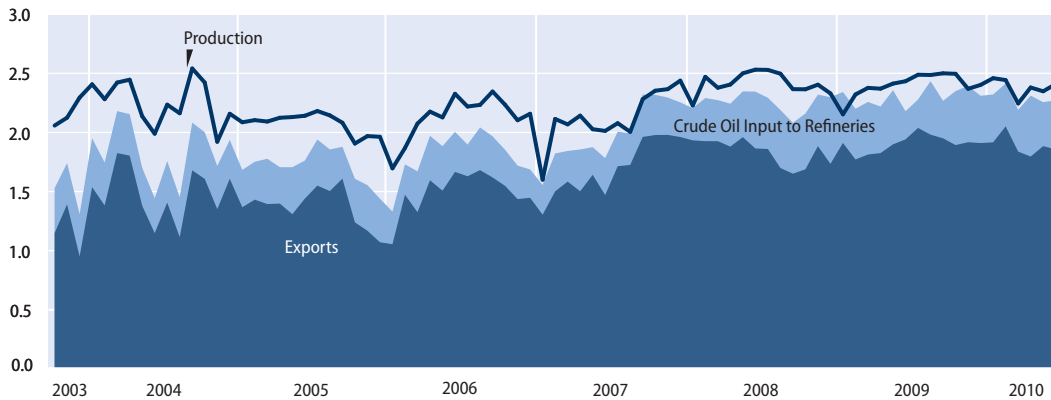
Note: Most crude oil produced in Iraq is either exported or refined into petroleum products. The remainder is consumed in power plants, put in storage, or unaccounted for.

Sources: NEA-I, responses to SIGIR data call, 6/4/2010 and 7/6/2010.

from receiving about 20,000 barrels per day (BPD) from the Kirkuk oil fields for several days. The refinery continued to operate at a reduced level using southern crude oil for feedstock.

- On June 7, another section of the Iraq-Turkey pipeline in Salah Al-Din province was damaged by unidentified causes, resulting in losses comparable to the earlier attack on that line.

On June 21, an improvised explosive device damaged a pipeline in West Qayyarah in Ninewa, but it is unclear if this line was within a PEZ. Repairs were completed in less than three hours.[347]

Expansion of Upstream Production Capacity

The Ministry of Oil has said that it hopes to see a total production increase of approximately 150,000 BPD by the end of 2010 as a result of service contracts awarded in June and December of 2009.[348] And it expects an increase of about 600,000 BPD by the end of 2011.[349] The development contract for the supergiant Rumaila field reportedly has progressed the furthest; the consortium of British Petroleum (BP), China National Petroleum Company (CNPC), and the South Oil

Company assumed full control of the field on July 1. The field currently produces nearly 1 MBPD, and Ministry of Oil officials estimate a roughly 200,000 BPD increase by the end of 2010. Under the terms of the contract, production is expected to increase to 2.85 MBPD by 2017. Production at the al-Zubair field, operated by Italian firm Eni, could expand by 250,000–300,000 BPD from its current rate of 180,000 BPD. And the Majnoon field could more than triple its current output of about 50,000 BPD by the end of 2012.[350]

This quarter, the China National Offshore Oil Corporation (CNOOC–63.75% stake) and Turkish state-owned TPAO (11.25% stake) signed a final agreement with the GOI to expand production by 350,000 BPD in the three Missan oil fields (Fawqa, Abu Ghirab, and Buzurgan) that were initially offered at auction in June 2009.[351] The Missan Oil Company holds the remaining 25% stake in this deal.[352] Current production averages 100,000 BPD.[353] Lukoil has reportedly allocated $5 billion toward oil-drilling projects for West Qurna Phase 2 field, and expects to commence drilling operations in 2011. The company, with partner firm Statoil, signed a service agreement with the GOI in January to expand the field's production.[354]

The Ministry of Oil expects an increase of about 600,000 BPD by the end of 2011.

Anticipating future opportunities with companies developing Iraq's oil fields, oil services firms are moving ahead with their own expansion plans. For example, Schlumberger Ltd. announced in March that it was nearing completion of its own operating base in Basrah province and bidding on several well-operation and integrated-services packages.[355]

Export Expansion

Of the 1.90 MBPD of crude oil that Iraq exported in 2009, about three-fourths was shipped from the southern port facilities in Basrah, one-fourth was transported via pipeline north to the port of Ceyhan, and less than 1% was trucked to Jordan.[356]

The GOI is currently undertaking the Iraq Crude Oil Export Expansion (ICOEE) project to rehabilitate and expand southern Iraq's pipeline capacity and offshore export terminals. This quarter, oil services firm Foster Wheeler Ltd. announced that the South Oil Company had awarded it a contract to oversee the ICOEE. The project will include construction of onshore and offshore pipelines, as well as installation of three single-point mooring buoys, a central manifold and metering platform in the Persian Gulf, and related infrastructure. The project aims to boost southern Iraq's export capacity from 1.8 MBPD to 4.5 MBPD by 2014.[357]

The Ministry of Oil signed an initial agreement with Turkey this quarter to extend the transport of crude oil through the Iraq-Turkey pipeline for another 12 years.[358] Industry observers also report that the GOI is seeking to replace its crude oil pipeline to Syria. Before the 2003 invasion, the pipeline's export capacity stood at up to 200,000 BPD,[359] but it has remained idle in recent years because of damage sustained during the intervention and subsequent looting. Iraq and Syria have discussed repairing the pipeline since at least 2007; however, no agreement or action has yet been taken.[360]

Refineries and Petroleum Products

Compared with the same period last year, Iraq's refineries this quarter produced 24% more diesel fuel, 23% more gasoline, 11% more kerosene, and 4% more LPG.[361] Notwithstanding these gains, Iraq's refineries are unable to meet domestic demand for higher-grade products such as gasoline and LPG because of the country's outdated refining infrastructure and insufficient supplies of crude oil available for use as feedstock.[362] Although almost all of this quarter's supplies of kerosene and diesel fuel were produced domestically, Iraq relied on imports for 30% of its gasoline and 17% of its LPG.[363] For trends in the production and import of petroleum products, as reported by the DoS Bureau of Near Eastern Affairs-Iraq (NEA-I), see Figure 2.27.

The current capacity of Iraq's refineries, all of which are state-owned, is about 790,000 BPD.[364] The Ministry of Oil's strategic plan calls for increasing this capacity to 1.5 MBPD by 2017, and the GOI is seeking an estimated $20 billion or more in investments to achieve this goal through the expansion of existing infrastructure and construction of new facilities.[365] Specifically, the ministry plans to expand the existing Doura and Basrah refineries and to build four new refineries: a 300,000 BPD refinery in Nassiriya, a 150,000 BPD refinery in both Missan province and Kirkuk, and a 140,000 BPD refinery in Kerbala. The ministry previously awarded front-end engineering and design contracts for these new facilities, and on June 26, it held a conference for interested investors.[366] On May 3, in an effort to make investments more attractive, the Council of Ministers (CoM) approved an amendment to the 2007 Oil Refineries Law that would allow private investors to receive a 5% discount off the market price on a guaranteed supply of crude oil for 50 years. However, the amendments still need to be sent to the Council of Representatives (CoR) for approval.[367]

Oil Sector Capacity Development

Beyond improving the oil sector's physical infrastructure, the GOI needs to add substantial numbers of skilled workers to its oil sector companies to manage existing and future production. To that end, the United States continued to provide the Ministry of Oil training and advice through

Iraq's refineries are unable to meet domestic demand for higher-grade products such as gasoline and LPG.

USAID's *Tatweer* program, which focuses on developing public administration expertise in key Iraqi ministries.[368]

In May 2010, the South Oil Company completed its first organizational self-assessment and benchmark report, evaluating its Finance Division (Hay'a) under the *Tatweer* Organizational Self-assessment and Transformation Program. The report assessed organizational performance against international best practices and processes in finance, knowledge management, leadership, and human resources.[369] *Tatweer* has also been working since October 2009 to support the North Oil Company, North Refining Company, and Oil Products Distribution Company at the Minister of Oil's request.[370]

Natural Gas

According to the Ministry of Oil, production of associated natural gas averaged 1,373 million cubic feet (MCF) per day during the first five months of 2010, and slightly more than half of this gas (710 MCF per day) was flared.[371] Other sources peg the flaring at closer to 1,000 MCF per day.[372]

On June 29, the CoM allowed the Ministry of Oil to continue negotiations with the consortium of Royal Dutch Shell and Mitsubishi on the South Gas Utilization Project. However, the CoM has not yet approved a final contract. The agreement would establish the Basrah Gas Company, with 51% ownership by the Ministry of Oil's South Gas Company, 44% by Shell, and 5% by Mitsubishi. The joint venture would develop the associated gas from four major fields in Basrah province: Rumaila, al-Zubair, West Qurna 1, and Majnoon. Rather than being flared, the gas would be captured and distributed for domestic use and export.[373]

This quarter, the Ministry of Oil announced that it would hold a bidding round on September 1, 2010, for the development of three non-associated gas fields: the Akkas field in Anbar province near the Syrian border, the Mansouriya field in Diyala, and the Siba field in southern Basrah province. The Akkaz and Mansouriya fields were both

FIGURE 2.27

REFINED FUEL PRODUCTION AND IMPORTS, BY MONTH, 2004–2010

LPG
Metric Tons per Day

Diesel Fuel
Million Liters per Day

Kerosene
Million Liters per Day

Gasoline
Million Liters per Day
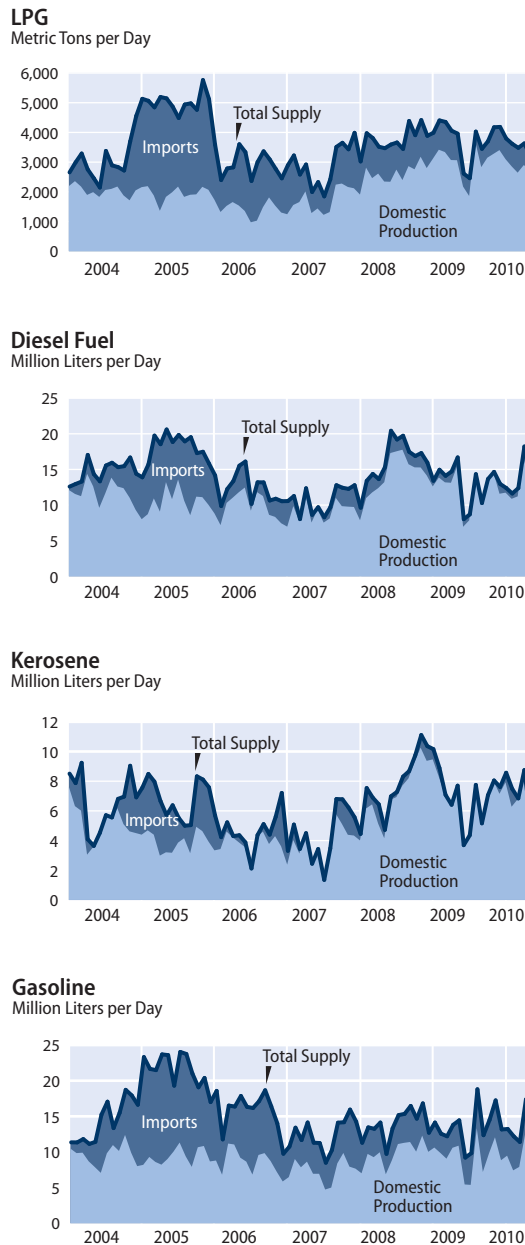
Sources: NEA-I, responses to SIGIR data call, 6/4/2010 and 7/6/2010.

offered in the first bidding round, held in June 2009; but the ministry rejected the one bid made on the Akkas field, and it received no bids on the Mansouriya field. International energy firms that prequalified to bid in the previous two rounds are eligible to submit bids in the third round.[374]

Electricity

As of March 31, 2010, the United States had allocated $5.19 billion, obligated $5.05 billion, and expended $4.96 billion to improve Iraq's generation, transmission, and distribution of electricity. About 40% of the expenditures have been for the refurbishment or expansion of power plants.[375]

Production and Imports

As a result of record-high production at Iraq's power plants, combined with record-high imports of electricity, the power supply on Iraq's national grid in June 2010 was the highest monthly average ever—6,721 megawatts (MW), or 161,304 megawatt-hours (MWh) per day. However, as shown in Figure 2.28, the electricity supply in April was more than 15% below that level, primarily because of planned outages for maintenance and shortages of fuel and water. For the entire quarter, the average daily supply was 6,202 MW; this was a 2% drop from last quarter and the first time since 2004 that total supply, as well as power plant production, decreased between the first and second quarters of the year.[376]

Electricity production from Iraq's power plants this quarter averaged 5,435 MW—a 4% decrease from last quarter and 6% below the previous quarterly high of 5,770 MW in July-September 2009. Compared with the same quarter last year, production increased by 238 MW, or about 5%. Over the past year, however, the nameplate capacity of power plants increased by more than 900 MW.[377] As shown in Figure 2.29, this increase in generating capacity was offset by unplanned outages and the effects of fuel and water shortages:

> The power supply on Iraq's national grid in June 2010 was the highest monthly average ever.

Figure 2.28

ELECTRICITY SUPPLY, BY MONTH AND QUARTER, 1/2010–6/2010

MW
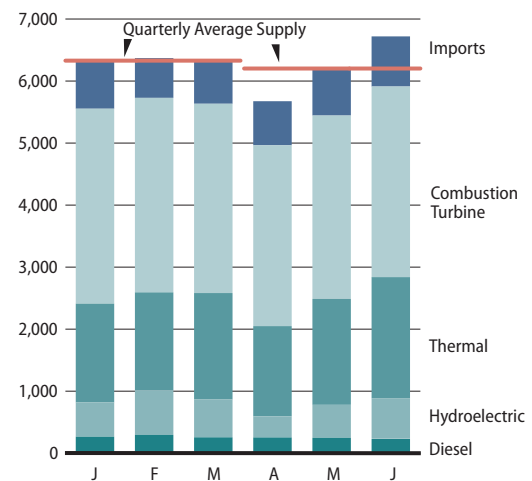
Sources: ITAO/ESD, *Electric Daily Performance Reports,* 1/1/2010–6/30/2010.

- Unplanned outages were more than 700 MW, or about 17,000 MWh per day (78%), higher than they were during the same quarter last year. On average, 1,625 MW of capacity was lost this quarter because of technical issues, mechanical failures, and inclement weather. For example, problems this quarter with two of the four generating units at the Erbil Gas plant (one of Iraq's newest) caused the plant's average output to be almost 90 MW below what it was a year ago and 120 MW below what it was last quarter.[378]

- Over the last year, an additional 265 MW of capacity was lost because of shortages of fuel and water for power generation. About 42% of these additional losses resulted from insufficient water at hydroelectric plants; 53% was due to lack of fuel at combustion turbine plants. In all, about 1,561 MW of capacity was lost this quarter because of fuel and water shortages.[379]

Electricity imports this quarter averaged 767 MW, or 18,409 MWh per day. Imports were more than 10% higher than they were last quarter and almost 13% above what they were during the same quarter

The Karadeniz Powership Dogan Bey is now moored at the port of Umm Qasr and supplying electric power to the Basrah area. (Wärtsilä Corporation photo)

in 2009. Electricity generated in Iran accounted for 78% of the imports and almost 10% of Iraq's total supply.[380]

The remaining imports were produced in power plants owned by Kartet, an independent power producer and energy trading company based in Turkey. Starting in 2003 and until this quarter, power has been imported from Turkey via transmission lines crossing the border into Iraq. In April, Kartet delivered the Karadeniz Power-ship Dogan Bey, a 126.5 MW floating power plant, to the port of Umm Qasr. The powership is oper-ated and maintained by Wärtsilä Corporation, a Finnish company, under contract with Kartet. During June, the plant's first full month of service, the powership's average output to the Basrah area was about 56 MW. A second Kartet powership is expected to be delivered this year to al-Zubair, also in Basrah.[381]

Supply-Demand Imbalance

While the supply of electricity in June was a record high, so was average demand, driven up to an estimated 10,800 MW (259,222 MWh per day), in part, by the seasonal rise in temperatures. As a result, supply in June met 62% of estimated demand. Based on MOE data, average demand during the entire quarter was 9,441 MW, a 6% increase from last quarter, but about 8% below

FIGURE 2.29

FACTORS LIMITING PRODUCTIVITY OF IRAQ'S POWER PLANTS, BY MONTH, 4/2009–6/2010

MW
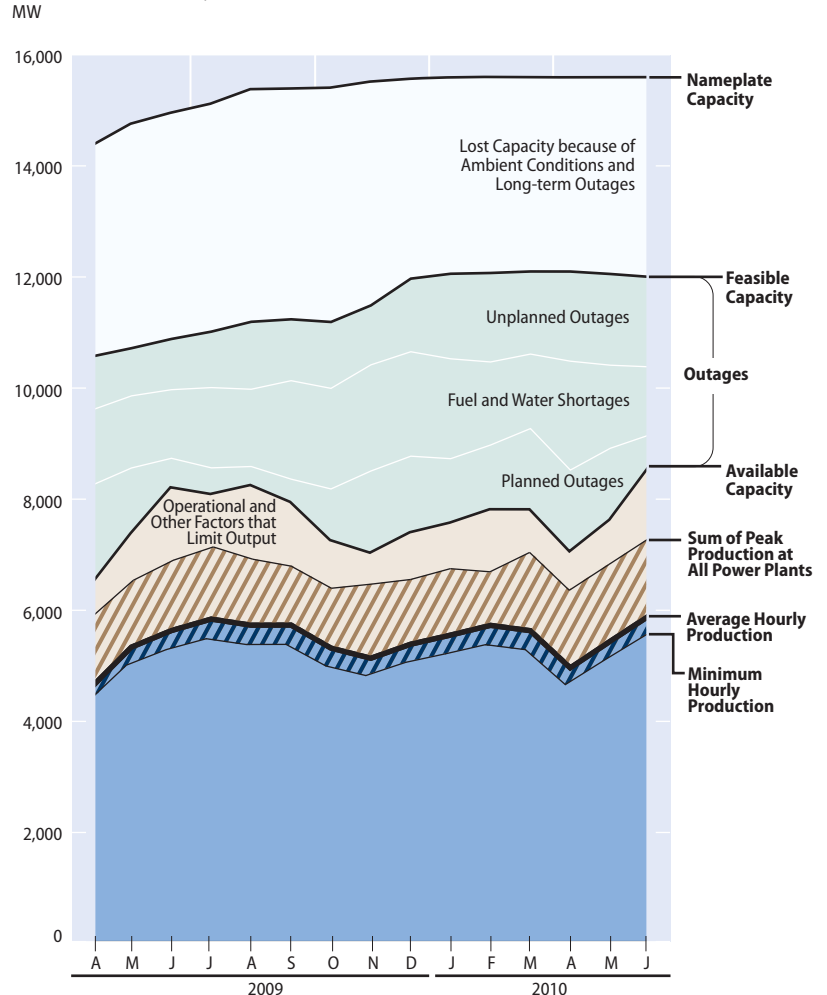
Note: This figure is intended to provide a general picture of the factors that limit the output of electricity from Iraq's power plants. It is based on data provided by the MOE and reported in the ITAO/ESD *Electric Daily Performance Reports*. Data for production, nameplate capacity, feasible capacity, and the three categories of outages is taken directly from those reports. However, because of uncertainties about the accuracy of some data, as well as the technical complexities of power production, the figure should not be viewed as a precise representation of power generation in Iraq. *Nameplate capacity* is the maximum rated output of all the generating units on the grid when operating under specific, optimal conditions designated by the manufactur-ers of those units. *Feasible capacity* is an estimate of maximum output that can be expected from the generating units taking into account actual conditions at the power plants. *Lost capacity because of Ambient Conditions* is the difference between nameplate capacity and feasible capacity; it is not a category in the reports but is shown here to help explain why feasible capacity is lower than nameplate capacity. In this context, ambient conditions include weather, type of fuel used, physical condition of the plant, and other factors that limit the units' output. *Available capacity* also is not a category in the reports; it is the feasible capacity of those units that are actually in service. *Operational and Other Factors that Limit Output* also is not a category in the reports; it is the amount that remains after subtracting production from available capacity. The most likely factor causing the difference between available capacity and average production is that units cannot prudently be operated continuously at full capacity. As demand fluctuates throughout the day (usually reaching its peak in the late afternoon), system operators monitor and adjust the actual output from the generating units. Thus, at any given moment, actual production could be closer to, or further from, available capacity than indicated by the average hourly production line in this figure. When actual daily peak production from all generating units is added together, the gap between available capacity and average hourly production is reduced. The *Sum of Peak Production* line is based on the day in each month when the sum of peak output from power plants was the highest.

Sources: SIGIR analysis based on ITAO/ESD, *Electric Daily Performance Reports*, 4/1/2009–6/30/2010.

FIGURE 2.30

AVERAGE IRAQI ELECTRICITY SUPPLY AND ESTIMATED DEMAND, BY QUARTER, 1/2004–6/2010

MW
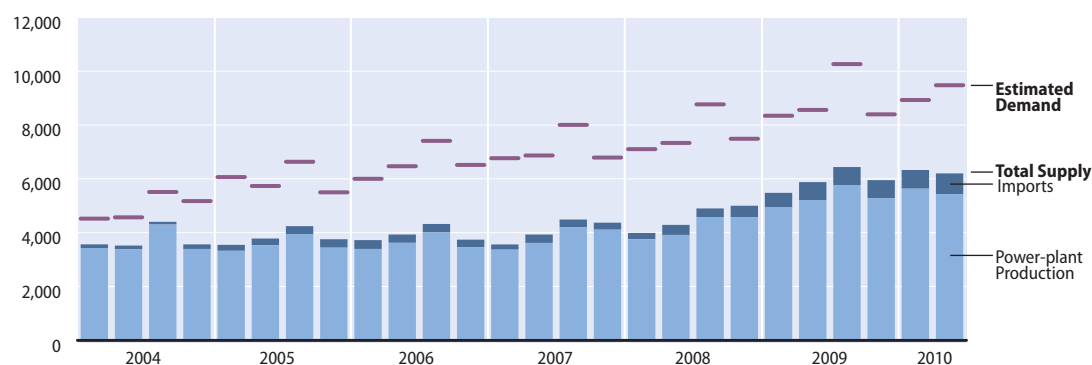
Sources: ITAO/ESD, *Electric Daily Performance Reports*, 6/1/2006–6/30/2010; DoS, *Iraq Status Reports*, 10/25/2006, slide 11, and 5/9/2007, slide 11.

the record quarterly high of 10,227 MW in July-September 2009. For the quarter, supply met 66% of estimated demand—down from 71% last quarter and from 68% during the same quarter last year.[382] Because of the supply-demand imbalance, many areas of Iraq reportedly receive just four hours of electricity per day.

Many Iraqis cannot afford to use private generators to supplement the limited supply of electricity they get from the grid. Those who have generators have trouble finding fuel. In southern Iraq, where temperatures in June started to reach 120 degrees Fahrenheit or more, the shortages of electricity and potable water spurred angry, stone-throwing protests. On June 19, security forces killed two demonstrators in Basrah and wounded two others. Two days later, in Nassiriya, at least 14 people were wounded. That same day, the Minister of Electricity offered to resign. On June 22, Minister of Oil al-Shahristani was named the acting Minister of Electricity.[383] He subsequently announced that he was stopping special electricity privileges for officials in Baghdad and that he had ordered production increases at several power plants.[384]

For quarterly averages of domestic production and imports, relative to estimated demand, since January 2004, see Figure 2.30.

> For the quarter, supply met 66% of estimated demand—down from 71% last quarter and from 68% during the same quarter last year.

Attacks on Electricity Infrastructure

The number of reported attacks on electrical transmission lines increased eight-fold this quarter, from 2 in the January–March period to 16 during April–June. Explosive devices damaged 18 transmission towers, causing 14 of them to collapse; but according to USF-I, these attacks had minimal or no effect on the availability of supplies on the national grid. All of the attacks took place in central and northern Iraq, with half occurring in Ninewa and Salah Al-Din provinces (See Figure 2.31).[385]

Efforts To Increase Production Capacity

The MOE has now awarded the engineering, procurement, and construction (EPC) contracts for all three power-plant sites associated with the "Fast Track Deal" with General Electric (GE). These plants are planned for Taji, Hilla, and Kerbala and will have a combined nameplate capacity of 660 MW. According to U.S. Embassy-Baghdad, the MOE is current in its payments to GE for the eight combustion turbines, the EPC letter of credit for the Taji site is 50% funded, and the letters of credit for the other two sites are in the process of being funded. Work at the Taji site is expected to begin soon.[386]

Funding is also current for the "Mega Deal" purchase of turbines from GE (56 turbines,

ATTACKS ON POWER TRANSMISSION LINES, 4/1/2010–6/30/2010

Source: USF-I, response to SIGIR data call, 7/1/2010.

totaling 7,000 MW of nameplate capacity) and the separate purchase from Siemens (16 turbines, totaling 3,160 MW). However, the MOE's process of selecting EPC contractors for these projects remains behind schedule.[387]

The MOE has now identified which of the GE Mega-Deal and Siemens sites it plans to turn over to independent power producers (IPPs), but no IPP contracts have yet been awarded. The National Investment Commission (NIC) and MOE have received letters of interest from potential IPPs, and a tender for eight sites was issued to pre-qualified bidders on June 21. The bidder's conference on the IPP tender scheduled for July 7 and 8 was canceled. Instead, the Ministry of Electricity held an investment workshop on July 10, 2010, to explain the changes that were being made to the IPP tender. According to Deputy Minister Salam Kazaz, the process will be more fully defined by late summer.[388]

Recently Completed and Ongoing U.S.-funded Projects

USACE reports that rehabilitation of the 132-kV substation in Falluja was completed in June, approximately three years after the originally planned completion date. The project cost $16 million and was funded by the IRRF. In all, 14 electricity projects, with a total value of almost $22 million, were completed this quarter. The second largest completed project provided test and repair equipment for MOE transformer repair shops at a cost of $1.9 million (ESF funds). The other 12 projects were funded by the CERP; they had an average value of about $338,000, and all cost less than $500,000.[389]

In May, USACE reported that it had delivered the last two of six 33/11-kV mobile substations to the MOE in Anbar province. Almost $10 million of the ESF was spent on these six units, each of which is capable of distributing electrical power to 3,000 homes.[390] The first four substations were delivered in 2008, and a November 2009 SIGIR inspection found them sitting unused at an outdoor MOE warehouse in Ramadi.[391] U.S. Embassy-Baghdad reports that two of the substations are now in service (in Saqlawiyah and Falluja), two are scheduled to be in service later this summer (in Haditha and Iskan), and the remaining two will be installed at locations not yet determined.[392] The IRMS lists delivery of the substations as six separate projects, and all of them are noted as having been completed in January 2009.[393]

As of June 30, 2010, 49 electricity projects with a combined value of about $144 million were ongoing.[394] Table 2.19 provides the status of the five largest ongoing projects.

The MOE has now identified which of the GE Mega-Deal and Siemens sites it plans to turn over to independent power producers.

TABLE 2.19
SELECTED ONGOING U.S.-FUNDED ELECTRICITY PROJECTS
$ Millions

PROJECT TITLE	COST	FUNDING SOURCE	PROVINCE	PROJECTED COMPLETION	STATUS
ET/ET-800 132kV S/S Jamila, Farabi	52.3	IRRF	Baghdad	7/2010	This turnkey project to construct two substations in Sadr City was 99% complete at end of the quarter. When contract was awarded in 7/2006, the planned completion date was 7/26/2007.
ET/ET-800 132kV S/S, Ramadi	31.5	IRRF	Anbar	8/2010	Construction of the substation, which was designed to serve the entire city of Ramadi, is behind schedule. Contract was awarded in 8/2006, with planned completion in 9/2007. USACE is working with MOE to provide on-the-job training.
Purchase GE Emergency Spare Parts	7.5	ESF	Babylon	9/2010	A contract was awarded on 5/22/2010 to supply and deliver emergency spare parts and equipment for preventive and emergency use at the al-Musayab Gas Power Plant.
ESF 33kV Trans Line Abbasiya & Hurria	5.9	ESF	Najaf	7/2010	This project to construct overhead and underground transmission lines was 99% complete at end of the quarter. However, USACE reports that there is disagreement with the MOE concerning the final run of the line at its termination in Najaf. USACE is concerned about the contractor's safety practices.
GRANT CT Commission Mussaib Units 9 & 10	4.3	ESF	Babylon	12/2010	A contract was awarded on 6/2/2010 to commission and start up two GE LM6000 50MW Combustion Turbines at the al-Musayab Gas Power Plant. The project will also provide project management, technical expertise, parts, and training of MOE personnel.

Sources: IRMS, *Global Benchmark*, 7/2/2010; USACE, response to SIGIR data call, 7/3/2010.

Water and Sanitation

> According to U.S. Embassy-Baghdad, U.S.-funded water projects serve 98% of the 9 million Iraqis who have gained access to potable water since 2003.

As of June 30, 2010, the United States had allocated $2.85 billion, obligated $2.69 billion, and expended $2.61 billion to rehabilitate Iraq's water and sanitation sectors.[395] According to U.S. Embassy-Baghdad, U.S.-funded water projects provide a total of 2.45 million cubic meters of potable water per day and serve 98% of the 9 million Iraqis who have gained access to potable water since 2003. U.S.-funded sewerage projects enable 1.2 million cubic meters of wastewater to be processed each day, amounting to 46% of all wastewater processed, benefiting 5.3 million people.[396] DoD reports that almost 22 million Iraqis now have access to potable water, up from nearly 13 million in 2003; more than 11.5 million now have access to wastewater treatment, up from 6.2 million in 2003.[397]

U.S. Embassy-Baghdad reports that 327,500 more Iraqis are expected to receive potable water once remaining U.S.-funded water projects are completed. Ongoing U.S. sewerage projects are expected to serve an additional 39,000 Iraqis once they are completed.[398]

DoD reports that Iraq's Ministry of Municipalities and Public Works and the Baghdad Water Authority have implemented water treatment processes that have helped safeguard Iraqis from cholera, and no outbreaks of the disease have been reported since late 2008. Additionally, the ministry has undertaken projects to construct water and wastewater infrastructure, install treatment

A typical water treatment unit located in Basrah province. (USAID photo)

units, repair networks, and initiate point-of-use testing programs.[399]

Still, insufficient access to water for household and agricultural use remains chronic, particularly in rural areas and in parts of the country still experiencing drought.[400] Broken distribution systems, management problems, and a sharp drop in reservoir levels continue to disrupt the availability of potable water.[401]

In Anbar province, dam building upstream on the Euphrates River in Syria and Turkey has reduced the flow of water from the river to 290 cubic meters per second—the lowest level in 6 years. The flow once exceeded 1,000 cubic meters per second. To address this problem, PRT Anbar has invested $3 million to modify 113 water intake structures along the river. The PRT and the provincial government are also investing $7 million to construct nine new compact water treatment facilities.[402]

An UNDAF goal is to reduce by half the proportion of people without sustainable access to safe drinking water and basic sanitation by 2020. The UN also seeks to create a national strategy for sustainable water management by 2014.[403] For an overview of specific UNDAF metrics and targets pertaining to drinking water, wastewater, and other water issues, see Table 2.20.

Recently Completed and Ongoing U.S.-funded Projects

This quarter, nine U.S.-funded water and wastewater projects, with a total value of $5 million, were completed. The largest was a $1.1 million ESF-funded project to extend a water distribution network in Sulaymaniyah. Two of the other projects also were funded by the ESF, and five were funded by the CERP.[404]

As of June 30, 2010, 150 U.S.-funded water projects, valued at more than $216 million, were

ongoing. Almost three-fourths of these projects were funded by the CERP; but with an average cost of less than $300,000, they represent 15% of the total cost of ongoing projects. With an aggregate cost of $106 million, 12 IRRF-funded projects account for almost half of the cost of ongoing projects. The remaining 27 projects are funded by the ESF.[405] For an overview of selected ongoing U.S.-funded water projects, see Table 2.21.

Broken distribution systems, management problems, and a sharp drop in reservoir levels continue to disrupt the availability of potable water.

TABLE 2.20
UNDAF Targets for Water

METRIC	BASELINE	2014 TARGET
Percentage of wastewater treated	25% (2009)	40%
National drought mitigation plan formulated and implemented	No (2009)	Yes
Percentage of households using an improved drinking water source	79.2% (2009)	87%
Percentage of households with improved sanitation facilities	92.3% (2009)	TBD
Percentage of households with solid waste disposal facilities	45% (2009)	70%
A mid-term national participatory strategy agreed and adequately resourced for the sustainable management of water resources	0 (2009)	1
Inter-ministerial structure on trans-boundary water resources established with UN involvement	No (2009)	Yes
Number of water quality monitoring laboratories upgraded	0 (2009)	7
Percentage of local budget allocation spent on essential basic services	TBD (2009)	100%

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

TABLE 2.21

Selected Ongoing U.S.-Funded Water and Wastewater Projects
$ Millions

Project Title	Cost	Funding Source	Province	Completion Date	Status
Eastern Euphrates Drain	38.5	IRRF	Muthanna	10/2010	This project was started in 2006 to reclaim more than 58,000 hectares of agricultural land. Construction of the 44-km canal includes 16 irrigation, 3 oil, and 7 potable-water pipe crossings; 4 pedestrian bridges and 4 vehicle bridges; and a new primary school building to replace old one that was displaced by the project. The project is expected to end approximately 21 months past its originally planned completion date.
WS/Falluja Sewer System, WWTP Inst.*	31.7	IRRF	Anbar	8/2010	The contract to design, build, and commission this wastewater treatment plant was awarded in 2006. The project is 95% complete but almost three years behind schedule. Costs have increased by 26%.
Meshkab Water Supply Project	23.1	IRRF	Najaf	10/2010	This project to design and build a new water treatment plant, originally planned to be completed in April 2009, is 95% complete. The scheduled completion date apparently is being moved again, from June 2010 to October 2010.
Al-Abbas Sanitation Network	12.0	ESF	Basrah	12/2010	Installation of 26 km of sewage-collection pipes and two pumping stations is 68% complete and appears to be on schedule.
Al-Kibla Sewer & Storm Network	12.4	ESF	Basrah	3/2011	Project is 42% complete and an estimated 6 months behind schedule.
Garma Water Reverse Feeding	10.9	ESF	Basrah	8/2010	Project to upgrade water treatment system is 15 months behind original schedule, but 99% complete. Work was delayed because of problems with the electrical power supplied to the site, but problems reportedly have been corrected.
Integrated O&M Program Dokan-Sulaymaniyah Water Network	9.3	ESF	Sulaymaniyah	9/2010	By establishing a comprehensive O&M package to increase the longevity of the infrastructure and improve sustainability of the operational system, this project aims to ensure that the city of Sulaymaniyah receives adequate supplies of safe drinking water. Work has been delayed because the contractor did not order critically needed parts.
Falluja Sewer Pump Station F1 & F2*	7.2	CERP	Anbar	8/2010	The scope of this work includes construction of three wastewater system pump stations.

Sources: IRMS, *Global Benchmark*, 7/2/2010; USACE, response to SIGIR data call, 7/3/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010.
* The total cost of work on the Falluja Waste Water Treatment System is estimated to be $98 million; the projects included here are components of the total effort.

Transportation and Communications

As of June 30, 2010, the United States had allocated $1.20 billion, obligated $1.14 billion, and expended $1.05 billion to rehabilitate Iraq's transportation and communications sectors.[406]

Ports

The UNDAF establishes the goal of bringing all of Iraq's ports in line with international standards by 2014.[407] The U.S. Joint Interagency Task Force (JIATF)—a collaboration between DoD, DoS, DHS, DoT, and the JIATF's Customs and Immigration Team—has been working to bring Iraq's Umm Qasr Port up to those standards by streamlining procedures for importing goods and processing passengers.[408] However, DoD reported this quarter that the number of Iraqi ministries working at the ports makes efficient coordination of port operation difficult, and a systemic lack of electricity causes downtime and reduces commerce. Moreover, there remains a critical shortfall in explosive detection capability, which U.S. forces and the GOI are working to improve by purchasing non-intrusive inspection equipment with ISFF and Iraqi funds.[409]

The NIC reports that more training on modern port operating practices is needed, and modernization of port facilities to handle current and future workload would require investment of $250 million–$500 million.[410] For the location of Iraq's ports, see Figure 2.32.

Umm Qasr Port

Construction of the $53 million, GOI-funded Umm Qasr pier and seawall project continued this quarter. USACE reported that the contractor is currently running utilities to the pier and working on a reinforced concrete roadway, which is approximately 78% complete. The safety hazards reported last quarter due to Iraqi naval ships floating through the construction site were no longer an issue this quarter.[411]

As part of its efforts to bring Iraq's ports in line with international standards, the JIATF has focused in part on providing support to Iraqis at Umm Qasr as they work to improve inspections of containers suspected of holding smuggled items, such as cars, which are often hidden behind false walls or inside densely packed boxes. The task force also hopes to install computer software programs that will help Iraqis track shipments and payments, but the plan requires upgrading the electrical wiring and then providing Internet service and training.[412]

Al-Faw Port

The Al-Faw Port, where an Italian business consortium announced last quarter it planned to begin construction, could become Iraq's largest port. The consortium plans a 100-dock facility at this southern-most port. Iraq's Minister of Transportation announced this quarter that the $4.6 billion initiative would be Iraq's largest infrastructure project in 30 years. The project is envisioned to become part of a "dry canal" designed to transport goods between the north and south of Iraq. The Italian group plans to provide training on port design, construction, and management, as well as technical assistance and planning of industrial zones.[413]

Roads and Bridges

According to the NIC, Iraq has more than 44,000 km of paved highways and an extensive unpaved rural road system. Most roads were built in the late 1970s and early 1980s with a 20-year lifespan and are now in need of rehabilitation.

FIGURE 2.32
MAJOR PORTS OF IRAQ
Basrah Province

Source: Commander, U.S. Naval Forces Central Command, "Umm Qasr Port Brief," Marlo Conference, 12/13/2009, slide 2.

The commission estimates Iraq needs more than $40 billion to rehabilitate or replace old roads at a cost of $1 million per kilometer.[414]

Three IRRF-funded projects in Salah Al-Din province were ongoing this quarter—two segments of the Baghdad-Kirkuk Carriageway, one for $7.9 million and the second for $5.8 million, and the $8 million al-Sharqat Bridge. The Baghdad-Kirkuk highway, a 40-km stretch of road, had been scheduled for completion on June 30, 2010, three years behind schedule. The al-Sharqat Bridge, located in an agricultural region where minimal ferry service is available, also had been scheduled for completion in June. Instead, the Baghdad-Kirkuk highway segments were 75% and 85% complete this quarter, while the al-Sharqat Bridge was 77% complete.[415]

Railroads

The U.S. government continued to fund two ongoing railroad construction-related projects this quarter, including operations and maintenance (O&M) training for a digital microwave communications network that runs along more than 1,000 km of railroad track, and a communication-based train-control

The Al-Faw Port could become Iraq's largest port.

project located at the Baghdad Central Station. The first phase of the O&M project was funded with $826,000 between September 2009 and March 2010. The second phase is funded for $3.71 million and is expected to run through September 2010. Initially funded by IRRF and ESF for $43.5 million, the new total project cost for the digital system is estimated to be $48.1 million.[416]

The project to build a communication-based train-control system provides for a centralized dispatching office located at the Baghdad Central station, onboard locomotive computer equipment and radios, a digital track database, and transponder tags located along the railways. The IRRF-funded project was awarded in May 2005 and is scheduled for completion in September 2010, at a cost of $17 million.[417]

The GOI continued this quarter with large-scale plans to expand Iraq's railways. According to the Iraqi government, more than 60 foreign firms have expressed interest in this work, which includes building a high-speed rail around Baghdad (Figure 2.33). This quarter, the ministry announced that it was in the process of selecting the best firms for the job.[418]

According to the NIC and the Iraqi Republic Railway Company, Iraq continues intermittent

> Iraqi Airways announced plans to dissolve within three years while management pursued privatization options.

negotiations to establish rail links with Turkey, Kuwait, and Saudi Arabia to complete a continuous Euro-Gulf rail route.[419]

Aviation

State-owned Iraqi Airways this quarter announced plans to dissolve within three years while management pursued privatization options.[420] At the end of May, the Ministry of Transportation announced that it was canceling all Iraqi Airways flights, effective immediately, and declaring the carrier bankrupt.[421] The announcements came in the wake of an attempt by Kuwaiti officials in London to convince British authorities to seize an Iraqi Airways commercial airplane that had landed in England, the first such landing in 20 years. British authorities confiscated the travel documents of the Iraqi Airways Director-General, temporarily preventing him from leaving London. Kuwait is demanding $1.2 billion in compensation from the Iraqi carrier, emanating from a dispute dating to Iraq's 1990 invasion of Kuwait.[422] In 2004, Kuwait won a court injunction in Britain against Iraqi Airways, and the Iraqi company had sought to avoid complying with the ruling by leasing aircraft. About a week before the incident in London, the airline had ordered 65 new aircraft.[423]

Iraq has already started to move toward privatizing the airline industry, granting a charter to the first private airline, Alnaser Airlines, last year. Alnaser began flights to Dubai this year. Iraq's civil aviation authority expects to approve three more private airlines by the end of 2012.[424] Meanwhile, more foreign airlines announced plans to begin flights to Baghdad. Etihad Airways, the United Arab Emirates' national carrier, said it would begin five regular flights per week to the Iraqi capital. The first plane departed on April 27.[425] German carrier Deutsche Lufthansa announced that it would resume weekly flight service from Munich to Baghdad beginning on September 30, 2010. The resumption of flights would end a 20-year hiatus in air travel from Germany to the Iraqi capital.[426]

The GOI moved this quarter toward greater control of Iraq's air traffic, with 13 radar controllers

FIGURE 2.33

PROPOSED RAIL LINE AROUND BAGHDAD
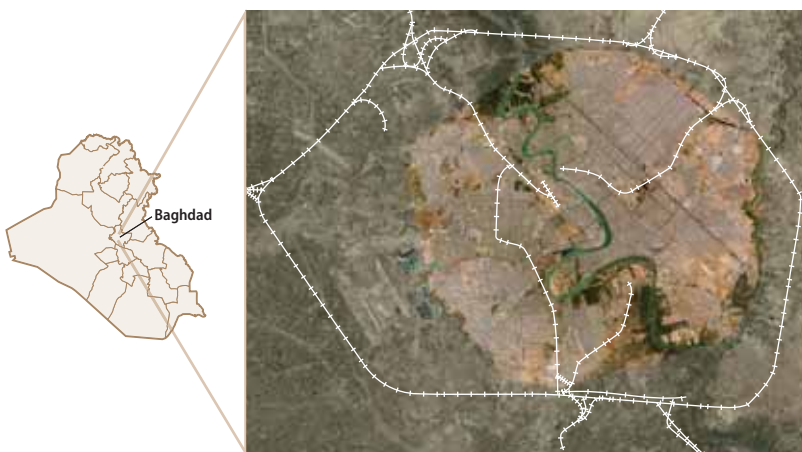
Source: GOI, Iraqi Republic Railway Company, www.iraqrailways.com/private/prjen.htm, accessed 6/28/2010.

managing airplane traffic in an on-the-job train-ing program supervised by a U.S. company. An additional 28 students are taking air controller classes.[427] USF-I still provides air traffic control (ATC) services at altitudes below 24,000 feet, and the transition of this airspace from the USF-I to the Iraqi Civil Aviation Authority (ICAA) remains on schedule to be completed by December 2011.[428] According to DoD, an interim plan is to transfer to the Iraqis control of aircraft flying above 15,000 feet by September 1, 2010.[429] The ICAA is estimated to be two to four years away from having an all-Iraqi ATC workforce and two or three years away from being fully compliant with International Civil Aviation Organization regulations.[430]
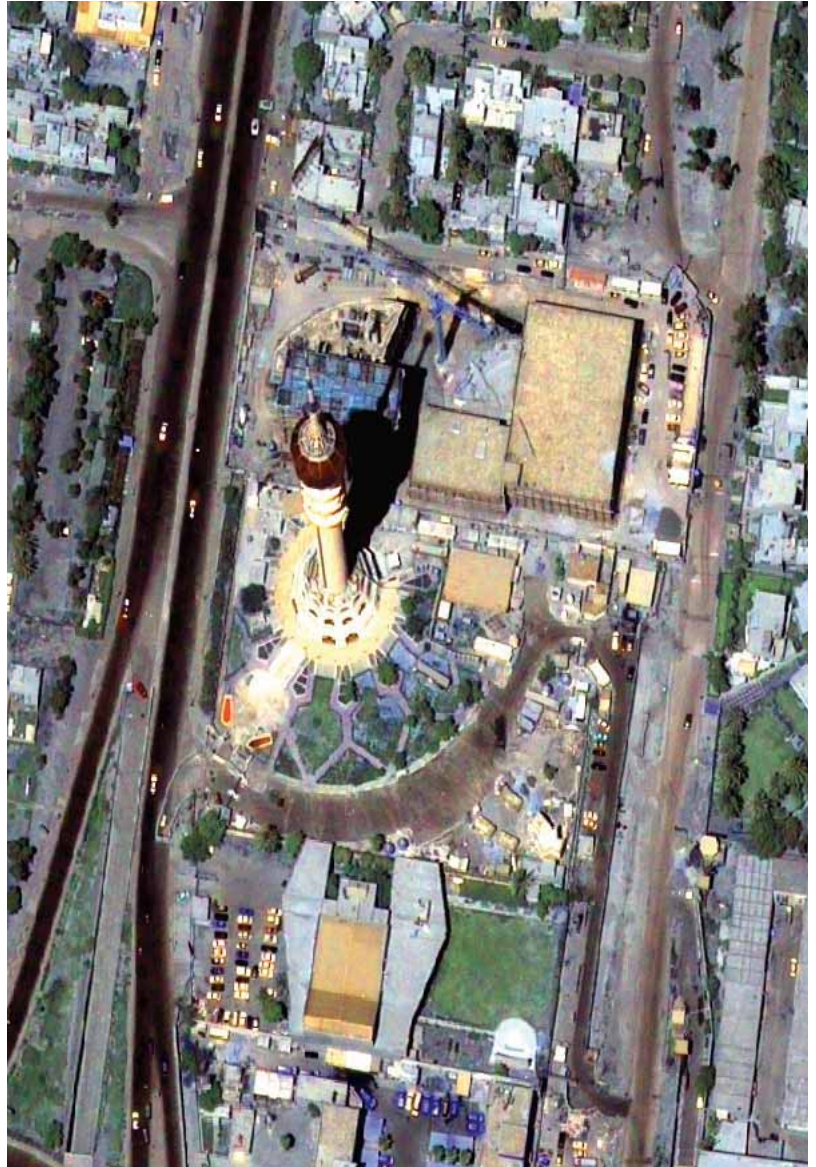
Telecommunications

The completion date for construction of the al-Mamoon Exchange and Telecommunica-tions Center in Baghdad is now estimated to be in January 2011. Originally started in 2006 and valued at approximately $23 million, the IRRF-funded project was terminated in 2008 for lack of progress after $13.6 million had been expended. The project was re-awarded in July 2009 with a forecast completion date of September 2010, but delays occurred during the design phase. This quarter, the center was estimated to be 38% complete. The facility consists of three buildings: a parking garage that is 65% complete, a post office that is 54% complete, and a seven-story glass tower that is 33% complete. The value of the current project is $18.9 million, bringing the total U.S. cost to $32.5 million.[431]

The tower will serve as a telecommunications hub for the Iraqi Ministry of Communications. It is designed to house equipment to improve radio transmissions and cellular, landline tele-phone, and high-speed Internet services for the Baghdad area.[432]

Other Telecommunications Initiatives

In May, Iraq's cabinet approved a plan for a fourth national mobile phone license. According

Satellite image of the al-Mamoon Exchange and Telecommunications Center taken on July 3, 2010. (OrbView photo, copyright 2010)

to reports, either the Ministry of Communica-tions would hold a 35% stake in the company or the new licensee would pay 35% of its revenue to the GOI as a licensing fee. The ministry has been discussing a fourth license as a way of disciplin-ing existing license holders for allegedly breach-ing quality-of-service terms. The two largest

Artist's rendition of the completed al-Mamoon Exchange and Telecommunications Center. (USACE photo)

providers—Kuwait-owned Zain and Kurdish-owned Asiacell—have been fined. A third company, Korek, has not been fined. In June, Asiacell announced that it was extending coverage in Anbar province and expected to cover 90% of the province's population by the end of the year.[433]

U.S. Embassy-Baghdad worked with the GOI and CoR to review existing legislation and found that a new telecommunications law could lay the groundwork for private-sector-led growth and development of the telecommunications sector.[434]◆

GOVERNANCE

U.S.-funded programs continue to support a diverse array of activities aimed at developing Iraq's capacity for self-government. As of June 30, 2010, the United States had allocated $7.65 billion, obligated $7.48 billion, and expended nearly $6.82 billion, primarily through ESF programs, to develop Iraq's capacity to govern at the national, regional, and local levels.[435] For the status of U.S. funding for governance projects and programs, see Figure 2.34 and Table 2.22.

Expenditures for governance programs peaked in 2005 and 2008, but otherwise have been relatively steady, as shown in Figure 2.35. In 2009, the United States spent twice as much on governance programs as on infrastructure and economy projects combined. Governance programs accounted for 72% of all obligations of the four major U.S. reconstruction funds this quarter and 29% of new expenditures.[436]
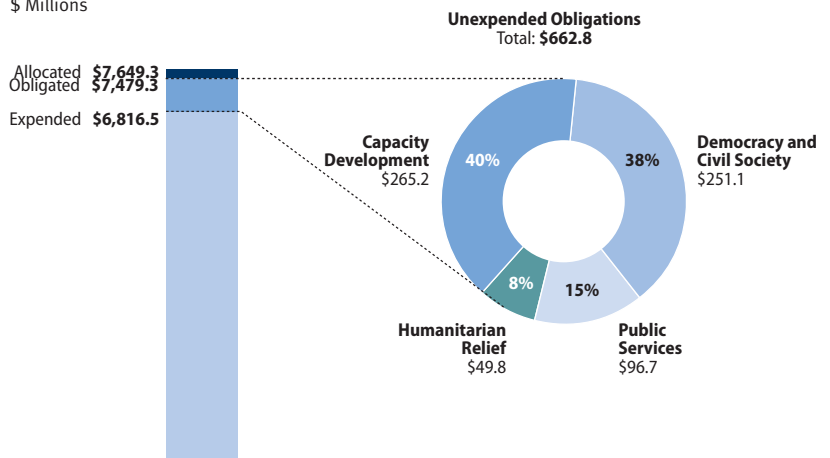
Democracy and Civil Society

As of June 30, 2010, the U.S. government had allocated $2.23 billion, obligated nearly $2.19 billion, and expended more than $1.93 billion—primarily through USAID's Local Governance Program, Community Action Program, and Democracy and Civil Society Program—to foster democratic institutions, build the capacity of provincial governments, and fund community-building initiatives across Iraq.[437]

Support for Provincial Governments

Since January 2009, USAID's Local Governance Program, Phase-III (LGP III), has focused on developing the capacity of provincial governments to formulate and execute budgets, carry out effective public outreach, and perform other essential functions. USAID reported that several provinces had achieved benchmark objectives this quarter

FIGURE 2.34

GOVERNANCE: STATUS OF FUNDS FROM THE IRFF, ISFF, ESF, AND CERP
$ Millions

Allocated **$7,649.3**
Obligated **$7,479.3**
Expended **$6,816.5**

Unexpended Obligations
Total: **$662.8**

Capacity Development $265.2 — 40%
Democracy and Civil Society $251.1 — 38%
Humanitarian Relief $49.8 — 8%
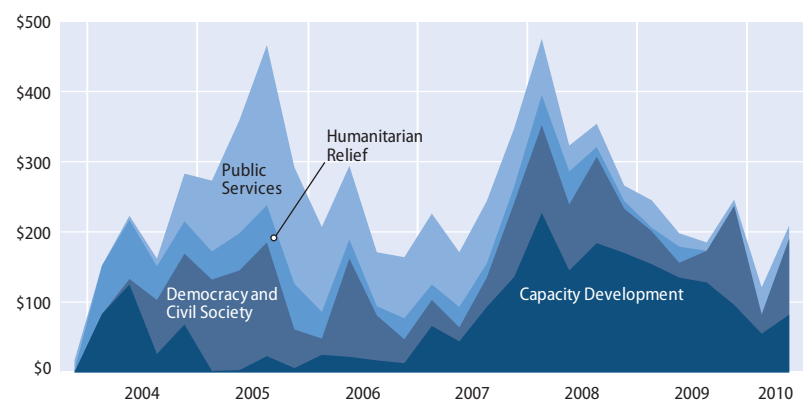Public Services $96.7 — 15%

Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: DoS, response to SIGIR data call, 4/5/2007; IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, 7/6/2010, and 7/8/2010; USACE, response to SIGIR data call, 7/12/2010; USAID, response to SIGIR data call, 7/8/2010.

FIGURE 2.35

GOVERNANCE: QUARTERLY U.S. EXPENDITURES, BY RECONSTRUCTION SECTOR
$ Millions

Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: DoS, response to SIGIR data call, 4/5/2007; IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, 7/6/2010, and 7/8/2010; USACE, response to SIGIR data call, 7/12/2010; USAID, response to SIGIR data call, 7/8/2010; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–4/2010.

TABLE 2.22
GOVERNANCE: STATUS OF SELECTED PROGRAMS
$ Millions

	STATUS OF FUNDS		QUARTERLY CHANGE	
PROGRAM	OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
PRT Quick Response Fund (ESF)	266.4	209.6	57.5 (28%)	45.8 (28%)
PRT/PRDC Projects (ESF)	548.5	468.1	40.0 (8%)	32.1 (7%)
Local Governance Program (ESF)	410.5	344.3	3.0 (1%)	49.8 (17%)
Community Action Program (ESF)	388.9	302.6	6.8 (2%)	34.4 (13%)
Health Care - Nationwide Hospital and Clinic Improvements (IRRF)	452.6	442.1	16.9 (4%)	17.9 (4%)
Democracy and Civil Society (ESF)	238.0	178.8	3.8 (2%)	23.2 (15%)
Other	5,174.5	4,871.0	8.1 (0%)	5.3 (0%)
Total	**7,479.3**	**6,816.5**	**136.2 (2%)**	**208.6 (3%)**

Note: Programs listed in this table had changes of at least $5 million in combined quarterly obligations and expenditures. Appendix C shows the status of all programs funded by the four major funds, including those in the Governance reconstruction area that are grouped in the "Other" category here. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: DoS, response to SIGIR data call, 4/5/2007; IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, 7/6/2010, and 7/8/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 4/8/2010; USACE, responses to SIGIR data calls, 4/1/2010 and 7/12/2010; USAID, responses to SIGIR data calls, 4/13/2009 and 7/8/2010.

with the support of the LGP III. See Table 2.23 for a summary of those achievements.[438]

USAID reported that, as of June 30, 2010, 75% of the more than $240 million allocated to the program had been obligated. LGP III is scheduled to conclude operations in June 2011.[439]

Community Outreach

USAID is also active at the local level through the Community Action Program (CAP III), which works to give communities the opportunity to mobilize resources to address community-determined priorities. The program facilitates the creation and training of community action groups (CAGs), which are responsible for identifying projects and monitoring implementation. The program also builds the capacity of the lowest levels of local government to draw on the GOI's resources to meet communities' needs. CAP III also assists Iraqi victims of military operations through the resources of the Marla Ruzicka Iraqi War Victims Fund, providing training, job placement, start-up capital for small businesses, and other types of assistance.[440]

TABLE 2.23
LGP III ACHIEVEMENTS, 4/1/2010–6/30/2010

BENCHMARK	PROVINCE
Provincial government has fulfilled core Provincial Powers Act (PPA)-assigned functions	Anbar, Babylon, Baghdad, Basrah, Diyala, Missan, Najaf, Salah Al-Din
Provincial Councils effectively carried out formal actions pertaining to PPA functions	Anbar, Baghdad, Basrah, Diyala, Missan, Najaf, Ninewa, Salah Al-Din, Thi-Qar
Provinces implemented a review and revision process for Provincial Development Plans using participatory processes	Anbar, Babylon, Baghdad, Basrah, Diyala, Kerbala, Missan, Muthanna, Najaf, Ninewa, Salah Al-Din
Provinces established transparent and comprehensive capital budgeting processes	Anbar, Babylon, Baghdad, Basrah, Kerbala, Missan, Najaf, Salah Al-Din, Thi-Qar, Wassit
Governors' offices have effectively performed their oversight functions	Anbar, Babylon, Baghdad, Basrah, Diyala, Missan, Muthanna, Najaf, Qadissiya
Provincial Councils have effectively monitored key activities of the GOI through relevant committees	Anbar, Babylon, Baghdad, Basrah, Diyala, Missan, Najaf, Salah Al-Din

Source: USAID, response to SIGIR data call, 7/2/2010.

U.S. and International Support for the Electoral Process

USAID's Democracy and Civil Society Program worked with the GOI this quarter to ensure the successful implementation and completion of the Council of Representatives (CoR) electoral process, including the efforts of Iraq's Independent High Electoral Commission (IHEC) to ensure that the elections were viewed by the Iraqi populace as credible and transparent.[441] USAID continued to provide technical support to the CoR as well, working closely with the CoR's Secretariat on transition planning and on developing an orientation program for newly elected parliamentarians. In addition, USAID worked with members of the international donor community to facilitate greater coordination of activities in support of the new CoR.[442]

The DoS Bureau of Democracy, Human Rights, and Labor (DRL) also conducts programs to support democracy, institute the rule of law, and develop Iraq's governance capabilities. This quarter, SIGIR issued an audit reviewing DoS's $50 million grant to the International Republican Institute (IRI), which encourages the development of viable political parties, civil society organizations, and government-support networks in Iraq through training, study missions, material support to partners, and other initiatives. SIGIR determined that weaknesses in DoS oversight and IRI compliance with federal requirements leave DoS vulnerable to paying excessive charges and having insufficient information on exactly what was achieved—other than holding 271 training sessions for more than 5,000 Iraqi participants over two years.[443] See Section 3 for more information on this audit.

As U.S. assistance to Iraq gradually declines over the coming years, international resources are expected to play an ever-more prominent role in supporting the GOI's democratic institutions. The *UN Development Assistance Framework for Iraq 2010–2014* (UNDAF) is one example of the international community's increased role in Iraq's governance sector. As Table 2.24 shows, five UNDAF metrics and targets pertain to local and national

TABLE 2.24
UNDAF Targets for Voting and Elections

Metric	Baseline	2014 Target
Turnout of voters in provincial elections	51% (2009)	55%
IHEC has a permanent voter registry with safeguards to prevent fraud and mechanisms for inclusion of all Iraqis in elections	No (2009)	Yes
Percentage of women elected to Governorate Councils	26% (2009)	30%
Percentage of female legislators, senior officials, and managers	22.4% (2009)	30%
Percentage of displaced population that takes part in elections	TBD (2009)	60%

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

elections. In comparison, voter turnout in Iraq's March 7, 2010, national elections was measured at about 62%; and 82 seats in the 325-seat CoR are now filled by women.[444]

Capacity Development

As of June 30, 2010, the U.S. government had allocated $2.48 billion, obligated nearly $2.40 billion, and expended $2.13 billion, primarily through ESF programs, to develop Iraq's capacity to govern at the national, regional, and local levels.[445] See Table 2.25 for UNDAF metrics and targets that will guide international assistance to further develop Iraq's governance capacity through 2014.

National Development

Two separate programs, one run by USAID and the other by DoS, continue to develop capacity at the national level:

- The Ministerial Capacity Development Program (MCD) is overseen by DoS's Iraq Transition Assistance Office (ITAO). As of June 30, 2010,

> Weaknesses in DoS oversight and IRI compliance with federal requirements leave DoS vulnerable to paying excessive charges and having insufficient information on exactly what was achieved.

Table 2.25

UNDAF Targets for Capacity Development

Metric	Baseline		2014 Target
Public Service Commission established	No	(2009)	Yes
Public sector modernization strategy adopted	No	(2009)	Yes
Comprehensive civil service reform strategy adopted	No	(2009)	Yes
Percentage of governorates that formally publish contracts and tenders	0%	(2009)	60%
Percentage of governorates that formally publish budgets and assets	20%	(2009)	60%
Percentage of civil servants who perceive corruption is reduced since 2010	TBD	(2010)	25% reduction
Number of governorates undertaking participatory local development planning	0	(2009)	10
Number of population-related legislation submitted by parliamentary commissions	0	(2009)	TBD

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

MCD had three active contracts. The largest, a $5 million project to support the Ministry of Electricity, is about 50% complete. A second contract, valued at almost $2 million, is providing subject matter experts and advisors to the Ministry of Transportation; about half of its funding has been expended. The third initiative is a $359,000 grant project to provide training in English-language skills, government protocol skills, and research and policy writing for the Office of the Deputy Prime Minister (Services) and the Joint Planning Center under the National Security Committee.[446]

- USAID's National Capacity Development Program, or *Tatweer*, helped the Ministry of Planning and Development Cooperation (MoPDC) compile the GOI's National Development Plan, which was finalized in April 2010.[447] *Tatweer* also delivered a workshop on public policy for the prime minister's advisory council, worked

with the Ministry of Health to train trainers at the Ministry of Electricity, and conducted a workshop on international communication for engineers and senior management at the Ministries of Oil and Electricity. On behalf of the National Investment Commission, *Tatweer* co-sponsored a workshop on international arbitration for members, senior government officials, and others. In all, USAID reports that the program provided 216 classes for 3,247 enrollees.[448]

Provincial Development

At the province level, the United States assists via the Quick Response Fund (QRF), which provides a flexible funding mechanism to enable the Provincial Reconstruction Teams (PRTs) to continue support for provincial governments and others via short-term projects (duration of less than a year). This quarter, the QRF supported an eGovernment initiative in Najaf province, an information technology capacity-development project in Babylon province, and a Provincial Gazette in Anbar province.[449] For a closer look at QRF spending by type of project and recipient, see the Funding Sources subsection of this Report.
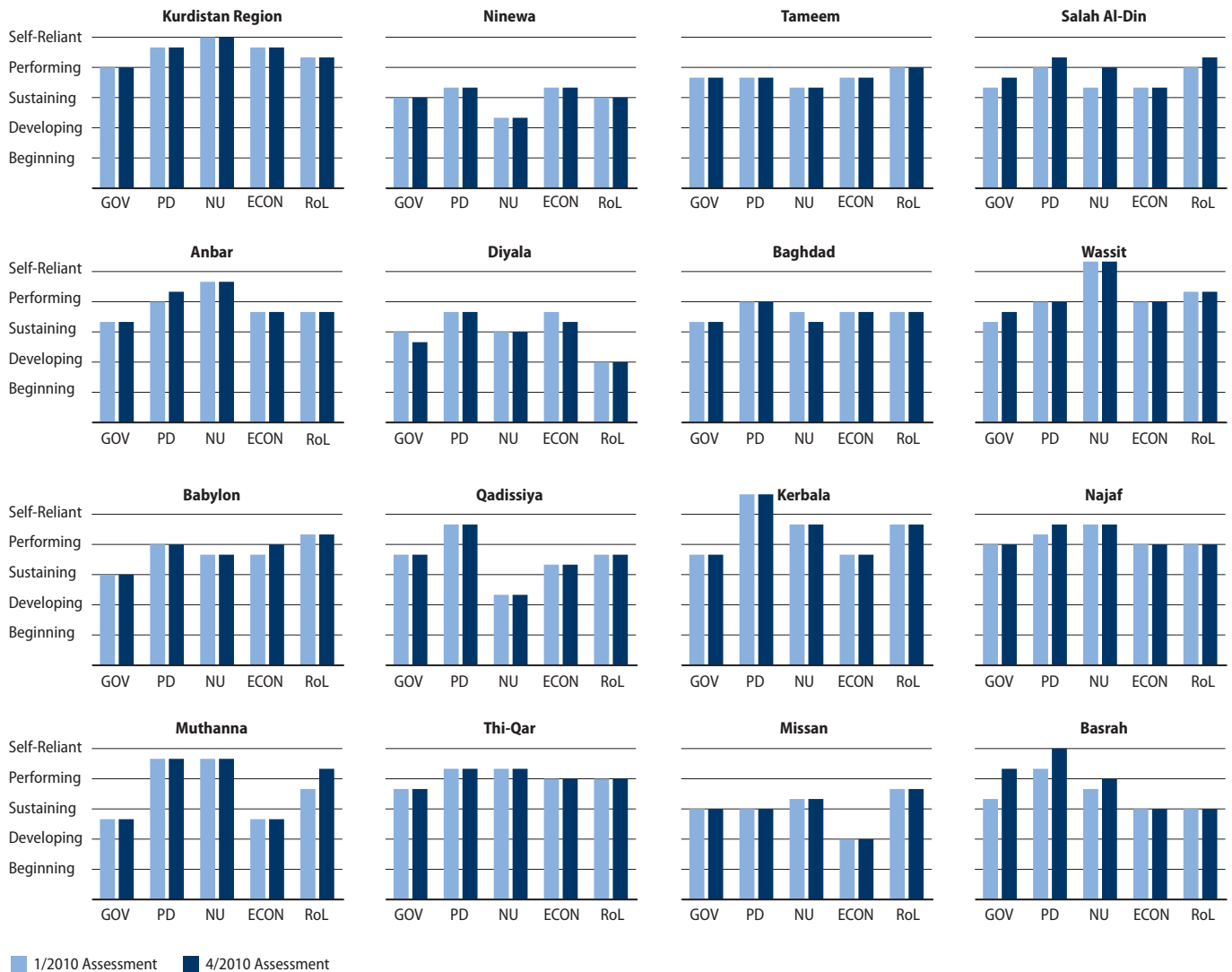
Provincial Reconstruction Development Council (PRDC) projects use additional ESF funding to increase access to essential services, such as education, transportation, and solid waste treatment. As of June 30, 2010, $468 million of the $548 million obligated for PRDC projects had been expended.[450]

Progress toward Self-reliance

This quarter, PRTs released their updated assessments of the progress that each provincial government is making toward self-reliance in areas of governance, rule of law, national unity, and economic and political development. Called the Maturity Model Quarterly Assessment (MMQA), the report ranks progress or regression in each of the five categories based on subjective evaluations made by PRT personnel. The lowest ranking is "beginning," and progressive rankings include

FIGURE 2.36
PRT MATURITY ASSESSMENTS, 1/2010 VS. 4/2010

■ 1/2010 Assessment   ■ 4/2010 Assessment

GOV= Governance; PD= Political Development; NU= National Unity; ECON= Economic Development; RoL= Rule of Law
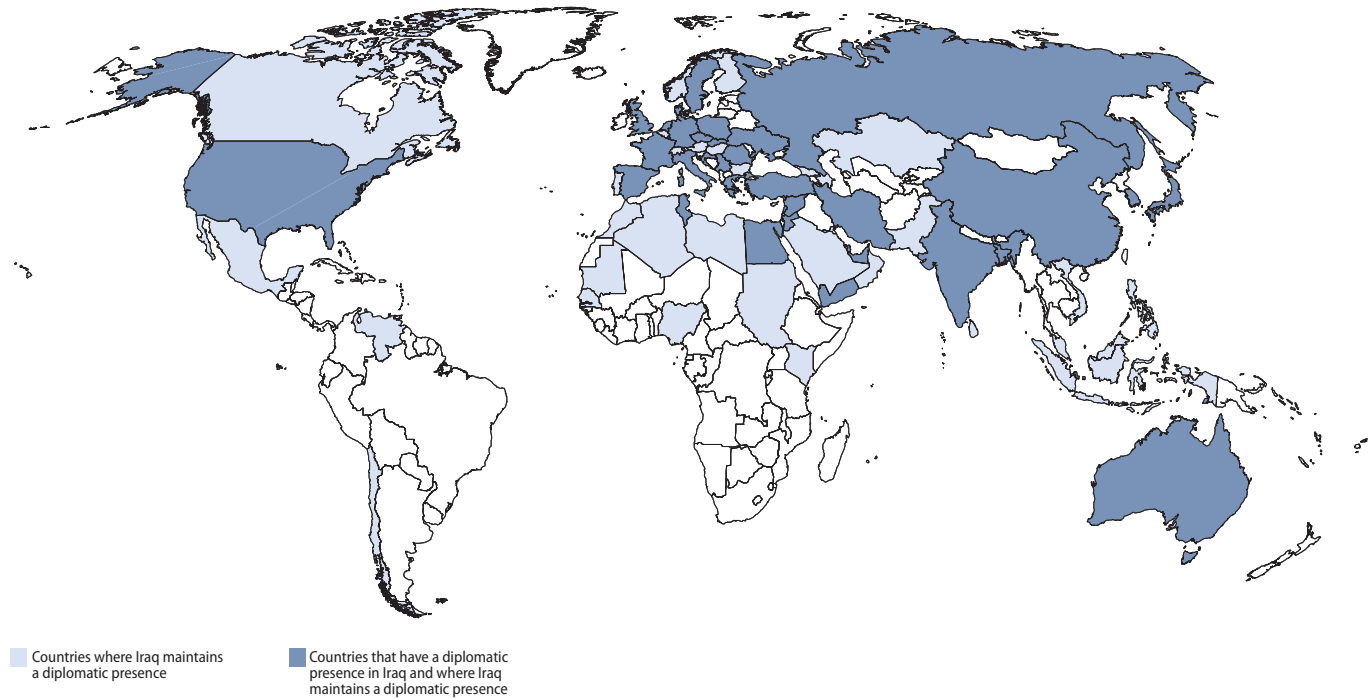
Source: OPA, response to SIGIR data call, 7/2/2010.

"developing," "sustaining," "performing," and the highest ranking, "self-reliant."

The latest assessment was completed in April 2010, covering the period from January 1–March 30, 2010. Overall, there was improvement in several key provinces that had been experiencing difficulties, including Anbar and Salah Al-Din. Diyala province regressed in the governance and economic development categories. Ratings for almost half the provinces remained unchanged from the previous MMQA.[451] For an overview of the MMQA in each province, see Figure 2.36.

Anbar improved in the political development, economic development, and rule-of-law categories

FIGURE 2.37
IRAQ'S DIPLOMATIC RELATIONS

Countries where Iraq maintains a diplomatic presence

Countries that have a diplomatic presence in Iraq and where Iraq maintains a diplomatic presence

Source: U.S. Embassy-Baghdad, response to SIGIR data call, 7/2/2010.

> 35 countries have an embassy in Iraq. Several other nations also staff one or more consulates, including Iran.

this quarter. The political development rating increased as 61% of the population turned out to vote in national elections at the urging of tribal and religious entities. PRT Anbar also cited economic improvements in job training and small business development, as well as rule-of-law improvements in police professionalism. PRT Salah Al-Din reported that politicians showed signs of moderation in response to a 74% voter turnout during national elections that were held amid virtually no violence. Improvement in the rule-of-law category was attributed to more efficient operation of the province's jails. Diyala's rating, meanwhile, declined because of a continuing campaign to target Sunni officials with arrests and issuances of warrants for alleged terrorism-based offenses. PRT Diyala reported that Provincial Council operations "all but ground to a halt" as members expressed fear that they could also be arrested.[452]

Diplomatic Engagement

On May 23, 2010, Iraq's new ambassador to Egypt arrived in Cairo. According to the Ministry of Foreign Affairs, he is the first Iraqi ambassador to Egypt since 1990.[453] As part of its continuing efforts at reintegrating into the global community, Iraq currently maintains an embassy or consulate in 68 countries, with a focus on engaging with European and Arab states.[454] As of July 2, 2010, DoS reports that 35 countries have an embassy in Iraq. Several other nations also staff one or more consulates, including Iran, which has five—the highest number of any country.[455] Figure 2.37 maps Iraq's diplomatic ties with other nations.

Fighting Corruption in Iraq

The international community and the U.S. government have worked with the GOI to attempt to establish and develop legitimate anticorruption institutions in Iraq. As shown in Table 2.26, the UNDAF presents three metrics for assessing whether corruption in Iraq abates between now and 2014 and whether the GOI is instituting steps to reduce its vulnerability to corruption.

U.S. Anticorruption Programs

U.S. Embassy-Baghdad's Anti-Corruption Coordination Office (ACCO) continues to work with its U.S. and GOI partners to improve Iraq's capacity to prevent, detect, deter, and punish corruption. As of mid-June 2010, the ACCO reports to the head of DoS's Bureau of International Narcotics and Law Enforcement (INL) office in Baghdad. Previously, the ACCO had reported directly to the Assistant Chief of Mission. Ambassador Joseph Stafford, who led the ACCO since December 2009, completed his tenure as the office's director on June 22, 2010, and was replaced by Andrew Dowdy.[456]

On March 31, 2010, the University of Utah-led "Global Justice Project: Iraq" concluded.[457] The project began in 2008, financed by a $2 million grant from DoS. Its goals included assisting the GOI in combating corruption, safeguarding judicial independence, reforming criminal procedure, conducting elections, and prioritizing legislation.[458] The project assembled a wide variety of primary Iraqi legal documents and made them available in both English and Arabic. The University of Utah plans to publish a comprehensive analysis listing a number of project deliverables and informational materials.[459]

GOI Anticorruption Activities

In May 2009, the former Minister of Trade was detained on corruption charges on his way to the United Arab Emirates.[460] He was accused of embezzling funds from the Public Distribution System.[461] This quarter, the criminal court in

TABLE 2.26

UNDAF TARGETS FOR ANTICORRUPTION AND RULE OF LAW

METRIC	BASELINE	2014 TARGET
Percentage of civil servants who perceive corruption is reduced since 2010	TBD (2010)	25% reduction
Voice and Accountability score in World Bank "Governance Matters" indicators	-1.26 (2008)	-0.51
Percentage of governorates that formally publish budgets and assets	20% (2009)	60%

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.
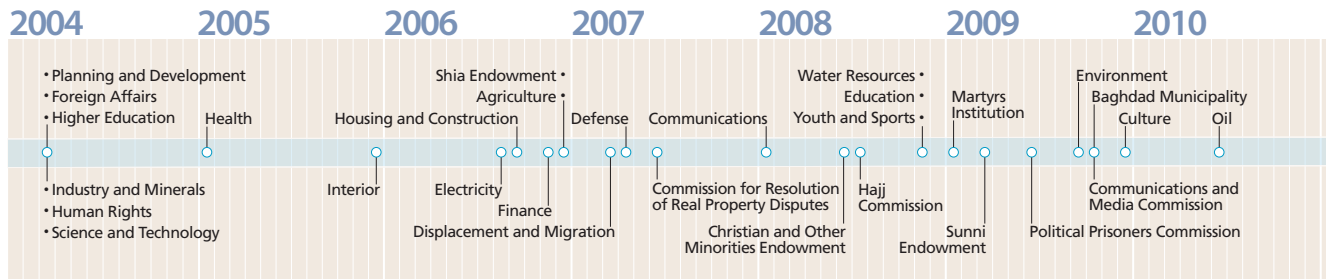
FIGURE 2.38

ADJUDICATION OF ANTICORRUPTION CASES IN THE KURDISTAN REGION
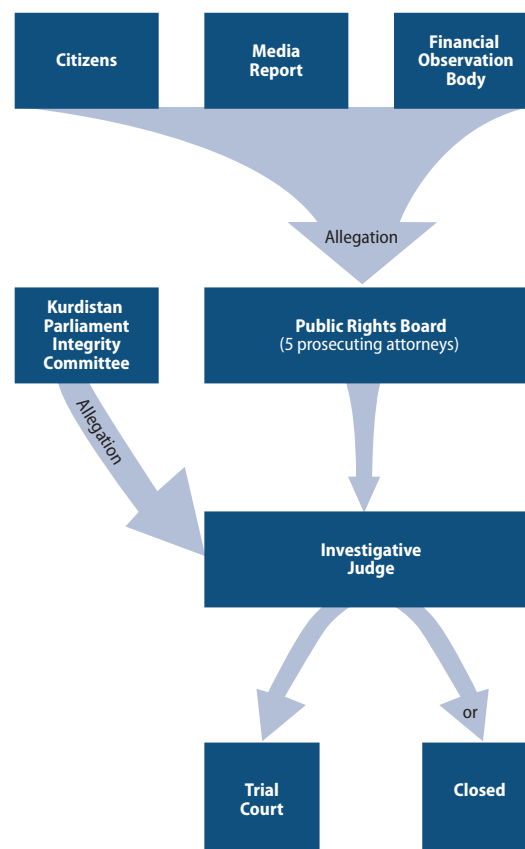
Source: SIGIR analysis of U.S. government and KRG documents and communications.

FIGURE 2.39

GOI INSPECTORS GENERAL: CURRENT IGS' DATES OF APPOINTMENT (FIVE-YEAR TERMS)

2004   2005   2006   2007   2008   2009   2010

- Planning and Development
- Foreign Affairs
- Higher Education
- Health

Shia Endowment •
Agriculture •
Housing and Construction
Defense
Communications
Water Resources •
Education •
Youth and Sports •
Martyrs Institution
Environment
Baghdad Municipality
Culture   Oil

- Industry and Minerals
- Human Rights
- Science and Technology
Interior
Electricity
Finance
Displacement and Migration
Commission for Resolution of Real Property Disputes
Christian and Other Minorities Endowment
Hajj Commission
Sunni Endowment
Political Prisoners Commission
Communications and Media Commission

Note: The IG for the Ministry of Health was initially appointed in 2004, but then took leave for several months before being reappointed in early 2005. Dates of appointment were not available for the IGs of the Ministries of Labor, Justice, Transportation, and Trade or for the Counterterrorism Bureau.

Source: SIGIR analysis of U.S. government and GOI documents and communications.

Rusafa (east Baghdad) cleared the former Minister of Trade of one charge of corruption; at least one additional charge is still pending. The Commission of Integrity (COI) and at least one member of the former CoR have announced their intent to appeal the court's decision.[462]

Iraq has three main anticorruption entities: the COI, Board of Supreme Audit (BSA), and the system of ministry inspectors general (IGs). The COI operates out of 16 offices located in the 15 provinces outside of the Kurdistan Region.[463]

When a complaint is received by COI, its investigators—often in conjunction with the ministry IGs or BSA—examine the allegation and determine whether it should be referred to an investigative judge for further action.[464] COI investigators are responsible for looking into allegations of corruption lodged against any of the GOI's more than 3 million employees.[465] For a summary of COI cases opened between January 1 and April 30, 2010, see Section 1 of this Report.

As Figure 2.38 shows, the Kurdistan Regional Government (KRG) maintains adjunct anticorruption institutions—the Public Rights Board and the Kurdistan Parliament Integrity Committee—which investigate cases via a similar process.

As of July 2010, the COI employed 135 investigators—87 in COI's two Baghdad offices and 48 in the other locations across Iraq. The COI's substantial caseload necessitates that it rely on the IGs not only for case referrals, but also to complete follow-on investigations.

Over the next year, however, several of five-year IG terms will expire.[466] Although the IGs are eligible to be renewed in office for another term, it is uncertain how many will be reappointed by the new government. For example, this quarter, the Council of Ministers informed the IGs for the Ministries of Human Rights and Higher Education that their terms will not be renewed.[467] Figure 2.39 displays the dates of appointment for 30 of Iraq's 36 IGs.

The COI also enforces the requirement, under CPA Order 55, that all mid-level and senior GOI officials complete annual financial disclosure statements.[468] This quarter, the COI reported that 5,878 officials filed their required 2010 financial disclosure forms, an increase of 75% over 2009, when 3,364 reported their holdings.[469]

National Census

The GOI has repeatedly postponed conducting a national census because of fears that it would exacerbate tensions between the Arab majority and the Kurdish minority, especially in the heterogeneous areas of Tameem province. The census was

> Commission of Integrity investigators are responsible for looking into allegations of corruption lodged against any of the GOI's more than 3 million employees. As of July 2010, the COI employed 135 investigators.

most recently scheduled for October 24, 2009, but in August 2009 the GOI delayed it indefinitely over concerns about its effect on relations among Iraq's political and ethnic groups.[470]

Earlier this year, the GOI announced its intention to hold a national census in October 2010, but DoD reports that the census may be delayed until 2011. Late in 2009, the United States reaffirmed its willingness to provide technical assistance to the GOI in planning for and conducting the census.[471]

The MoPDC will lead the GOI census preparations. Current plans call for the census to be conducted in one day, with teachers and other civil servants fanning out across the country to count the population. Census takers will ask basic questions about the number of people residing at each address as well as their occupations, religious affiliation, and ethnicity—but will not ask whether citizens are Sunni or Shia.[472]

Iraq's last census, conducted in 1997, did not include information from the three provinces in the Kurdistan Region, where Coalition forces were controlling security.[473] At that time, about 19 million Iraqis were living in the 15 provinces that were counted, and 3 million more were estimated to live in the Kurdistan Region.

Iraq has not conducted a true nationwide census since 1987,[474] and events have altered its demography in the years since. The lack of current, reasonably accurate census data limits the GOI's ability to resolve several vital issues, including:[475]

- status of disputed internal borders, especially in Tameem (Kirkuk) and Ninewa provinces
- provincial elections in Tameem—the only province that has not conducted such elections
- allocation of seats in future CoR elections
- voter eligibility for future district and sub-district elections
- national budget allocation for the KRG (which currently stands at 17%)

In April 2010, the United Nations Population Fund (UNPF) organized a high-level mission to Iraq to explore the feasibility of establishing an independent commission to monitor the upcoming census. The UNPF and MoPDC are currently engaged in discussions about the composition and responsibilities of any such commission.[476]

Humanitarian Relief

Improved security in 2010 has made it easier for humanitarian organizations to aid internally displaced persons (IDPs) and other vulnerable groups in Iraq.[477] The UN reported this quarter that more than 5,000 Iraqis had returned from neighboring countries and more than 30,000 IDPs had returned to their places of origin in the first three months of 2010. Most returnees were from Baghdad and Diyala provinces, but Basrah province also saw an influx of returnees from exile in Iran; the UN High Commissioner for Refugees (UNHCR) built 180 new shelters for them.[478] In areas where conditions have stabilized, humanitarian agencies are shifting toward "early recovery activities," defined by the United Nations Development Program as a multidimensional process designed to restore basic services, jobs, transitional shelter, and security in post-conflict situations.[479] Table 2.27 presents selected UNDAF metrics for assessing aid to Iraqi IDPs.

Despite improved security, nearly 1 million Iraqi refugees remain in Syria and Jordan, and approximately 1.55 million people remain internally

Nearly 1 million Iraqi refugees remain in Syria and Jordan, and approximately 1.55 million people remain internally displaced in Iraq.

TABLE 2.27

UNDAF TARGETS FOR IDPS

METRIC	BASELINE	2014 TARGET
Percentage of displaced population that takes part in elections	TBD (2009)	60%
Number of IDPs, refugess, returnees, stateless, and asylum seekers monitored and assisted in accessing their fundamental rights	713,349 (2008)	428,009

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

displaced in Iraq.[480] UNHCR reported in June that 100,000 Iraqi refugees residing outside Iraq had been referred to third countries for resettlement. By May, about half of those referred had departed for their host countries, though lengthy security checks and processing times led to considerable delays. About 45% of refugees who applied for third-country resettlement live in Syria.[481] Citing continued violence in Iraq, the UN agency cautioned European countries against deporting refugees to Iraq after reports surfaced that the Netherlands, Norway, Sweden, and the United Kingdom were arranging forced returns of Iraqi citizens.[482]

The UN reported this quarter that more than 5,000 Christian Iraqis were displaced in January following attacks against their community that resulted in 12 deaths. UN and Iraqi authorities worked to provide humanitarian assistance to these families, reporting in May that nearly two-thirds of those displaced by this violence had returned to their homes.[483]

U.S Assistance to IDPs and Refugees

As of June 30, 2010, the U.S. government had obligated more than $895 million in humanitarian assistance to Iraq, including nearly $12.2 million from USAID's Office of Foreign Disaster Assistance (OFDA) to support IDPs, returnees, host communities, and other vulnerable populations.[484] OFDA programs are spread out across Iraq, with the most IDPs being served in the Kurdistan Region and in Baghdad, Diyala, and Missan provinces.[485]

The DoS Bureau of Population, Refugees, and Migration (PRM) supported UNHCR's work on shelter rehabilitation and construction, protection assistance, and non-food items and hygiene kits for extremely vulnerable populations.[486] PRM also continued to fund the Program for Human Security and Stabilization, which is implemented by the International Organization for Migration (IOM). This initiative with the Iraqi Ministry of Labor and Social Affairs and Ministry of Displacement and Migration (MoDM) serves Baghdad, Diyala, Ninewa, Anbar, Babylon, Basrah, Erbil, and

> More than 51,500 Iraqi refugees and Special Immigrant Visa (SIV) holders have resettled in the United States since FY 2008.

An Iraqi refugee in Amman, Jordan. (UNHCR photo)

Sulaymaniyah provinces. U.S. Embassy-Baghdad's Senior Refugee Coordinator has urged the GOI to increase its budget for Iraq's displaced population.[487]

Resettlement in the United States

More than 51,500 Iraqi refugees and Special Immigrant Visa (SIV) holders have resettled in the United States since FY 2008 through two separate programs: 47,925 resettled as refugees, and at least 3,592 resettled with SIVs (DoS only tracks SIV holders who elect resettlement and placement benefits through PRM).[488]

The U.S. Refugee Admissions Program (USRAP) is implemented by PRM and administered by the Refugee and IDP Affairs section at U.S. Embassy-Baghdad in coordination with the IOM. The SIV program is jointly run by the Refugee and IDP Affairs and consular sections at U.S. Embassy-Baghdad. The Refugee and IDP Affairs section provides Chief of Mission approval letters, whereas the consular section adjudicates visas. The main difference between the two programs involves who can apply for refugee status. USRAP accepts Iraqi nationals who worked for the U.S. government as direct hires, contractors, qualifying grantees, and employees of cooperative agreement partners that have been funded by the U.S. government who were employed after March 20, 2003, regardless of length of service. The SIV program accepts any Iraqi national who provided "faithful and valuable" service while employed by or on behalf of the

U.S. government for at least one year after March 20, 2003. The SIV program limits access to eligible family members who are spouses and unmarried children under 21, while USRAP also grants access to parents, siblings, and their immediate family.[489]

GOI Assistance to IDPs and Refugees

This quarter, the GOI continued its efforts to reintegrate members of Iraq's ethnosectarian communities through a process called the "Diyala Initiative." Begun in July 2009 by Prime Minister Nouri al-Maliki, the project is coordinated by UNHCR and seeks the return and reintegration of displaced populations. The U.S. government and several international agencies, such as the World Food Programme and UNICEF, have partnered with the GOI to assess the vulnerability of Iraqi villages, establish protection for returnees, provide legal aid, rehabilitate shelters as well as water networks, generate income activities, rehabilitate schools and healthcare facilities, set up feeding programs, and initiate community awareness health campaigns.[490] Since 2003, MoDM has distributed approximately 2,000 plots of land to refugees in southern Iraq, and recently, it began constructing homes on them as part of a government program aimed at helping pre-2003 refugees resettle in the country.[491]

Public Services

As of June 30, 2010, the U.S. government had allocated $2.04 billion, obligated $2.00 billion, and expended slightly more than $1.90 billion on public services—primarily for healthcare and education projects.[492]

Health Care

Iraq continues to face a shortage of doctors, nurses, and ancillary support staff. The number of repatriated physicians, dentists, and pharmacists increased significantly in 2009; however, a physician shortage continues to exist in Iraq, and the GOI continues its

efforts to train, recruit, and fill vacancies.[493] According to the World Health Organization's Statistics 2010 Report, about 41% of Iraq's population is under the age of 15, and an estimated 45 of every 1,000 children born will die before the age of five. The average life expectancy is 63 years (59 for men and 69 for women)—tied with Yemen as the lowest in the region. Moreover, Iraq's health care suffers from outdated policies and strategies, a lack of qualified doctors and nurses, poverty, crumbling and insufficient healthcare infrastructure, and outdated medical curricula.[494]

The UNDAF has set several goals to continue development of the healthcare sector, including supporting the GOI to enact legislation on universal access to health insurance by 2011 and to create a primary healthcare system to ensure basic services for all Iraqis.[495] Specific metrics and targets are listed in Table 2.28.

> The number of repatriated physicians, dentists, and pharmacists increased significantly in 2009; however, a physician shortage continues to exist in Iraq.

TABLE 2.28
UNDAF TARGETS FOR HEALTH CARE

METRIC	BASELINE	2014 TARGET
Number of districts implementing PHC approach	19 (2009)	114
Percentage of one-year-old children immunized against measles	70% (2007)	95%
Ratio of doctors per 10,000 population	6 (2009)	10
Ratio of nurses per 10,000 population	13.2 (2008)	40
Proportion of tuberculosis cases detected and cured under directly observed treatment short course	43% (2008)	70%
Percentage of pregnant women with anemia	37.9% (2007)	19%
Percentage of governorates with at least one local implementation plan to reduce HIV among young people	0% (2009)	40%

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

An Iraqi reporter interviews students about their new school in Qadissiya province. (U.S. Embassy-Baghdad photo)

U.S.-funded Healthcare Projects

Despite these challenges, USACE estimated that as of June 30, 2010, its projects had enabled Iraqi hospitals to treat 6.6 million inpatients and 4.6 million outpatients each year. As of June 30, 2010, 133 IRRF-funded Primary Healthcare Centers (PHCs) had been turned over to the MOH, and 53 hospitals had been renovated; two hospital renovations were ongoing.[496]

This quarter, 8 healthcare projects worth more than $61 million were completed: six were funded by the IRRF, and the remaining two were funded by the ESF. The largest healthcare project completed this quarter was the $38 million, IRRF-funded, final phase of construction of the Basrah Children's Hospital, a 94-bed pediatric facility in Basrah province. Construction was originally expected to cost $50 million, with completion planned for December 2005. By the time the hospital was completed in 2010, overall costs had more than tripled. Approximately $110 million in U.S. funds were spent to build the hospital. The GOI, Spain, and Project Hope contributed an additional $61 million.[497] The Erbil Emergency Hospital was also completed this quarter. This $13.6 million ESF project provided 100 additional beds at the facility, more than doubling the province's emergency bed capacity.[498] At the end of the quarter, there were 26 U.S.-funded healthcare construction projects underway, valued at more than $34 million.[499]

Unless access to quality primary and secondary education is significantly increased in the near term, Iraq's younger generation is in danger of becoming an impediment to peace, stability, and economic growth.

USAID's Health Promotion Program in Iraq conducted four workshops this quarter designed to provide training to MOH officials from the central and provincial governments. As of June 30, 2010, more than $1 million of the project's $5 million allocation had been expended.[500]

For an overview of selected U.S.-funded health-care facilities and programs, see Figure 2.40.

Education

Since 2003, the U.S. government has funded the repair or construction of more than 4,000 schools, provided teacher training for more than 33,000 educators, and distributed millions of textbooks.[501]

Still, Iraq's young people (along with those in Yemen and Egypt) are among the most illiterate in the Middle East. The country's education system was once regarded as the best in the Arabic-speaking Middle East, having made great progress toward universal basic education in the 1960s and 1970s. But since the mid-1980s, the education system has deteriorated. The delivery of adequate education services is vulnerable to displacement, poverty, discrimination against women, crumbling infrastructure, overcrowded classrooms, and deteriorating and outdated quality of curricula. According to U.S. Embassy-Baghdad, the lack of security—both real and perceived—has affected enrollment, attendance, and success rates.[502] Unless access to quality primary and secondary education is significantly increased in the near term, U.S. Embassy-Baghdad warns that Iraq's younger generation is in danger of becoming an impediment to peace, stability, and economic growth.[503] The UNDAF targets for Iraq's education sector are listed in Table 2.29.
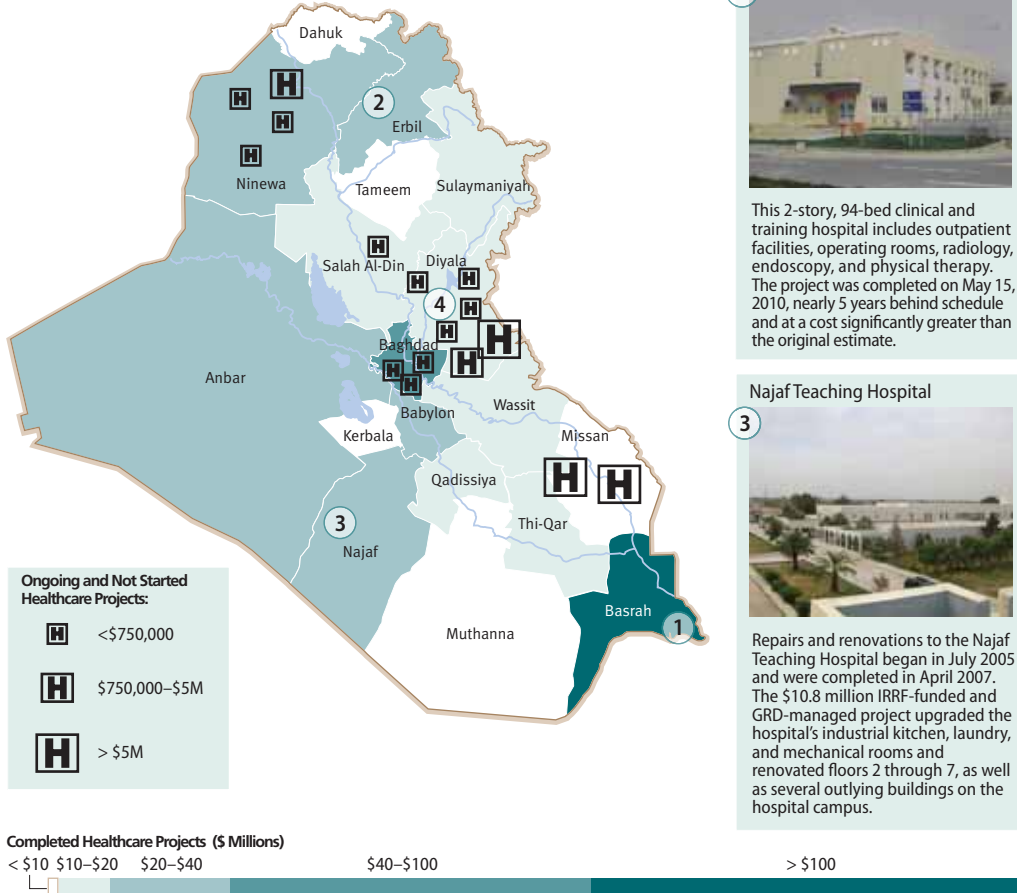
In FY 2010, U.S. Embassy-Baghdad's Public Affairs Section established formal linkages between four Iraqi universities and U.S. universities at an initial cost of $6 million, and a linkage to a fifth university is underway. The 3-year program will benefit the universities of Baghdad, Salahaddin (in Erbil), Basrah, Kufa (in Najaf), and Tikrit, helping to revise the curricula and establish online courses,

FIGURE 2.40
U.S.-FUNDED HEALTHCARE FACILITIES
Value of Completed Projects and Location of Major Ongoing and Not Started Projects

Ongoing and Not Started Healthcare Projects:

H	<$750,000
H	$750,000–$5M
H	> $5M

Completed Healthcare Projects ($ Millions)

< $10 $10–$20 $20–$40 $40–$100   > $100

Basrah Children's Hospital
1

This 2-story, 94-bed clinical and training hospital includes outpatient facilities, operating rooms, radiology, endoscopy, and physical therapy. The project was completed on May 15, 2010, nearly 5 years behind schedule and at a cost significantly greater than the original estimate.

Erbil Emergency Hospital
2

This $13.4 million ESF-funded project was intended to ensure that health care in Erbil province in the Kurdistan Region keeps up with demographic trends and overall population growth. The contract was awarded in July 2008, and was completed on June 3, 2010.

Najaf Teaching Hospital
3

Repairs and renovations to the Najaf Teaching Hospital began in July 2005 and were completed in April 2007. The $10.8 million IRRF-funded and GRD-managed project upgraded the hospital's industrial kitchen, laundry, and mechanical rooms and renovated floors 2 through 7, as well as several outlying buildings on the hospital campus.

Ba'quba General Hospital
4

This $8.8 million, ESF-funded project to construct a new surgical expanded health center at Ba'quba General Hospital in Diyala province will be a stand-alone structure with a 2,500 square meter ground floor and ancillary services, including 20 emergency room beds. It is slated for completion in August 2010.

U.S.-FUNDED HEALTHCARE ACTIVITIES
$ Millions

	COMPLETED	ONGOING	NOT STARTED	TOTAL
Primary Health Centers/Clinics	304.73	0.26	0.93	305.92
Miscellaneous Facilities	233.37	12.49	0.03	245.89
Hospitals	216.96	20.47	0.00	237.43
Health Programs & Equipment	150.21	2.42	0.19	152.82
Sustainment (O&M)	26.58	0.00	0.78	27.36
Capacity Building	16.26	0.00	0.40	16.66
Spare-part Replenishment	2.76	0.00	0.00	2.76
Infrastructure Security	0.38	0.02	0.00	0.40
Total	**951.26**	**35.65**	**2.33**	**989.25**

U.S. FUNDING FOR HEALTHCARE ACTIVITIES
$ Millions

CERP $128.98 — 13%
ESF $83.17 — 8%
<1% ISFF $0.75
IRRF $776.35 — 78%

Note: Data not audited. Numbers affected by rounding. This list of reconstruction projects is based on IRMS data, which is not fully accurate or complete. Therefore, project totals do not reconcile with top-line obligations and expenditures provided by the agencies.

Source: IRMS, *Global Benchmark*, 7/2/2010.
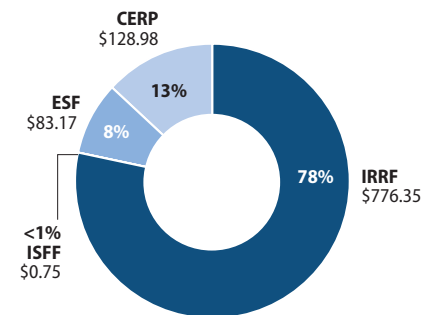
The Library of Congress trains Iraqi librarians in Sulaymaniyah province as part of a nationwide training effort. (U.S. Embassy-Baghdad photo)

among other benefits. The program also aims to increase the number of Iraqis studying at American universities. A separate nationwide program has trained Iraqi instructors on the latest techniques for teaching English as a second language.[504]

This quarter, the American University of Iraq–Sulaymaniyah became the first institution of higher education in Iraq to receive accreditation from a U.S.-recognized academic accrediting agency.[505]

U.S.-funded Education Projects

This quarter, 18 U.S.-funded projects to build educational facilities, valued at more than $15 million, were completed. Ten projects were funded by the ESF, and the rest were funded by the CERP. The largest construction project completed this quarter was the al-Ghader school, a $1.4 million ESF project to build a 12-classroom primary school in Thi-Qar province. According to the Iraq Reconstruction Management System (IRMS), 177 education projects were ongoing as of June 30, 2010. The majority of ongoing projects have been funded by the CERP, but they were relatively small; 14 projects costing between $1 million and $4.8 million have been funded by the ESF and IRRF.[506]

In the Kurdistan Region, the Regional Reconstruction Team organized a visit by specialists from the Library of Congress who trained Iraqi librarians as part of a nationwide library education

TABLE 2.29
UNDAF TARGETS FOR EDUCATION

METRIC	BASELINE	2014 TARGET
Completion rate for grade 5	81.8% (2009)	100%
Average literacy rate	80.9% (2007)	10% increase
Literacy rate for women	73.6% (2007)	90%
Net enrollment: primary education	90.6% (2009)	98%
Net enrollment: intermediate education	40.5% (2009)	50.5%
Net enrollment: upper secondary education	56.6% (2009)	66.6%
Drop-out rate: primary education	2.1% (2007)	50% reduction
Drop-out rate: intermediate education	3.1% (2007)	50% reduction
Drop-out rate: upper secondary education	1.7% (2007)	50% reduction
Gender gap in secondary education	33.1% (2007)	15%
Percentage of governorates with at least one local implementation plan to increase school enrollment, developed with participation of young people and youth (aged 10-24)	TBD (2009)	100%

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

program. The embedded Provincial Reconstruction Team (ePRT) in Baghdad supported an adult literacy program for women designed to teach them basic literacy and math skills. PRT Qadissiya brought a team of journalists to a school in the province to emphasize rural education; last year, the PRT supported the construction of 54 schools in Qadissiya.[507]

For an overview of selected U.S.-funded school construction projects, see Figure 2.41.

Housing Rehabilitation

IRMS data indicates that, as of June 30, 2010, at least $3 million in U.S. housing projects were ongoing, and approximately $13,000 of planned projects had not yet started.[508]

FIGURE 2.41

U.S.-FUNDED EDUCATION FACILITIES

Value of Completed Projects and Location of Major Ongoing and Not Started Projects

Ongoing and Not Started Education Projects:

- <$1M
- $1M–$2M
- > $2M
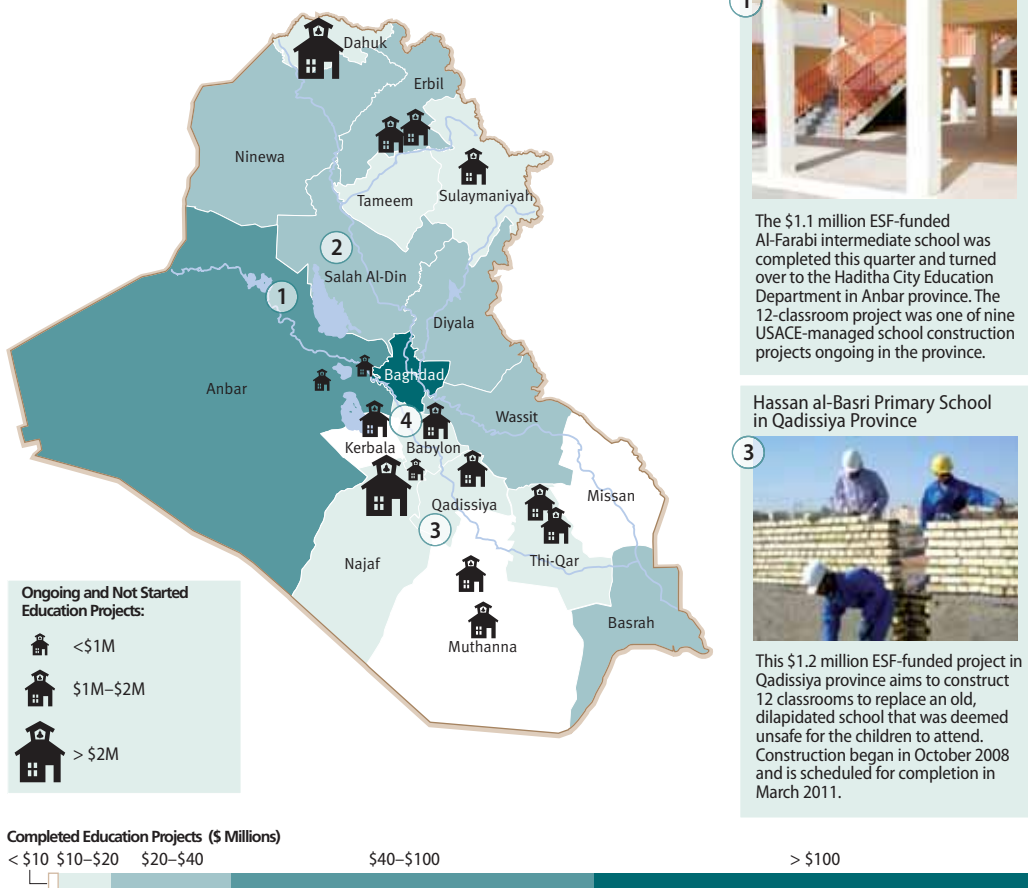
Al-Farabi school in Anbar province

1

The $1.1 million ESF-funded Al-Farabi intermediate school was completed this quarter and turned over to the Haditha City Education Department in Anbar province. The 12-classroom project was one of nine USACE-managed school construction projects ongoing in the province.

Modular school in Salah Al-Din province

2

This typical modular school was built by USACE to help ease the overcrowding at Iraqi primary and secondary schools. Each of the two buildings has four rooms: three are classrooms, and one is used as a teacher prep/conference room.

Hassan al-Basri Primary School in Qadissiya Province

3

This $1.2 million ESF-funded project in Qadissiya province aims to construct 12 classrooms to replace an old, dilapidated school that was deemed unsafe for the children to attend. Construction began in October 2008 and is scheduled for completion in March 2011.

Al-Shomali Secondary School in Babylon Province

4

This $1.3 million ESF-funded project aims to construct a 12-classroom secondary school in Babylon province. Begun in June 2008, the construction suffered from a few quality issues that put it behind schedule. It is now slated for completion in July 2010. The school will serve students from Shomali, an area with a population of about 25,000.

Completed Education Projects ($ Millions)

< $10 $10–$20 $20–$40 $40–$100   > $100

U.S.-FUNDED EDUCATION ACTIVITIES

$ Millions

	COMPLETED	ONGOING	NOT STARTED	TOTAL
School Facilities	437.48	29.13	16.84	483.45
Education Programs & Equipment	197.00	8.26	18.91	224.16
Miscellaneous Facilities	165.59	7.65	0.14	173.38
Total	800.07	45.04	35.89	881.00

Note: Data not audited. Numbers affected by rounding. This list of reconstruction projects is based on IRMS data, which is not fully accurate or complete. Therefore, project totals do not reconcile with top-line obligations and expenditures provided by the agencies.

Source: IRMS, *Global Benchmark*, 7/2/2010.

U.S. FUNDING FOR EDUCATION ACTIVITIES

$ Millions

CERP $368.43 — 37%
IRRF $394.50 — 40%
ESF $118.07 — 12%
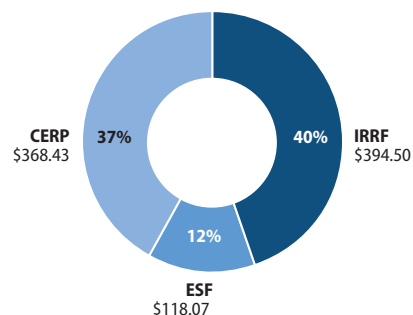
Iraq's Minister of Higher Education announced this quarter plans to build 6,000 residential units for employees of the ministry in Kahn Bani Sa'ad village in Diyala province.[509] Additionally, Iraq's National Investment Commission approved two investment licenses to build a residential compound in al-Amiriya, a neighborhood in Baghdad. The 2,000-unit compound is intended to be complete within three years for use by teachers at the ministry.[510] Companies in the UAE were reportedly considering building 150,000 housing units throughout Iraq.[511]

Table 2.30 shows UNDAF metrics and targets for further developing Iraq's housing sector. ◆

TABLE 2.30
UNDAF TARGETS FOR HOUSING

METRIC	BASELINE		2014 TARGET
Percentage of population living in non-durable structures	Urban: 3% Rural: 25%	(2007)	Urban: 1% Rural: 15%
Percentage of population living in less than 9 m² per person	Urban: 19% Rural: TBD	(2009)	Urban: 10% Rural: 10%
Percentage of population suffering from insufficient ventilation	15%	(2009)	10%

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

ECONOMY

As of June 30, 2010, the United States had allocated $1.67 billion, obligated $1.62 billion, and expended $1.48 billion to support Iraq's economic governance and private sector development.[512] For the status of U.S. funding to support economic development, see Figure 2.42.

As shown in Figure 2.43, quarterly expenditures have remained much lower than spending in the other three reconstruction areas. At the end of the quarter, the largest ongoing programs were the Provincial Economic Growth (ESF) program, with $29.7 million in unexpended obligations, and the Private Sector Development (IRRF) program, with $25.1 million in unexpended obligations.[513] Table 2.31 is a breakdown of spending categories that experienced the greatest increases in obligations and expenditures this quarter.

Key Economic Trends and Developments

This quarter, Iraq received $12.66 billion in total revenue from the export of crude oil; $0.63 billion (5%) was reserved for war reparations to Kuwait, leaving $12.03 billion in oil export receipts for GOI funding. This is down 2% from last quarter.[514]
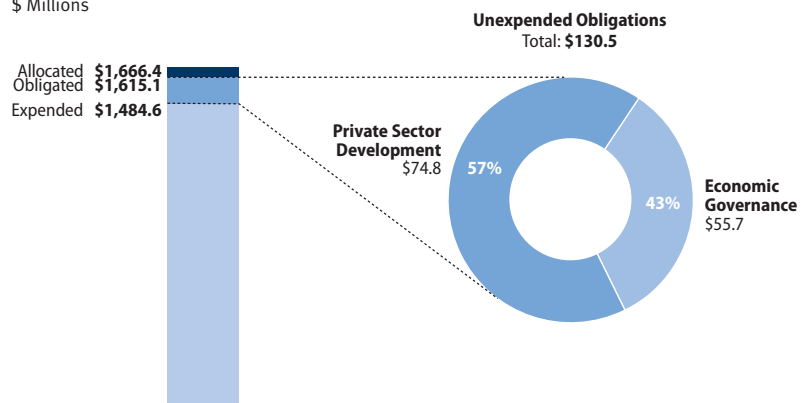
For a comparison of Iraq's gross domestic product (GDP) to the GOI's annual budget and annual oil receipts, see Figure 2.44.

New Inflation Rates

The Central Bank of Iraq (CBI) began publishing its new inflation figures this quarter, which are based on consumer-price data gathered as part of COSIT's *Household Socio-Economic Survey of 2008*. Previously, the CBI had been using data from 1993 to calculate inflation rates.[515] The new data is intended to more accurately reflect true inflation rates, as the 1993 data on purchasing habits

FIGURE 2.42

ECONOMY: STATUS OF FUNDS FROM THE IRFF, ISFF, ESF, AND CERP
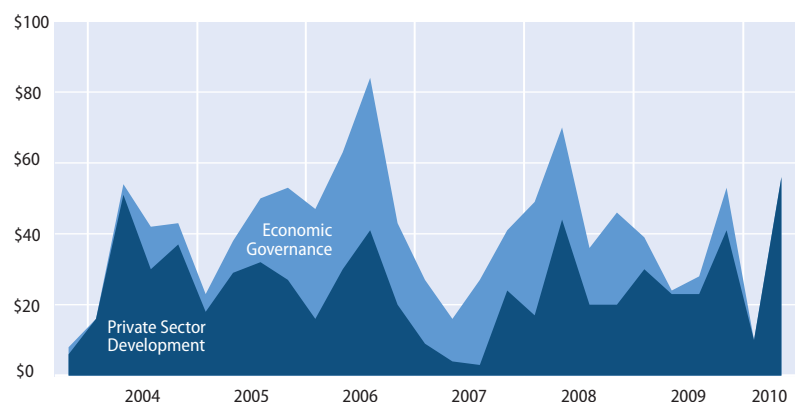$ Millions

Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, responses to SIGIR data call, 6/30/2010, 7/6/2010, and 7/8/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USAID, responses to SIGIR data call, 7/8/2010 and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009.

FIGURE 2.43

ECONOMY: QUARTERLY U.S. EXPENDITURES, BY RECONSTRUCTION SECTOR
$ Millions

Note: Data not audited. Numbers affected by rounding. The graph does not include $352 million in Iraq debt forgiveness, funded by the IRRF in the second fiscal quarter of 2005; however, that amount is included in top-line values for Economy in this Report. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, responses to SIGIR data call, 6/30/2010, 7/6/2010, and 7/8/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USAID, responses to SIGIR data call, 7/8/2010 and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–4/2010.

TABLE 2.31
ECONOMY: STATUS OF SELECTED PROGRAMS
$ Millions

PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
	OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Inma Agribusiness Development (ESF)	124.0	115.3		32.7 (40%)
Provincial Economic Growth (ESF)	85.8	56.1		18.0 (47%)
Targeted Development Program (ESF)	57.4	36.9		5.5 (18%)
Agriculture (CERP)	122.3	109.5	1.5 (1%)	
Other	1,225.6	1,166.8	0.3 (0%)	0.2 (0%)
Total	**1,615.1**	**1,484.6**	**1.7 (0%)**	**56.5 (4%)**

Note: Programs listed in this table had changes of at least $1 million in combined quarterly obligations and expenditures. Appendix C shows the status of all programs funded by the four major funds, including those in the Economy reconstruction area that are grouped in the "Other" category here. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting. Therefore, category totals found in the Funding Sources subsection of this Report may not match top-line values found in the other subsections.

Sources: IRMS, *USF-I CERP Category Report*, 7/2/2010; NEA-I, responses to SIGIR data calls, 4/2/2010, 6/30/2010, 7/6/2010, and 7/8/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USAID, responses to SIGIR data calls, 4/13/2009, 7/8/2010, and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009.

excluded the Kurdistan Region and was collected during a period of economic isolation as a result of international sanctions. The change was a condition of Iraq's most recent Stand-By Arrangement (SBA) with the International Monetary Fund (IMF), which was extended last quarter.[516]

The new figures for 2010 show inflation remaining stable near 3%.

Under the previous data set, Iraq ran a negative year-on-year inflation rate; in December 2009, it stood at −4.4%.[517] The new figures for 2010, published this quarter, show inflation remaining stable near 3%,[518] below the 5%–6% range that the Ministry of Finance (MOF) and CBI agreed to work toward under the terms of the latest SBA.[519]

Dinar Redenomination

The CBI has announced that it intends to implement a long-planned redenomination of the Iraqi dinar by eliminating three zeros from the nominal value of bank notes. This process is meant to ease commercial transactions by reducing errors and confusion that hyper-inflated currencies often cause. Now that Iraq's inflation rate has achieved a level of stability, the move could serve to bolster confidence in the country's currency. The redenomination process is set to begin in late 2010 and take two years to complete.[520]

The CBI has pegged the exchange rate since January 2009 at 1,170 Iraqi dinars to 1 U.S. dollar,[521] and has held interest rates at 6% since April 2010.[522] Figure 2.44 shows the recent quarterly trends for inflation, core inflation, and exchange rates.
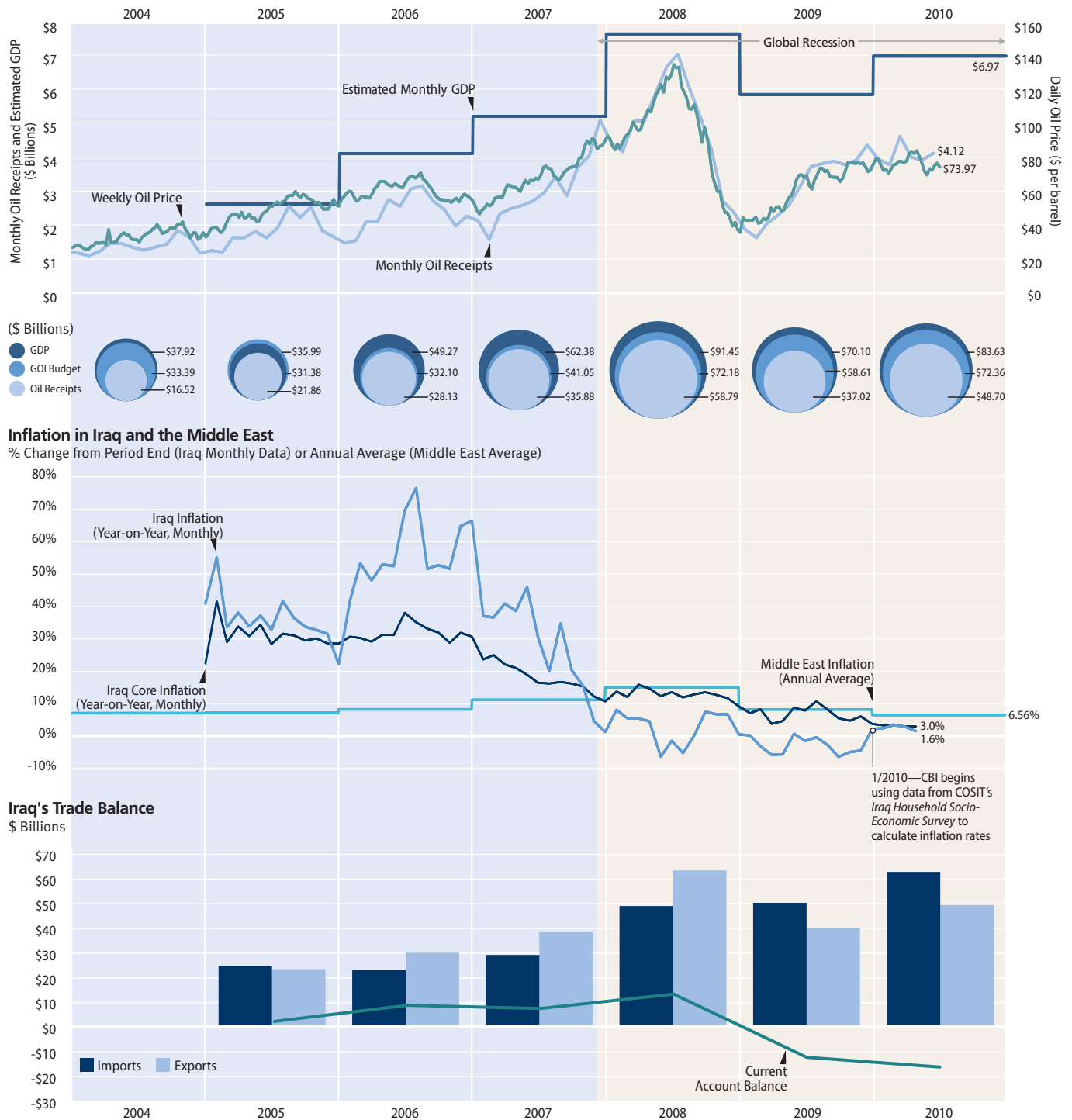
Economic Governance

UNDAF Economic Goals

The *UN Development Assistance Framework for Iraq 2011–2014* (UNDAF) places a high priority on encouraging "inclusive, equitable, and sustainable economic growth" and adopts the following goals:[523]

- increasing GDP growth to 9.38% annually
- diversifying Iraq's economy and increasing productivity in all economic sectors
- creating sustainable jobs and income generation, especially among youth and women
- reducing levels of poverty by 30%
- enhancing the role of the private sector in the national development process
- increasing the contribution of agriculture to Iraq's GDP

FIGURE 2.44

THE IRAQI ECONOMY, 2004–2010

Oil Price, Iraqi Oil Receipts, and GDP

Inflation in Iraq and the Middle East
% Change from Period End (Iraq Monthly Data) or Annual Average (Middle East Average)

Iraq's Trade Balance
$ Billions

Note: Data not audited. Numbers affected by rounding. Daily oil price represented by Weekly Iraq Kirkuk netback price at U.S. Gulf, as of 7/9/2010. All dollar values are in current prices. Iraqi GDP is not available from the IMF for 2004; GDP figures from 2008–2010 and oil receipts for 2010 are estimates. 2010 trade balance estimated by IMF.

Sources: U.S. Embassy-Baghdad, Treasury Attaché, responses to SIGIR data call, 6/8/2010 and 7/13/2010; IMF, *World Economic and Financial Surveys: World Economic Outlook Database*, 10/2009, www.imf.org/external/pubs/ft/weo/2009/02/weodata/index.aspx, accessed 7/8/2010; and "Weekly Iraq Kirkuk Netback Price at U.S. Gulf," www.eia.gov/dnav/pet/hist/ LeafHandler.ashx?n=PET&s=WEPCKIRK&f=W, accessed 7/13/2010; GOI, CBI, "Key Financial Indicators," 6/23/2010, www.cbi.iq/documents/key_financial.xls, accessed 7/8/2010.

TABLE 2.32

UNDAF TARGETS FOR ECONOMIC DEVELOPMENT

METRIC	BASELINE	2014 TARGET
Ranking of Iraq in the World Bank "Doing Business" report	153 (2009)	99
Percentage of private sector employment	22% (2008)	35%
Percentage of economically active labor force	46.48% (2009)	55%
Percentage of female professional and technical workers	61.8% (2008)	> 90%
Average monthly per capita income in NID	125,100 (2007)	150,120
Cost to export per container in Iraqi ports	$3,900 (2009)	$3,510
Percentage of population living under the poverty line	22.9% (2007)	16%
Percentage of social transfers that are conditional	22% (2009)	70%
Percentage of poor who do not receive social transfers through the Social Safety Net	96% (2007)	60%

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

For specific UNDAF metrics and targets for economic development, see Table 2.32.

The UNDAF was developed in concert with the GOI's $186 billion *National Development Plan* (NDP), which prioritizes the country's investment in the housing, telecommunications, agriculture, health, and transportation sectors.[524] USAID advisors worked closely with the GOI to develop its five-year plan, which was unveiled on July 4, 2010, but is not yet available in English.[525] Of the NDP's many goals, the GOI reportedly has targeted programs and projects to provide more than 3 million jobs in the private sector.[526]

Development Fund for Iraq

At its semiannual meeting in late April, the International Advisory and Monitoring Board (IAMB), the UN body charged with oversight of the Development Fund for Iraq (DFI), received the GOI's first quarterly report on its plans for a successor arrangement to the DFI. Iraq's Committee

> Past recommendations by SIGIR have not been addressed, and more than $30 million from the DFI remains in DoD and contractor accounts.

of Financial Experts (COFE) delivered the report, announcing that the GOI intends to maintain its current DFI accounts at the Federal Reserve Bank of New York and that the successor arrangements would include instituting greater asset diversification. The report elaborates Iraq's recent successes in securing debt reduction agreements from more than 60 countries, although the GOI is still seeking waivers of claims from commercial creditors on additional debt of about $600 million.[527] COFE also addressed ongoing delays in compiling and publishing monthly summaries of DFI inflows and outflows; the delays resulted from the August 2009 bombings of the Ministry of Finance.[528]

COFE, which is headed by the President of the Board of Supreme Audit, is scheduled to assume full oversight responsibilities of the DFI when the IAMB's mandate expires at the end of 2010.[529] Iraq's next quarterly report on planned successor arrangements was due in July. For the flow of DFI revenue, see Figure 2.45.

The DFI was used to fund both the CERP and Rapid Regional Response Program, and DoD maintained oversight of these monies until the GOI terminated authorization for U.S. government administration of DFI funds in December 2007. However some DFI funds remained in U.S. government accounts beyond that date.[530] This quarter, SIGIR concluded an audit of the financial and management controls over DFI funds that were made available to DoD, finding that past recommendations by SIGIR have not been addressed and that more than $30 million from the DFI remains in DoD and contractor accounts. For a more detailed summary of the audit's findings and recommendations, see Section 3 of this Report.
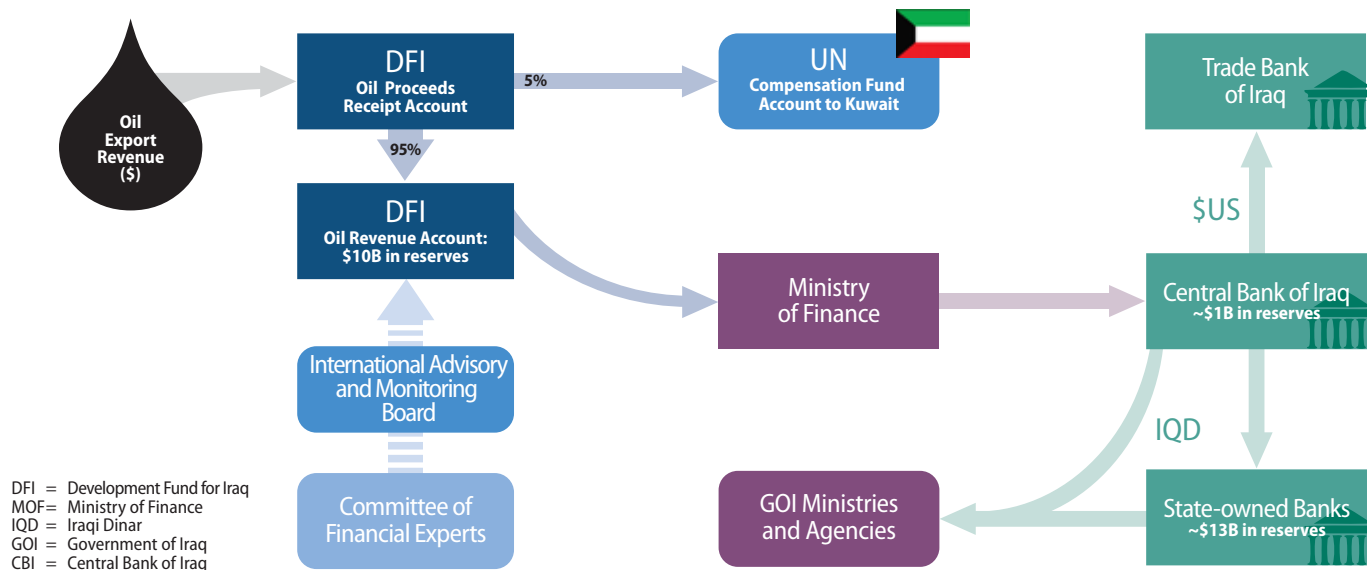
Private Sector Development

Agriculture

Iraq's agriculture sector employs approximately 12.3% of the country's total workforce[531] and constitutes 8.4% of GDP.[532] USAID reports that

FIGURE 2.45

FLOW OF OIL REVENUE TO THE GOVERNMENT OF IRAQ

DFI = Development Fund for Iraq
MOF = Ministry of Finance
IQD = Iraqi Dinar
GOI = Government of Iraq
CBI = Central Bank of Iraq

Sources: SIGIR analysis based on UNSCR 1905; IAMB documents; U.S. Embassy-Baghdad, Treasury Attaché, response to SIGIR data call, 7/7/2010; Senior Advisor to CBI Governor, interview with SIGIR, 5/25/2010.

the sector continues to suffer from disconnects between consumers and suppliers; government regulatory interference in the form of market-distorting subsidies; and a dilapidated and often obsolete production, processing, and marketing infrastructure.[533] Iraq's agriculture sector struggles to compete in regional and global markets, a product of high farm-to-market costs and quality issues with its output. Along with the inefficiencies of its agricultural sector, Iraq's rapidly increasing population and poor climate compel it to rely on imports to supply roughly 80% of domestic food consumption.[534] UNDAF metrics and targets for the agricultural sector are listed in Table 2.33.

In June, USAID issued a request for proposals for a new Agriculture Sector Support Project, which aims to address problems that have impeded Iraq's agricultural development for decades—poor management and excessive interference in the sector by the state.[535] Estimated to cost $35 million–$45 million, the project is expected to build the GOI's capacity to make and implement

appropriate policy choices, to better understand and respond to economic drivers of the sector, and to develop indigenous institutions to generate objective appraisals and analyses of actual and prospective agricultural policies.[536]

Trade Mission

This quarter, a USDA Agricultural Trade Mission visited Baghdad, bringing representatives from 18 U.S. agricultural companies to explore investment opportunities in Iraq. The three-day mission hosted seminars on local import regulations, security conditions, and trade finance and spawned 250 meetings between U.S. and Iraqi company representatives.[537] According to U.S. Embassy-Baghdad, one objective of the Trade Mission was to expand private trade to provide critically needed agricultural inputs, such as animal feed, seeds, and irrigation equipment.[538] Iraq, which imported $167 million in U.S. agricultural goods in the first five months of 2010,[539] is being marketed to the business community by U.S. agencies as an increasingly important and potentially lucrative area for growth.[540]

Imports supply roughly 80% of domestic food consumption.

TABLE 2.33
UNDAF TARGETS FOR AGRICULTURE

METRIC	BASELINE	2014 TARGET
National drought mitigation plan formulated and implemented	No (2009)	Yes
Inter-ministerial structure on trans-boundary water resources established with UN involvement	No (2009)	Yes
Percentage of locally manufactured food in Iraq subject to food safety regulations	58% (2009)	95%
Percentage increase in number of Iraqis receiving quality seeds	15% (2009)	25%
Percentage increase in services available to farmers for the artificial insemination of livestock, feed, and vaccination	20%–25% (2009)	50%
Percentage area of land affected by desertification	9% (2009)	9%

Source: UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, Annex A: UNDAF Results Matrix, pp. 43–59.

Winter Wheat Crop

Iraq's winter wheat crop rebounded this year.[541] Iraq's 2010 wheat harvest is estimated at 2 million–2.2 million metric tons, on par with the 5-year average and significantly larger than last year's yield of 1.3 million metric tons.[542] According to the USDA's Foreign Agricultural Service, sufficient seasonal rainfall and mild temperatures over northern areas throughout the winter were instrumental in this year's increased production. Provinces in the north, such as Ninewa and Dahuk, experienced a generally ideal growing season, although irrigation-fed cropland along the Tigris and Euphrates Rivers continued to suffer from water shortages.[543] Higher rainfall, while beneficial to rain-fed crops, failed to significantly improve water levels in reservoirs.[544]

The ideal weather that allowed for sizable gains in winter grain crops throughout the grain-producing region—from eastern Syria to southern Turkey and northern Iraq—has also given rise to an epidemic of a new strain of "yellow rust,"[545] a

> Higher rainfall, while beneficial to rain-fed crops, failed to significantly improve water levels in reservoirs.

fungal blight that can destroy 50% or more of infected crops.[546] While Syria is suffering the brunt of this outbreak, strong westerly winds have already carried the spores to parts of Ninewa, Erbil, and Tameem provinces in Iraq. Those areas are now expected to suffer a 10%–15% crop loss, which has already been factored into Iraq's total crop yield estimates for the year.[547]

IGB's Wheat-purchasing Plans

The Iraqi Grain Board (IGB), the GOI body that manages the country's wheat supply, declared its intent this quarter to double its purchase of domestically produced wheat, from 750,000 metric tons last year to 1.5 million this year, or roughly 68% of Iraq's expected 2010/2011 market-year harvest.[548] According to a recent USDA report, the IGB had initially intended to purchase only domestically produced wheat of #1 quality (Iraq grades wheat on a scale of 1 to 3, with #1 being suitable for human consumption and #3 suitable only as animal feed).[549] However, on average, only a third of Iraq's wheat crop meets that level of quality, meaning the bulk of the IGB's domestic purchase this year is likely to be of low-grade wheat.[550]

According to the USDA, the new policy is likely to please producers, who had been critical of the IGB decision this year to reduce the official price it will pay for domestic wheat. However, the IGB's wheat purchase is eventually redistributed to Iraqis via the Public Distribution System (PDS), which is run by the Ministry of Trade. Given that the IGB would be diluting the PDS flour with lower-than-average-quality wheat, such a move could cause discontent among food-aid recipients. Historically, PDS recipients sell poor-quality flour rations, using the proceeds to buy higher-quality imported wheat. The ratio of imported to domestic wheat distributed through the PDS, which has averaged approximately 5:1 in recent years, will fall to 2.3:1 if the IGB proceeds with the new policy. This means that Iraqis will have to purchase more high-quality imported flour on their own—or go without.[551]

FIGURE 2.46

IRAQ'S WHEAT SUPPLY, 2007–2011
Thousand Metric Tons

Legend:
- U.S. Imports
- All Other Imports
- Iraqi Production
- Beginning Stocks
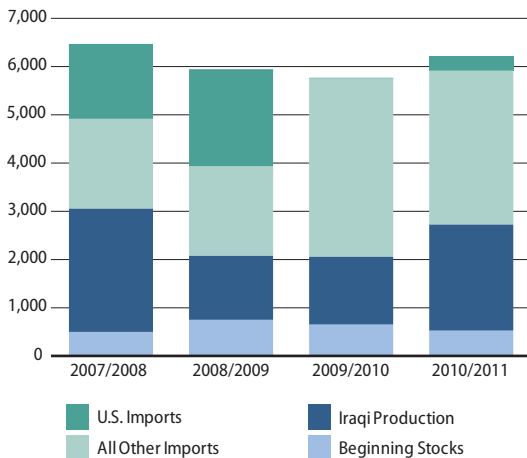
Sources: USDA, FAS, "Wheat Update—Grain Board Purchasing," *GAIN Report: Iraq*, 6/13/2010, gain.fas.usda.gov/Recent%20GAIN%20Publications/Wheat%20Update%20%20Grain%20Board%20Purchasing_Baghdad_Iraq_6-13-2010.pdf, accessed 6/30/2010; USDA, FAS, Global Agricultural Trade System, www.fas.usda.gov/gats/default.aspx., accessed 7/3/2010.

As an alternative, the IGB may put substantial quantities of the domestic wheat into storage, ostensibly to build a strategic grain reserve, as a method of sequestering it from domestic use.[552] This would allow the IGB to continue to use a high percentage of imported wheat in the PDS rations and produce a more consumer-acceptable flour.[553] With yellow rust severely disrupting this year's wheat production in Turkey and Iran, the two chief producers in the region,[554] U.S. wheat producers could benefit if Iraqi dissatisfaction with low-quality PDS flour leads to greater individual consumption of foreign imports.[555] For details on Iraq's wheat supply, including imports of U.S. wheat, see Figure 2.46.

U.S.-funded Programs

U.S. reconstruction programs continued to support Iraq's agricultural sector this quarter. In May, a brigade from the 2nd Infantry Division donated 11 Holstein cows to the University of Baghdad's College of Agriculture and another 11 to its Veterinary College, along with specialized equipment for artificial insemination.[556] The donations were part of an $83,000 program to train students on livestock management techniques and to provide a small income to the schools from the sale of dairy products from the herd.[557]

In Ninewa province, U.S. forces provided farmers with feed pens for livestock and helped to build two seed-purification facilities, funded equally by CERP and GOI contributions. Drip irrigation systems were also provided to farmers in the province, along with approximately 75,000 chickens and 4,500 sheep.[558] The initiative is part of a broad U.S.-led effort to provide the area with facilities to cleanly and efficiently process agricultural goods and to reduce dependence on food imported from neighboring countries.[559]

USAID continues to support the sector through its Inma agribusiness development program. The agency reported several accomplishments this quarter:[560]

- crossbreeding of selected fish species, which yielded approximately 120 million fingerlings to be grown and sold in 2010
- assistance to 42 companies and farmer associations in filing and implementing business plans to move Iraqi agriculture toward market-based production

U.S. wheat producers could benefit if Iraqi dissatisfaction with low-quality PDS flour leads to greater consumption of foreign imports.

Cows donated by U.S. forces to an agricultural college in Baghdad. (USF-I photo)

- training of 680 farmers in fruit production and the opening of five open-field training centers, focused on production of melons and vegetables

Banking

Iraq's banking sector experienced disruptions to its activities this quarter as a result of militant attacks on the CBI and Trade Bank of Iraq (TBI) headquarters, as well as a fraud scandal involving state-owned banks and their private-sector clients.

Fraud Case at State-Owned Banks

Bank employees at Rafidain Bank and the Agricultural Bank withdrew funds and transferred them to private entities as off-book loans. The funds were invested for gain by the private parties, who then returned the funds to the complicit bank employees to be re-deposited. Approximately 9 trillion Iraqi dinars ($7.7 billion) in transfers occurred over time, and although most of the funds were returned, $75 million from the Agricultural Bank and $300 million from Rafidain Bank remain unaccounted for.[561]

The investigation and prosecution of the cases was conducted by the Commission of Integrity, in cooperation with the Board of Supreme Audit and the Inspector General of the Ministry of Finance.[562] Four bank branch managers were indicted and received prison sentences.[563]

Attacks on the CBI and TBI

In June, both the CBI and TBI were the targets of militant attacks. On June 13, gunmen wearing Iraqi Army uniforms stormed the CBI's headquarters in central Baghdad, setting fire to several floors of the building and killing 26 people.[564] The bodies of seven attackers were discovered when security forces entered the building later that day.[565] The CBI had begun rehabilitating its decaying compound just two weeks before the June attacks.[566]

On June 20, two suicide car bombers mounted an unsuccessful attempt to penetrate the TBI's perimeter, killing themselves and at least 18 others in the process.[567]

> $75 million from the Agricultural Bank and $300 million from Rafidain Bank remain unaccounted for.

Banks on Bases Initiative

This quarter, the Banks on Bases Initiative—a DoD program to supplant the use of dollars on U.S. bases in favor of dinars and to increase the use of electronic transfers—broke ground on a new Bank of Baghdad branch office at Camp Liberty. The branch will be the second to open on Victory Base Complex, which is adjacent to Baghdad International Airport.[568] The initiative has opened two bank branches on other U.S. bases, with eight more planned for other locations.[569]

Foreign Direct Investment and Privatization

The international community continues to assess Iraq as an inherently risky place to do business. For example, the Organization for Economic Cooperation and Development (OECD), which maintains an export credit-risk classification system known as the "Knaepen Package," reevaluated the countries in the Middle East/North Africa region this quarter.[570] The system assigns countries into one of eight risk categories, with 0 representing the lowest risk and 7 representing the highest. The Country Risk Classification affects the premium and interest rates that OECD members agree to charge a country, which cover the risk of non-repayment of export credits.[571] Those countries with higher scores face greater borrowing costs or are barred from borrowing altogether. Iraq's score of 7 has not changed since 1999.[572]

Both the GOI and U.S. government continued their respective efforts this quarter to make Iraq a more attractive place for foreign companies to invest in. U.S. Embassy-Baghdad—in conjunction with the Baghdad Provincial Reconstruction Team (PRT) and a private marketing firm—held a catalog show in June, offering an opportunity for U.S. companies to display information about their services and products and meet potential clients. The event attracted 120 U.S. and 100 Iraqi firms.[573]

The U.S. Department of Commerce's Iraq Investment and Reconstruction Task Force (IIRTF) announced this quarter that it will organize an

official trade mission to Baghdad, tentatively scheduled for October 2010. According to the IIRTF, the mission will assist participating U.S. firms in positioning themselves to enter or expand their presence in targeted sectors, including oil and gas, construction, and information and communications technology. [574] The trade mission is the latest event held by the IIRTF, which has worked to extend and deepen trade relations between the United States and Iraq.

In June, the Kurdistan Regional Government (KRG) held the Kurdistan Trade and Investment Conference 2010 in London. KRG Prime Minister Dr. Barham Salih delivered the keynote speech, announcing several new initiatives and emphasizing the region's plan to attract foreign investment by committing significant resources to the education and training of its citizenry. In an effort to demonstrate its stated commitment to making the region a more hospitable destination for foreign capital, the KRG has undertaken the $100 million Human Capacity Development Program to send scholars for advanced studies at universities around the world, and has established a $170 million housing fund to build 7,000 new units and apartments throughout the Kurdistan Region.[575] Dr. Salih also noted the KRG Council of Ministers' endorsement of a proposal to establish a commission to counter corruption, promote good governance, and introduce a code of conduct for public servants.[576]

Task Force for Business and Stability Operations

In May, U.S. Army Forces, U.S. Central Command (ARCENT) notified the DoD-funded Task Force for Business and Stability Operations (TFBSO) that all financial transfers of funding for TFBSO operations had been frozen because of concerns that it was not eligible for ARCENT Overseas Contingency Operation (OCO) funds. However, DoD subsequently determined that the initial legal opinion was incorrect, and the funding freeze was lifted in late May. TFBSO is currently staffed by 208 contractors, 37 civil servants, and 2 military

KRG Prime Minister Dr. Barham Salih delivers the keynote speech at the Kurdish Trade and Investment Conference, held in London on June 15, 2010. (KRG photo)

officers and has offices in Baghdad and Basrah. TFBSO anticipates that its Iraq operations will conclude on January 31, 2011.[577]

Of its combined $100 million in FY 2007 and FY 2008 allocations, TFBSO reports that it has obligated $86 million and expended $49.9 million, as of June 2010, to support Iraq's reindustrialization through refurbishment of state-owned enterprises. According to TFBSO, 41 enterprises have been able to reopen or increase production with the assistance of its program investments. Citing security concerns and corporate confidentiality requirements, TFBSO does not disclose the details of ongoing projects.[578]

Entrepreneurship

In June, USAID's Provincial Economic Growth Program (*Tijara*) announced the opening, in Ninewa, of the 100th microfinance branch office to be funded through the program. *Tijara* also announced a new initiative this quarter designed to provide Iraqis aged 18–35 with essential business skills, entrepreneurial opportunities, and the chance to qualify for loans to start their own businesses. The program is funded with $12 million from the Ambassador's Targeted Development Program.[579]

Iraq's microfinance sector, which has received significant support from USAID, encompasses 14 microfinance institutions (MFIs), which operate in all 18 provinces. Two of the MFIs operate internationally, and together with the 12 indigenous institutions, they serve more than 62,000 clients with an outstanding portfolio of $84 million.[580] ◆

Citing security concerns and corporate confidentiality requirements, TFBSO does not disclose the details of ongoing projects.

SIGIR
OVERSIGHT

SECTION

3

SIGIR'S FORENSIC AUDITS OF AGENCY EXPENDITURES AND THE PROACTIVE AUDITS/INVESTIGATIONS INITIATIVE

SIGIR's Audits and Investigations Directorates are engaged in a number of forensic audits and a joint audit investigation initiative designed to identify fraud, waste, and abuse. The analytic process is portrayed in Figure 3.1.

Public Law 108-106, as amended, requires that SIGIR prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq, which to date totals more than $53 billion. Over the past three years, SIGIR has conducted a series of 18 audits of major reconstruction contracts that were intended, in part, to identify internal control weaknesses. Because such weaknesses provide opportunities for fraud, waste, and abuse, SIGIR used the results of these audits to develop targeted forensic auditing approaches to identify potential instances of wrongdoing.
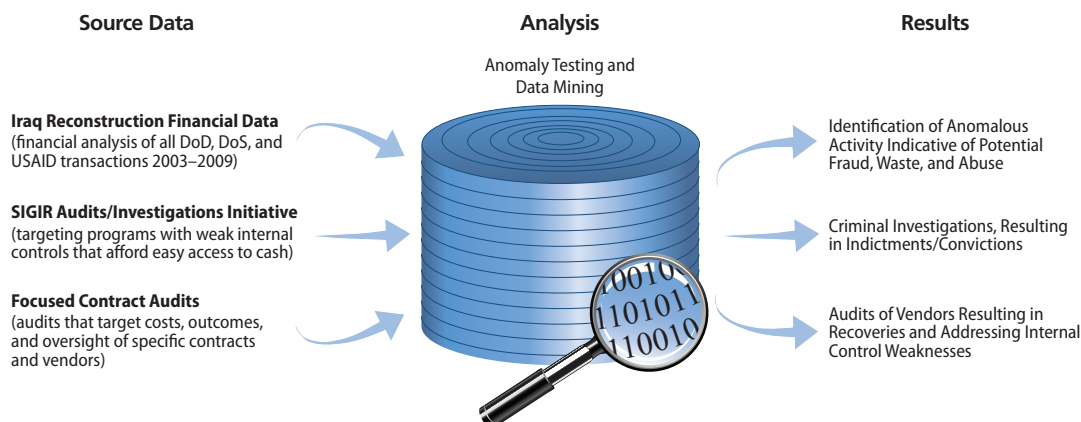
A forensic audit is a systematic examination of the internal controls over a program's expenditures or other financial data to identify anomalies in individual transactions that may be indicative of fraud, waste, or abuse. SIGIR's Forensics Group, comprising staff from SIGIR's Audits Directorate, is currently engaged in projects involving DoD (Project 9005, begun in December 2008), DoS

(Project 9012, begun in March 2009), and USAID (Project 9013, begun in March 2009). The objective of these projects is to examine the appropriateness of Iraq relief and reconstruction expenditures. Four interim reports have been issued to date that summarize the number of transactions reviewed as well as funds recovered and resultant audits and investigations. The Forensics Group also provides information collected during the course of forensic data mining in support of ongoing SIGIR audits and investigations.

This quarter, the SIGIR Forensics Group completed its review of possible duplicate payments involving DoD and USAID transactions related to Iraq relief and reconstruction. As a result of this effort, DoD recovered $142,000 in overpaid amounts. Concerning possible duplicate payments involving USAID transactions, the Forensics Group confirmed $48.6 million in duplicate or overpayments, and payment and accounting adjustments. This review also determined that USAID had identified the erroneous transactions and had either recovered the funds or made ledger adjustments for all of the amounts. The Forensics Group continues its audit of possible duplicate payments involving

FIGURE 3.1
FORENSIC AUDIT PROCESS

Source Data	Analysis	Results
	Anomaly Testing and Data Mining	
Iraq Reconstruction Financial Data (financial analysis of all DoD, DoS, and USAID transactions 2003–2009)		Identification of Anomalous Activity Indicative of Potential Fraud, Waste, and Abuse
SIGIR Audits/Investigations Initiative (targeting programs with weak internal controls that afford easy access to cash)		Criminal Investigations, Resulting in Indictments/Convictions
Focused Contract Audits (audits that target costs, outcomes, and oversight of specific contracts and vendors)		Audits of Vendors Resulting in Recoveries and Addressing Internal Control Weaknesses

DoS transactions related to IRRF- and ESF-funded programs. Seventy-seven transactions, totaling approximately $53.5 million, have been identified for in-depth review and analysis.

SIGIR's approach combines automated data mining with standard audit and investigative techniques to detect problematic transactions and develop relevant evidence for use in administrative actions or civil or criminal fraud prosecutions. Matters most appropriately addressed by administrative resolution, such as cost disallowance and recovery, will be referred through audit reports to agency contracting officials for appropriate action.

The SIGIR Audits/Investigations Initiative continues to expand the proactive joint effort that was established in January 2009. This effort focuses on Iraq relief and reconstruction programs that afford easy access to cash associated with weak controls over expenditures. To date, SIGIR has opened 49 criminal investigations as a result of this effort. This project has also provided support to ongoing criminal investigations. ◆

SIGIR AUDITS

From May 1, 2010, to July 30, 2010, SIGIR issued five audits addressing a wide range of reconstruction issues. They included:

- a report describing the status of Economic Support Fund appropriations
- a report describing the extent to which Department of Defense organizations accounted for funds they received from the Development Fund for Iraq
- a report on the Department of State management of democracy grants to the International Republican Institute
- a report updating SIGIR's forensic audit efforts
- a report on the status of U.S. agency plans to preserve reconstruction program and contract files

For a list of these audit products, see Table 3.1.

SIGIR currently has thirteen ongoing audits, and others are expected to start this quarter. SIGIR performs audit work under generally accepted government auditing standards.

Final SIGIR Audits for This Quarter

Most Iraq Economic Support Funds Have Been Obligated and Liquidated
(SIGIR 10-018, 7/2010)

Introduction

Since 2006, the Department of State (DoS), the U.S. Agency for International Development (USAID), the Department of Treasury, and the Department of Justice, among others, have received $4,527 million in Economic Support Fund (ESF) specifically for programs in Iraq. The ESF is a bilateral economic assistance account for use by U.S. allies and countries in democratic transition to promote U.S. foreign policy objectives. ESF appropriations

TABLE 3.1
SIGIR AUDIT PRODUCTS SINCE 4/30/2010

REPORT NUMBER	REPORT TITLE	DATE ISSUED
10-018	Most Iraq Economic Support Fund Appropriations Have Been Obligated and Liquidated	7/2010
10-019	Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse—Interim Report #4	7/2010
10-020	Development Fund for Iraq: Department of Defense Needs To Improve Financial and Management Controls	7/2010
10-021	Plans To Preserve Iraq Reconstruction Program and Contract Records Need To Be Improved	7/2010
10-022	Improved Oversight Needed for State Department Grants to the International Republican Institute	7/2010

are two-year appropriations under the authority of the Foreign Assistance Act of 1961. However, the funds remain available for de-obligation and subsequent re-obligation for a period of four years after the appropriation expires. Specific ESF dollar amounts are requested within the President's Budget to Congress and approved by Congress under DoS's International Affairs-Foreign Operations, Export Financing and Related Program (Foreign Operations) budgetary account.

Since mid-2006, DoS, through the Director of Foreign Assistance, has been responsible for ESF programming decisions. USAID and several DoS offices submit spend plans for proposed activities in Iraq; after review, the Director of Foreign Assistance allocates the funds.

SIGIR's review looked specifically at the $1,397 million allocated to DoS's Iraq Transition Assistance Office (ITAO) and $2,337 million allocated to USAID.

Results
ITAO
Between fiscal years 2006 and 2008, ITAO received approximately $1,397 million in ESF funding, of which approximately $1,378 million (nearly 99%) has been obligated.

Of the $1,378 million obligated as of March 31, 2010, about $1,030 million (nearly 75%) has been liquidated. About $347 million (more than 25%) in obligations remain to be liquidated.

About $20 million (approximately 1%) of the funds appropriated were not obligated during the period in which they were authorized and thus have expired. These expired funds cannot be used for new obligations but can be used to cover adjustments to prior obligations. If the funds are not needed to cover potential adjustments, the expired funds for each fiscal year will remain in ITAO's accounts for four years.

The Iraq Strategic Partnership Office replaced ITAO on May 7, 2010. According to U.S. Embassy-Baghdad officials, in preparing for ITAO's closure, U.S. Embassy-Baghdad officials reviewed all open projects and canceled some. Funds for the canceled projects were then de-obligated. According to the same officials, these funds are now being reprogrammed for other assistance programs in Iraq. ISPO will not fund any new projects and will solely monitor the remaining 114 projects.

USAID

Between fiscal years 2006 and 2009, USAID received approximately $2,332 million in ESF funding for its programs in Iraq, of which about $2,213 million (95%) has been obligated. About $12 million from the 2006 and 2007 appropriations remains available for new obligations because those funds were de-obligated from their respective years. The Office of the Chief Financial Officer for USAID is currently working with the Office of Management and Budget on making these funds available for reprogramming. About $108 million from the FY 2009 appropriation remains available for new obligation through September 30, 2010.

Of the $2,213 million obligated as of March 31, 2010, $1,841 million (approximately 83%) has been liquidated. About $371 million (approximately 17%) in outstanding obligations remain to be liquidated.

Recommendations

SIGIR makes no recommendations in this report; this is an informational report only.

Management Comments

Because this audit report does not contain recommendations, management comments were not required.

Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse— Interim Report #4
(SIGIR 10-019, 7/2010)

Introduction

Public Law 108-106, as amended, requires SIGIR to prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq, which to date totals more than $53 billion. This interim report presents the results of SIGIR's ongoing forensic auditing program, including an update on efforts to identify questionable financial activity and an update on SIGIR's review of agency expenditures. The report also presents information on SIGIR's data-mining methodology. SIGIR is reporting results periodically, and a final cumulative report will eventually address all reconstruction funds.

SIGIR's first report summarized the results of a series of audits of major reconstruction contracts that were intended, in part, to identify internal control weaknesses. Because such weaknesses provide opportunities for fraud, waste, and abuse, SIGIR has used the results from these audits to develop targeted forensic auditing approaches to identify instances of possible wrongdoing.

SIGIR continues its forensic review of DoD, DoS, and USAID expenditures. These reviews systematically examine Iraq reconstruction program expenditures to identify anomalies in transactional data that may indicate fraud, waste, or abuse. SIGIR's approach combines automated data mining with standard audit and investigative techniques to detect questionable transactions and develop relevant

evidence for use in administrative actions or civil or criminal fraud prosecutions.

SIGIR continues its review of Iraq reconstruction program areas known to have weaknesses in internal controls. Identified as the SIGIR Audits/Investigations Initiative, this effort focuses on programs that afford easy access to cash with weak controls over expenditures.

Results

A major aspect of SIGIR's forensic audit effort involves a joint audit and investigative initiative that was established in January 2009. This effort, staffed by SIGIR Audits and Investigations personnel, focuses on programs that afford easy access to cash with weak controls over expenditures. This initiative continues to identify instances of questionable activity. Since SIGIR's last report in April 2010 (SIGIR 10-017), four additional criminal investigations were opened, bringing the total number of investigations resulting from the initiative to 49.

Another major aspect of SIGIR's effort is the congressionally mandated forensic audit of DoD, DoS, and USAID expenditures. Since SIGIR's last report, an additional 25,000 transactions valued at $3.8 billion have been reviewed, bringing the total transactions reviewed to 108,000 valued at $35.8 billion.

SIGIR has completed its review of possible duplicate payments involving DoD-related Iraq Relief and Reconstruction Fund (IRRF) and Iraq Security Forces Fund (ISFF) program transactions that occurred during the FY 2003–FY 2008 time period. As indicated in SIGIR Forensic Audit Interim Report #3 (SIGIR 10-017), it was anticipated that many of the questionable transactions selected for review would prove to be valid once supporting documentation was reviewed. This proved to be the case. In SIGIR 10-017, it was reported that, of the approximately 1,000 transactions selected for review, 20 transactions, with a value of approximately $300,000, remained under investigation as possible duplicate payments. SIGIR's investigation of the 20 transactions found that 12 transactions, with a value of about $142,000, were duplicate payments.

As a result of this work, DoD requested reimbursement from the contractors and has recovered all of the overpaid amounts.

SIGIR also completed its review of possible duplicate payments involving USAID transactions related to the IRRF and Economic Support Fund (ESF). SIGIR reviewed 54 possible duplicate payments, totaling approximately $64 million, and found that duplicate or overpayments, and payment and accounting adjustments, were made in 36 of these transactions. The review found that USAID had already identified these erroneous transactions and had either recovered the funds or made ledger adjustments for all of the amounts.

SIGIR continues its forensic audit of possible duplicate payments involving DoS transactions related to IRRF- and ESF-funded programs. SIGIR has selected 77 transactions, totaling approximately $53.5 million, for review and has requested pertinent information from DoS.

SIGIR is continuing its review of possible fictitious contractors associated with DoD's IRRF- and ISFF-funded programs as well as DoS and USAID IRRF- and ESF-funded programs. A SIGIR forensic audit team is currently focusing on 124 possible fictitious contractors. As with the duplicate payment work, detailed research is being performed to determine whether these contractors were legitimate or were engaged in a scheme to defraud the U.S. government. It is anticipated that many of these contractors will prove to be legitimate following the review. An examination of key documentation, such as contracts, invoices, receiving reports, state business licenses, and other pertinent payment information will be used to support conclusions concerning the validity of the questionable vendors.

Recommendations

SIGIR makes no recommendations in this report; this is an informational report only.

Management Comments

Because this audit report does not contain recommendations, management comments were not required.

Development Fund for Iraq: Department of Defense Needs To Improve Financial and Management Controls
(SIGIR 10-020, 7/2010)

Introduction

The Development Fund for Iraq (DFI) was established in May 2003 by the Administrator of the Coalition Provisional Authority (CPA) and recognized by United Nations Security Council Resolution 1483. DFI funds were to be used in a transparent manner for the benefit of the people of Iraq. After the CPA was dissolved in June 2004, the U.S. government was authorized by the Government of Iraq (GOI) to administer DFI funds made available for reconstruction projects. The Department of Defense (DoD) managed DFI funds on behalf of the U.S. government. That authority was withdrawn effective December 31, 2007.

SIGIR's reporting objective is to determine whether DoD organizations adequately accounted for the funds they received from the DFI. To help accomplish this objective SIGIR selectively reviewed records from eight DoD organizations that received DFI funds.

Results

Weaknesses in DoD's financial and management controls left it unable to properly account for $8.7 billion of the $9.1 billion in DFI funds it received for reconstruction activities in Iraq. This situation occurred because most DoD organizations receiving DFI funds did not establish the required Department of the Treasury accounts, and no DoD organization was designated as the executive agent for managing the use of DFI funds. The breakdown in controls left the funds vulnerable to inappropriate uses and undetected loss.

The Department of the Treasury established guidance for accounting for non-U.S. government funds when U.S. agencies act as a custodian of those funds, but DoD did not implement the guidance in a timely manner. More importantly, most DoD organizations that received DFI funds did not follow the guidance. Only one of these organizations established the required account and, as a result, accounts were not established for $8.7 billion (96%) of the DFI funds made available to DoD.

DoD's guidance also directed organizations that received DFI funds to reconcile all transactions prior to the time the guidance was issued. However, the reconciliations were not done. Due to the lack of records and personnel knowledgeable about financial and management decisions, SIGIR could not determine why the guidance was not followed. Because the accounts were not reconciled, DoD must rely on its organizations' accounting records to determine the status of DFI funds. SIGIR's selective review shows the records were not always complete. For example, DoD could not provide documentation to substantiate how it spent $2.6 billion.

The SIGIR audit team also found differences in DoD contracting practices that affected the return of DFI funds to the GOI. The Joint Contracting Command-Iraq/Afghanistan contracted on behalf of the GOI, while the U.S. Army Corps of Engineers (USACE) and the U.S. Air Force Center for Engineering and the Environment (AFCEE) contracted on behalf of the U.S. government, making those agencies potentially liable for payment. As a result, USACE and AFCEE could not terminate their contracts and return remaining DFI funds when the GOI directed DoD to do so at the end of 2007.

The lack of oversight and guidance has contributed to DoD organizations continuing to hold DFI funds. SIGIR found organizations with open contracts that were holding funds, and also spending funds in some cases. USACE and one of its contractors and the U.S. Army Central Command (ARCENT) are holding about $5.4 million and $28.9 million, respectively. In October 2009, SIGIR recommended that DoD provide guidance

to USACE on the use and ultimate disposition of funds it was still holding. However, DoD has still not issued the guidance, and the funds that USACE and ARCENT are holding are at risk of being expended. While DoD has taken steps to provide guidance for future contingency operations, the guidance does not cover the accounting and reporting of funds such as occurred with the DFI in Iraq.

Recommendations

SIGIR recommends the Secretary of Defense direct the:

1. Under Secretary of Defense (Comptroller) to update the DoD Financial Management Regulation to specify procedures for the accounting and reporting of all non-U.S. government funds made available to DoD organizations for use in future contingency operations. This guidance should also include the designation of an executive agent within DoD to be responsible for establishing and overseeing policy on the use of these funds.
2. Under Secretary of Defense (Comptroller) to establish specific milestones for issuing guidance consistent with our recommendation in October 2009.
3. Service Secretaries and the Commander, U.S. Central Command, to determine the amount of DFI funds their respective organizations received and whether they are still holding any of those funds.

Management Comments

Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

Plans To Preserve Iraq Reconstruction Program and Contract Records Need To Be Improved
(SIGIR 10-021, 7/2010)

Introduction

SIGIR's legislative authority states, in part, that it is to perform audits of the programs, operations, and contracts utilizing reconstruction funds to include the maintenance of records on the use of such funds to facilitate future audits and investigations. This report is being issued to address that requirement. Since 2003, the Congress has appropriated $53.31 billion for Iraq relief and reconstruction activities. The Department of Defense (DoD), the Department of State (DoS), and the Administrator of the U.S. Agency for International Development (USAID) manage these activities and created records related to their programs. They have the responsibility for preserving the records for Iraq reconstruction activities against loss or premature destruction. DoD's records exceed 100,000 program and contract records. DoS and USAID have an estimated 2,650 program management, grant, and contract records.

The objective for this report is to determine the extent to which principal U.S. agencies responsible for managing Iraq reconstruction activities have plans to preserve reconstruction records.

Results

DoD, DoS, and USAID have records management policies and procedures, but have not fully implemented those procedures for preserving their Iraq reconstruction records. This situation leaves the U.S. government vulnerable to waste and theft as it may not have the necessary information to pursue potential cases of fraud and/or to perform audits of reconstruction activities. Additionally, the records have not been reviewed for historical significance, and important documents could be lost if action is not taken.

SIGIR's review showed a range of progress in preserving the records. Some organizations had

already shipped many of their records to storage facilities, while others had not. Other organizations were missing records and did not know the status of records that had been shipped to storage. Lastly, some organizations did not have the appropriate-sized storage facilities, adequate plans for preserving records, or the ability to retrieve records in a timely manner. SIGIR's review also showed that, in some cases, records for joint reconstruction projects were dispersed among several government organizations, and storage of the records had not been coordinated to ensure completeness and availability. This records preservation vulnerability further illustrates SIGIR's long-standing concerns about the ad hoc nature of the management of Iraq reconstruction.

A recent DoD Joint Staff study identified significant problems with all phases of DoD's records management in Iraq, and SIGIR's current work confirmed these problems, but also found progress in resolving the issues. The Joint Staff study was conducted in April 2010. The study noted such problems as an undefined universe of records, lack of adequate guidance and standard operating procedures, and unclear lines of records management responsibility.

SIGIR's current work found that the U.S. Army Corps of Engineers, which maintains a large percentage of the DoD records, is well on its way to preserving its records, but other DoD organizations are still focusing on developing plans, assembling and reviewing records for completeness, increasing storage facility capacity, and ensuring record retrieval capabilities. SIGIR is particularly concerned about the lack of progress in preserving Iraq Security Forces Fund (ISFF) records and Commander's Emergency Response Program (CERP) records. At this time, little progress has been made in preserving the ISFF program management records, and prior and ongoing SIGIR work has shown that many CERP records are incomplete or cannot be located.

DoS and USAID are organizing their records but have not taken steps to return the records to the United States for storage. The organizations appear to have control over their reconstruction records, but are lacking guidance on how to proceed with preservation planning.

Recommendations

1. SIGIR recommends that the U.S. Secretaries of Defense and State and the Administrator of USAID assign an office the responsibility for ensuring the preservation of the Iraq reconstruction records to provide transparency and accountability at the Department level. At a minimum, these offices should coordinate the development of a master list of records to (1) ensure record completeness, (2) link program, associated contracts, and funding, and (3) develop uniform retention policies that are consistent with the needs of investigative and audit organizations. The office should also consult with agency historians to determine which records may require permanent archiving.

2. SIGIR recommends that the Commander, U.S. Central Command, in implementing the Joint Staff recommendations, include in the new guidance specific direction related to the transfer and preservation of reconstruction records that incorporates methods for tracking records, identification of program and associated funding, and final storage location.

3. SIGIR recommends that the Commander, U.S. Central Command, direct the CENTCOM Contracting Command to review the efforts by the former Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) to identify remaining issues that need to be addressed in the preservation planning process, such as completeness of contracting records, missing records, tracking records, and the adequacy of storage facilities.

4. SIGIR recommends the Commanding General, USF-I, direct that plans be developed for preserving the ISFF and CERP records. These plans could take the form of standard operating procedures to help ensure that existing records are complete and missing records have been identified.

5. SIGIR recommends that the Commanding General, ARCENT, review the processes being used to store and locate CERP records.

6. SIGIR also recommends that the Secretary of State provide U.S. Embassy-Baghdad with detailed guidance to be used for the final storage of reconstruction records; and U.S. Embassy-Baghdad develop plans for the preservation of reconstruction records in accordance with this guidance.

7. SIGIR recommends that the Administrator, USAID, provide guidance to its Iraq Mission on the preservation of reconstruction records; and the Mission Director, USAID Iraq, develop plans for the preservation of reconstruction records in accordance with this guidance.

Lessons Learned

Planning and guidance for the transition and preservation of records created during a contingency operation should be in effect at the beginning of the contingency operation, not left to chance at the end. Overall policies with clear lines of authority need to be developed and disseminated by Joint Staff for all combatant commands. In contingency reconstruction actions, it is critical that all agencies plan for the end of the operation by establishing comprehensive record keeping procedures from the start. This lesson learned should be implemented immediately for all other ongoing contingency operations, such as Afghanistan.

Management Comments

Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

Improved Oversight Needed for State Department Grants to the International Republican Institute
(SIGIR 10-022, 7/2010)

Introduction

This report addresses Department of State (DoS) management of a $50 million grant to the International Republican Institute (IRI) for democracy-building activities in Iraq. This is the largest grant awarded to IRI by the Bureau of Acquisitions Management (AQM) on behalf of the Bureau of Democracy, Human Rights, and Labor (DRL) and is intended to support democracy, rule-of-law, and governance programs in Iraq. DRL's mission is to lead U.S. efforts to promote democracy, protect human rights and international religious freedom, and advance labor rights globally. Because DRL does not have dedicated grants officers, it relies on AQM to award and amend its grants. However DRL does provide a grants officer representative who assists the grants officer in overseeing the grant. In a prior audit, SIGIR found that grantee security costs were significant, and DRL did not have documentation on whether IRI's grant was meeting its goals and whether the grant money was being used in the most effective and efficient manner (SIGIR 10-012). Under Public Law 108-106, SIGIR has responsibility to, among other things, review the expenditure of reconstruction funds in Iraq, including program oversight and fund accounting.

In this follow-up audit, SIGIR's objectives are to examine for IRI's $50 million DRL grant, the reasonableness, allocability, and allowability of IRI's claimed security costs, and the extent to which the grantee documented its success in achieving governance, political participation, and civil society goals and objectives.

Results

Weaknesses in DoS oversight and IRI compliance with federal and DoS grant requirements leave DoS vulnerable to paying excessive charges and having insufficient information on exactly what was

achieved. Existing DoS monitoring mechanisms did not detect questionable charges and allocations associated with certain security and indirect costs against the grant. DoS grants officers were not actively involved in overseeing the grant or grantee decision making, and required annual audits and progress reports provided only limited insight into grantee practices. Grant officers were not consulted on the appropriateness of grantee practices, though they are the only officials in the Department authorized to make such rulings. Grantee officials stated that they were operating in good faith and sought to ensure the appropriateness of their approach by maintaining regular communications with DRL grants officer representatives about how they were spending the money. But DRL officials are not authorized to approve such actions and did not consult the grants officers on these issues. This combination of lax oversight, incomplete knowledge of regulations, and confusion regarding the authority, roles, and responsibilities of DoS officials permitted a number of potentially erroneous decisions to continue unchecked. Specifically, SIGIR's examination raises a number of questions about the reasonableness, allocability, and allowability of some security and indirect costs. SIGIR found certain IRI charges and allocations lacked:

- adequate procurement documentation, which prevents us from determining the reasonableness of the security costs
- a methodology for allocating security costs that assures reasonable distribution of the costs among its various grants

Example of IRI election-related training.

- an appropriate accounting methodology to determine some indirect cost amounts
- prior approval from the grants officer to purchase approximately $690,000 in vehicles

The grantee can readily document activities it sponsored to foster democratic goals and objectives in Iraq, but has not uniformly assessed the extent to which it has succeeded in meeting the grant's goals and objectives, as required by the grant agreement. To illustrate, the grantee surveyed candidates who attended training and found that trainees were twice as likely to be elected as those who had not participated. On the other hand, the grantee did not assess the extent to which its efforts helped promote a grant objective to help women become more integrated into political party organizations as officers, candidates, and volunteers. The grant's evaluation plan did not always include benchmarks and measurable indicators of progress, which are essential criteria to measure impact. The grants officer representative stated that IRI has not provided comprehensive impact assessments, but she has sufficient information from other sources to conclude that the grantee is meeting grant goals. DRL also noted it has recently taken steps to improve monitoring and evaluation of future grants. Without comprehensive assessments, it is difficult for decision makers to determine what changes are necessary to best ensure that activities are designed and implemented to achieve program objectives.

Recommendations

To improve the management of grants for Iraq reconstruction, SIGIR recommends the U.S. Secretary of State direct offices as she determines appropriate to take the following actions:

1. Assess the adequacy of the number of grants officers assigned to manage DRL grants in Iraq.
2. Require the grants officers to conduct in-depth assessments of the IRI cost charges accounting allocation methods highlighted in this report. The assessments should determine the level of

questionable costs and whether funds should be recovered.

3. Require the grants officers to instruct IRI to follow OMB guidelines on reasonableness, allocability, and allowability of costs and non-competitive contracts.

4. Require the grants officers to instruct IRI to incorporate in its next A–133 audit a comprehensive audit of indirect costs and a compliance audit for at least one major DRL grant.

5. Require that grants officer representatives are trained on OMB Circulars A–110, A–122, and A–133, as well as DoS grant policy directives to ensure they are fully aware of their responsibilities and limitations.

6. Require the grants officer representatives to enforce the grant requirements that IRI provide measurable indicators of its success in meeting grant goals and objectives.

Management Comments
Management comments are included in the final report which can be found on the SIGIR website: www.sigir.mil.

Ongoing and Planned Audits

SIGIR primarily conducts performance audits that assess the economy, efficiency, effectiveness, and results of Iraq reconstruction programs, often with a focus on the adequacy of internal controls and the potential for fraud, waste, and abuse. This includes a series of focused contract audits of major Iraq reconstruction contracts, which will support SIGIR's response to congressional direction for a "forensic audit" of U.S. spending associated with Iraq reconstruction.

Ongoing Audits
SIGIR is currently working on these audits:
- Project 1016: Audit of the U.S. Government Agency Procedures To Account for Seized & Vested Assets and Other Funds

- Project 1015: Audit of the Controls over the Quick Response Fund
- Project 1014: Audit of the Status of Funds Appropriated for the Iraq Relief and Reconstruction Fund
- Project 1013: Audit of Cooperative Agreements Awarded to Cooperative Housing Foundation International
- Project 1012: Audit of the Status of Funds Appropriated for the Commander's Emergency Response Program for Iraq
- Project 1009: Audit of the Contract for Warehousing and Distribution Services at Abu Ghraib and the Port of Umm Qasr
- Project 1008: Audit of the Status of DoD's Theater-wide Internal Security Services (TWISS) Contracts
- Project 1004: Audit of the Sons of Iraq Program
- Project 9028: Audit of the Program Management Practices for the Iraqi Police Training Program
- Project 9023-B: Final Report on MNSTC-I Project To Develop the Iraq Special Operations Forces
- Projects 9005, 9012, and 9013: Audits of Appropriation, Obligation, and Expenditure Transaction Data Related to Iraq Relief and Reconstruction of the Department of Defense, Department of State, and the U.S. Agency for International Development

Planned Audits
SIGIR's audit planning is aligned with three key goals contained in its strategic audit plan:
- improving business practices and accountability in managing contracts and grants associated with Iraq reconstruction
- assessing and strengthening the economy, efficiency, and effectiveness of programs and operations, designed to facilitate Iraq reconstruction
- providing independent, objective leadership and recommendations on policies designed to address deficiencies in reconstruction and stabilization efforts in Iraq

SIGIR's strategic plan recognizes the legislative mandate to complete a forensic audit report on all amounts appropriated or otherwise made available for Iraq reconstruction. As part of that effort, SIGIR has completed 18 focused contract audits dealing with outcomes, costs, and the oversight associated with major reconstruction contracts in Iraq, as well as vulnerabilities to fraud, waste, and abuse. Additional contract audits are ongoing and others are planned. These audits will increasingly focus on contracts funded by the Iraq Security Forces Fund and the Economic Support Fund.

SIGIR continues to dedicate resources to its forensic auditing initiative and has published its fourth report on its efforts. Moreover, to continue to provide leadership and recommendations on policies designed to address deficiencies in reconstruction and stabilization efforts in Iraq, SIGIR will address issues related to the downsizing of the DoD presence in Iraq and the transition of reconstruction activities to DoS.

SIGIR Audits: 2003–2010

Since 2003 SIGIR has published 171 audits addressing a wide range of topics, such as oversight of contracts and specific reconstruction programs, as well as the cost and oversight of private security contractors. Throughout its tenure, SIGIR audits have identified serious deficiencies in the management of contracts and reconstruction activities; made recommendations to improve economy and efficiency of U.S. operations and make activities less vulnerable to fraud, waste, and abuse; and provided lessons learned for use in other major reconstruction endeavors.

Much of SIGIR's audit results can be attributed to the organization's significant and permanent presence in Iraq. This presence has enabled SIGIR to provide real-time audits—often starting and completing within six months—that address critical reconstruction issues. SIGIR's in-country audit activities also enable face-to-face communications

and relationship building with DoD, DoS, and Iraqi officials, and provide in-depth and historical knowledge of the reconstruction program in the country.

SIGIR has worked proactively with previous and current U.S. ambassadors and commanding generals, providing insights on issues that need to be addressed. For example, in August 2009 SIGIR provided the commanding general and the U.S. ambassador areas that needed to be dealt with to ensure a smooth transition as reconstruction management shifts from DoD to DoS, as U.S. presence downsizes, and as the ministerial capacity of the Government of Iraq increases.

Audits Have Addressed Major Issues and Recommended Numerous Improvements in the Management of Reconstruction Activities

In the course of its work, SIGIR has identified broad recurring issues that were the key contributing causes to the deficiencies noted in the body of SIGIR's audits, and lessons learned that could be applicable to reconstruction in other contingency operations. Moreover, SIGIR has made 428 recommendations to improve reconstruction activities in Iraq that encompass a wide array of management issues. Management has already agreed to and implemented 263 of these recommendations, and 31 recommendations have been closed because changing conditions rendered them no longer applicable. SIGIR continues to monitor the remaining 134 open recommendations for timely implementation of corrective actions by the agencies. When taken together, this information provides an important starting point for managing reconstruction activities in a contingency environment.

To illustrate, in July 2008 SIGIR issued an audit report that identified four persistent issues affecting the management of reconstruction activities in Iraq. They were:
- The need to better understand the problems associated with implementing reconstruction programs in an unstable security environment. For example, security issues and their costs were

often not adequately taken into consideration in designing and implementing reconstruction activities and estimating costs.

- The impact of not having an integrated management structure to provide clear lines of authority on program coordination and successful delivery of projects. The lack of such unity of command led to situations where the U.S. government could not determine the full extent of all agencies' activities on a single issue such as anticorruption or capacity development.
- The importance of anticipating staffing needs and reducing staff turnover.
- Recognition of how essential working closely with host governments is to the long-term success of U.S. investments in reconstruction projects.

Additionally, SIGIR audits of contracts have pointed out numerous areas where contract management needed to be improved to provide better economy and efficiency and make the contract less vulnerable to fraud, waste, and abuse.

In response, SIGIR made recommendations to deal with these management problems. In a number of cases a single recommendation addressed more than one of the issues outlined above. To illustrate, SIGIR has provided:

- more than 150 recommendations to improve program management, including the need to adequately staff offices and reduce staff turnover.
- more than 70 recommendations to improve interagency coordination and cooperation, as well as to better share information.
- more than 170 recommendations to improve oversight of contracts and contractors to encourage economy and efficiency and minimize the potential for fraud, waste, and abuse.
- more than 160 recommendations to improve accountability and internal control weaknesses such as inadequate review of contractor invoices, inadequate contractor oversight, missing or

incomplete documentation of contract actions, and inadequate staffing.

- more than 30 recommendations to work more closely with the GOI in areas such as designing and transferring projects to improve the prospects that the GOI will sustain U.S.-funded facilities and programs so that U.S. efforts will not be wasted.

Additionally, SIGIR has provided recommendations to improve the management, efficiency, and outcome of particularly important and high-cost programs that will continue even as the U.S. reconstruction effort in Iraq scales back. For example,

- SIGIR has issued 9 reports and made 24 recommendations addressing the need to improve the management of the Commander's Emergency Response Program (CERP). This $3.82 billion program authorizes U.S. field commanders to use these funds to respond to urgent humanitarian, relief, and reconstruction requirements that immediately assist indigenous populations and achieve focused effects. This quarter, SIGIR identified the need to better plan for preserving the reconstruction program and contract records.
- SIGIR has issued, to varying degrees, more than 25 reports on U.S. efforts to develop functioning Iraqi Security Forces (ISF). This effort takes on increasing importance as the U.S. military footprint decreases, and now that the principal agency created to implement this goal—the Multi-National Security Transition Command-Iraq (MNSTC-I)—has been subsumed into the U.S. Forces-Iraq (USF-I). To date, SIGIR has made 54 recommendations regarding ministerial capacity development, oversight of weapons provided the ISF, asset transfer, use of I-CERP funds, anticorruption efforts, and other topics, including logistics, maintenance responsibilities, and security forces personnel training. This quarter, as with CERP, SIGIR recommended that the USF-I take necessary steps to develop plans for preserving Iraq Security Forces Fund (ISFF) records.

With the implementation of SIGIR's audit recommendations, agencies have made progress in improving their operations. For example, since SIGIR's last semiannual report, DoD has taken a number of corrective actions to implement nine of our recommendations to improve the management of CERP. These included varied actions such as changing policy to require greater coordination of CERP projects and to better train CERP Army personnel. In addition, to save costs, DoS has agreed with SIGIR's recommendation to cancel a contract to upgrade a computer database system that SIGIR identified would not be used.

Nevertheless, agencies have yet to implement a number of SIGIR recommendations addressing important issues. For example, DoD has yet to implement a number of recommendations to improve the management of ISFF to develop the ISF. As early as October 2006, SIGIR noted deficiencies in the planning and implementation of Iraqi police and military training programs and recommended that DoD identify Iraqi local and national police forces logistics personnel and Iraqi Army logistics personnel requirements and formulate a plan for training these personnel.

All SIGIR audit reports can be found on the SIGIR audit site at www.sigir.mil.

SIGIR Audits Have Had Major Impacts
SIGIR's audits have had major financial and non-financial impacts in improving the management of reconstruction programs in Iraq. Through July 30, 2010, SIGIR audits saved and recovered funds of about $151.41 million and improved the

FIGURE 3.2
IMPACT OF SIGIR AUDITS
$ Millions
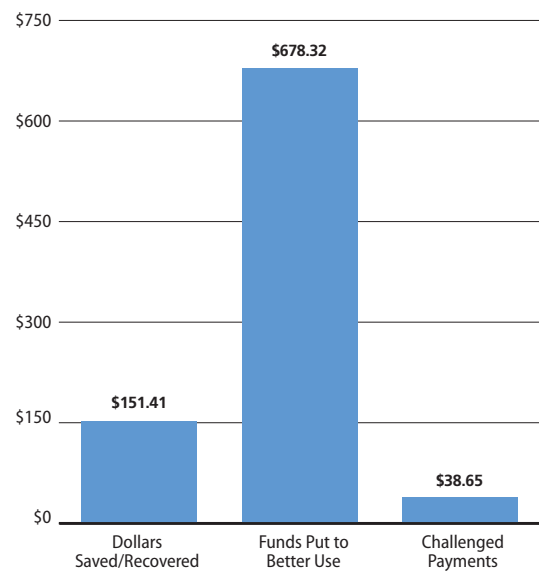
use of $678.32 million of funds (See Figure 3.2). SIGIR also challenged payments of $38.65 million, including possible duplicative payments, overpayments or for work that was not completed. Two-thirds of the funds saved emanated from recommendations regarding the equipment purchased for primary healthcare centers, and the need for invoice review of the Iraqi police training program. SIGIR also determined that nearly $200 million in funding for the police training program could be put to better use elsewhere. SIGIR continues to document ways to save additional funds. ◆

SIGIR INVESTIGATIONS

SIGIR Investigations continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 112 open investigations. During this reporting period, SIGIR had 4 investigative personnel assigned to Baghdad; 12 at SIGIR headquarters in Arlington, Virginia; and 16 in offices in Pennsylvania, North Carolina, Florida, Texas, Arizona, Ohio, Michigan, New York, and California. To date, the work of SIGIR investigators has resulted in 29 arrests, 43 indictments, 34 convictions, and more than $70.7 million in fines, forfeitures, recoveries, restitution, and other monetary results.

This quarter, SIGIR continued to conduct significant criminal investigations related to Iraq reconstruction and to work closely with prosecutors, U.S. partner investigative agencies, coalition partner investigators, and law enforcement personnel from other countries. As a result of SIGIR investigations, 2 defendants are pending indictment based on arrest complaints, 8 defendants are awaiting trial, and an additional 11 defendants are awaiting sentencing. For a comprehensive list of convictions compiled by the Department of Justice, see Table 3.2 at the end of this section.

SIGIR notes these investigative activities this quarter:

- A former DoS employee was arrested and charged in $147,000 fraud scheme.
- A U.S. Army captain was sentenced to 30 months in federal prison after admitting theft of government property related to Department of Defense (DoD) contracts in support of Operation Iraqi Freedom.
- A criminal information was filed alleging an Iraq reconstruction kickback conspiracy.
- A U.S. Army captain was indicted and pled guilty to receiving kickbacks for awarding contracts in Iraq.

- A U.S. Marine Corps master sergeant was convicted of bribery and graft involving awarding and managing contracts in Iraq.
- A U.S. Marine Corps major was indicted on financial crimes.
- A U. S. Marine Corps captain pled guilty to skimming $1.7 million from military contracts.

Former DoS Employee Arrested and Charged in Fraud Scheme

On July 21, 2010, a former DoS employee was charged in a five-count indictment in the Southern District of Texas with wire fraud and conversion stemming from a scheme to defraud the United States and Iraq. The former DoS employee was arrested on July 22, 2010, in Temple, Texas. According to the indictment, from April 2005 to September 2006, the former DoS employee for the Iraq Reconstruction Management Office (IRMO) was responsible for providing advice and consultation to the director of the port at Umm Qasr, in Basrah, Iraq. The port director was an official with the Iraqi Ministry of Transportation.

The indictment alleges that, in late 2005 and early 2006, he orchestrated the transfer of approximately 60 accommodations caravans and other equipment from the site of a U.S.-funded power plant project in al-Zubair, Iraq, to the port, purportedly on behalf of IRMO. These caravans served as living and office accommodations for government and private personnel, but since construction of the power plant was winding down, the caravans were no longer needed at that location.

According to the indictment, the former DoS employee had no authority or authorization to negotiate the transfer of any equipment or to sign paperwork on behalf of IRMO to accept such

Aerial view of "Bob's Camp" at the port of Umm Qasr, Basrah, Iraq, with Berths 2 and 3 of the port in the background.

Accommodation caravans at "Bob's Camp" at the port of Umm Qasr, Basrah, Iraq.

equipment, which he allegedly did on December 11, 2005. When U.S. officials notified him that IRMO did not have the necessary property-management structure and therefore could not take control of the equipment, the indictment alleges that he directed an Iraqi employee of the Ministry of Transportation to sign for and accept the equipment on behalf of the Iraqi government.

According to the indictment, the individual who signed for the equipment also was employed by Bawabet Al Amer Company (BAC), a private Iraqi company operating at the port. BAC provided security, through subcontractors, as well as lodging, office space, and dining services for government and private personnel. The indictment alleges that from the summer of 2005 to the fall of 2006, the former DoS employee controlled the day-to-day operations of BAC and, on behalf of BAC and a silent investor, negotiated business contracts, provided input in BAC's hiring decisions, and directed the work of BAC employees.

According to the indictment, the former DoS employee signed a three-year lease agreement on January 1, 2006, on behalf of IRMO, permitting BAC to use a portion of the port, which during his tenure became known as "Bob's Camp." He allegedly had no authority to enter into this agreement in his official capacity with IRMO and did not discuss it with his supervisors. A portion of the transferred accommodations caravans was installed by BAC employees in "Bob's Camp."

On September 14, 2006, the day before the former DoS employee was scheduled to be reassigned to IRMO's Baghdad office, he allegedly negotiated a rental agreement on behalf of BAC involving several of the transferred accommodations caravans. According to the indictment, he directed that rental payments be wired to a bank account in Conroe, Texas, which he controlled. In this manner, he allegedly received $147,000 from the lessee business, which he used for personal and business expenses.

The indictment alleges the former DoS employee's planned reassignment was based in part on his failure to carry out his function of advising the port director. He eventually resigned from DoS.

This investigation is being conducted by SIGIR, the Defense Criminal Investigative Service (DCIS), and the Federal Bureau of Investigation (FBI).

Army Officer Sentenced to 30 Months in Federal Prison for Theft of CERP Funds

On May 3, 2010, Capt. Michael Dung Nguyen, U.S. Army, a West Point graduate stationed at Ft. Lewis, Washington, was sentenced to 30 months in prison following his guilty pleas to the crimes of theft of government property and structuring financial transactions. Nguyen was ordered to surrender to the Bureau of Prisons on September 1, 2010. In addition to imprisonment, Nguyen was ordered to

A 1994 BMW seized as part of the investigation and conviction of former Master Sergeant Terence Walton.

Three other vehicles seized in the Walton case.

serve three years of supervised release, pay restitution in the amount of $200,000, and forfeit his interest in all personal property he bought with the stolen money as well as the remaining funds seized by the government at the time of his arrest.

Nguyen previously admitted that, while on deployment to Iraq, he stole and converted to his own use approximately $690,000 in U.S. currency. Nguyen gained access to the funds in his capacity as the project purchasing officer in the 1st Battalion, 23rd Infantry Regiment, of the U.S. Army. The money was derived from Commander's Emergency Response Program (CERP) funds. CERP funds are the property of the United States and are managed by DoD. The currency was intended as payment for security contracts with the Sons of Iraq as well as humanitarian relief and reconstruction programs.

Nguyen transported the stolen CERP funds back to the United States by mailing them to himself at his family's Oregon residence before his return from Iraq. Shortly after his return from Iraq, Nguyen opened new bank accounts at Bank of America, Washington Mutual Bank, America's Credit Union, and Heritage Bank and proceeded to deposit $387,550 of the stolen CERP money into those accounts in Oregon and elsewhere. Between June 9, 2008, and September 26, 2008, Nguyen

made repeated deposits of the stolen CERP funds in a manner that was intended to evade federal reporting requirements for the deposit of large amounts of currency.

After depositing the money in the accounts, Nguyen purchased a 2008 BMW and a 2009 Hummer H3T, in addition to purchasing computers, firearms, electronics, and furniture. During the execution of a search warrant, investigators discovered more than $300,000 in stolen CERP funds hidden in the attic of Nguyen's Portland family home.

This case is being investigated jointly by SIGIR, the Internal Revenue Service, Criminal Investigation (IRS-CI); FBI; U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit (CID-MPFU); and DCIS.

Criminal Information Filed Alleging Iraq Reconstruction Kickback Conspiracy

On May 14, 2010, a criminal information was filed in federal court, Albuquerque, New Mexico, charging a former employee of a U.S.-based construction company with conspiracy to defraud the United States by accepting kickbacks from subcontractors

whom he helped to get contracts on government building projects in Iraq between April 2005 and March 2008.

The criminal information alleges that, between 2004 and 2008, the Air Force Center for Engineering and the Environment awarded a series of construction contracts to be performed in Iraq. The former construction company employee is accused of arranging for subcontracts awarded by the construction company and paid by the U.S. government to be inflated by the kickback amounts the former employee was to receive. The former construction company employee is accused of unlawfully accepting kickbacks in the amount of $384,000.

This case is being conducted jointly by SIGIR, DCIS, and the FBI.

U.S. Marine Corps Master Sergeant Convicted of Bribery and Graft Involving Awarding and Managing Contracts in Iraq—Four Vehicles Seized

On May 17, 2010, Master Sergeant Terence Walton was convicted by a General Court Martial of bribery, graft, and failure to obey a direct order. Walton was a contract specialist in Falluja, Iraq, for the U.S. Marine Corps' 2nd Supply Battalion, from February 2005 to January 2006. He was responsible for awarding and managing contracts for the wars in Iraq and Afghanistan. Walton was sentenced the same day to a reprimand, reduction in rank from E-8 to E-3, a $65,000 fine, and 62 days confinement.

In March 2009, Walton was charged with bribery and graft under the Uniform Code of Military Justice for wrongfully accepting money and other gifts from contractors in Iraq. It was alleged as a result of information developed during the investigation that Walton extorted money in exchange for awarding contracts for paving and construction services. It was further alleged that one vendor gave Walton a Visa card loaded with

$50,000 for not penalizing his firm for repeatedly missing deadlines on a contract, according to an affidavit filed in federal court. It was also alleged that contracts Walton awarded exceeded government cost estimates by up to 479%.

As a result of the conviction, a seizure warrant was executed on June 3, 2010, in Richlands and Jacksonville, North Carolina. Federal agents seized four vehicles: a 1998 Mercedes CLK320 valued at $5,610, a 2003 Ford Excursion valued at $12,105, a 2004 BMW 325i valued at $15,645, and a 2008 Mitsubishi Eclipse GS valued at $15,275.

This investigation was conducted jointly by SIGIR, DCIS, and the Naval Criminal Investigative Service (NCIS).

Marine Major Indicted on Financial Crimes

On May 24, 2010, a U.S. Marine Corps major turned himself in to federal authorities in Phoenix, Arizona, pursuant to an arrest warrant on charges he illegally deposited more than $440,000 into U.S. bank accounts following a six-month deployment in Iraq in 2005 as a contracting officer. Charges facing the major are detailed in a 22-count indictment returned by a federal grand jury in Phoenix. They include structuring financial transactions through a domestic financial institution.

The indictment alleges that the Marine major was deployed to Iraq from February 15, 2005, to September 27, 2005, where he served as a project purchasing officer for the CERP, and he was assigned to the 5th Civil Affairs Group, Camp Fallujah, in Iraq. In this capacity, the major identified and selected reconstruction projects, awarded reconstruction projects to Iraqi contractors, negotiated contract terms, and verified the completion of projects. CERP funds were distributed to the Iraqi contractors in the form of brand new $100 U.S. currency notes. According to the indictment, soon after returning from his deployment in Iraq, the major began making cash deposits with brand-new

$100 U.S. currency notes. Between October 2005 and April 2006, the major made 91 cash deposits totaling more than $440,000 into bank accounts with Bank of America, Chase Bank, and the Navy Federal Credit Union. The indictment alleges that the major made multiple cash deposits under $10,000 into various bank accounts for the purpose of evading the reporting requirements under federal law.

A conviction for structuring financial transactions could carry the maximum penalty of five years in prison, a $250,000 fine, or both.

This investigation is being conducted jointly by SIGIR, IRS-CI, NCIS, and DCIS.

U.S. Army Captain Indicted, Pleads Guilty to Receiving Kickbacks for Awarding Contracts in Iraq

On May 10, 2010, Captain Faustino L. Gonzales, U.S. Army, of Killeen, Texas, was charged in a one-count indictment of a gratuity received by a public official. Gonzales was a U.S. Army project purchasing officer in Iraq. Gonzales admitted that in September 2006, he conspired with Chasib Mahdi (doing business as the General Contracting Company) to receive cash bribes for awarding contracts under the CERP for Iraq reconstruction. Gonzales further admitted that the contracts he awarded to Mahdi, designated for projects near Forward Operating Base, Rustimayiah, Iraq, were based on inflated prices. Gonzales also admitted that portions of the bribe money were deposited into banks accounts located in Killeen and San Antonio, Texas, and that he used some of the bribe money to purchase a vehicle in Killeen.

On June 24, 2010, Gonzales appeared before U.S. District Judge Walter S. Smith, Jr., in Waco, Texas, and pled guilty to receiving a gratuity by a public official. Sentencing is scheduled for September 8, 2010. Gonzales faces up to two years in federal prison and a maximum $250,000 fine.

This case is being conducted jointly by SIGIR, CID-MPFU, DCIS, and the U.S. Postal Inspection Service.

Marine Corps Captain Pleads Guilty to Skimming $1.7 Million from Military Contracts

On May 17, 2010, Captain Eric Schmidt, U.S. Marine Corps, pled guilty in federal court to conspiracy to commit wire fraud and filing a false federal tax form. Schmidt and his wife, Janet Schmidt, were charged on March 4, 2010, with conspiring to skim approximately $1.75 million from government contracts awarded under the Iraqi First Program while he was acting as a Marine Corps contracting officer's representative in Iraq. Eric Schmidt, of Murrieta, California, who is assigned to the First Marine Division at Camp Pendleton, California, was charged with conspiracy to commit wire fraud and filing a false tax return that concealed the illicit income from the IRS. Janet Schmidt also was charged with the same two felony counts.

According to the criminal information, Captain Schmidt used his position in the contracting process to steer contracts to his favored Iraqi contractor, the Al-Methwad Company. The contracts were often awarded under the Iraqi First Program, which was designed to award certain contracts to Iraqi vendors to assist with Iraqi economic expansion and entrepreneurship. Once Al-Methwad had been awarded the contract, Janet Schmidt found U.S.-based vendors to provide the goods purportedly to be furnished by Al-Methwad under the terms of the contract. Janet Schmidt purchased the goods using money provided by Al-Methwad, often purchasing far fewer or inferior products than those required by the contract. She then arranged for the goods to be delivered to the U.S. Marines in Iraq. Once the shipment arrived in Iraq, Captain Schmidt falsely certified that both the number and type of goods required by the contract had been provided by Al-Methwad Company to the

Marines. Armed with the false certification, representatives from Al-Methwad Company sought and received payment from the United States.

Investigators have determined that the Schmidts collected a total of approximately $1.75 million in illegal payments during Captain Schmidt's one-year deployment to Iraq in 2008. Because they failed to report any of these illegal payments on their tax return for 2008, they substantially understated their income to the IRS. During the course of this investigation, government agents seized from the Schmidts two California real properties—one in Big Bear and one in Marietta—two motor vehicles, and approximately $40,000 in cash. Janet Schmidt pled guilty on March 18, 2010, to a federal felony charge of filing a false income tax return in connection with her role in the Iraq contracting scheme.

Upon sentencing, Captain Schmidt and his wife each face a statutory maximum penalty of 23 years in federal prison.

This investigation is being conducted jointly by SIGIR, DCIS, IRS, and NCIS.

U.S. Army Major Pleads Guilty to Shipping Currency to the United States from Iraq

On July 7, 2010, U.S. Army Major Charles E. Sublett pled guilty in federal court in Memphis, Tennessee, to making false statements to a federal agency. Sublett was charged in an indictment, returned by a federal grand jury on January 5, 2010, following his arrest in Huntsville, Alabama. According to the indictment, Sublett smuggled more than $100,000 in currency, concealed in a shipping package, into the United States from Iraq in January 2005.

According to the indictment, Sublett was deployed to Balad Regional Contracting Center on Logistical Support Area (LSA) Anaconda in Iraq from August 2004 through February 2005. LSA Anaconda is a U.S. military installation that was established in 2003 to support U.S. military

operations in Iraq. Sublett served as a contracting officer, responsible for, among other things, evaluating and supervising contracts with companies that provide goods and services to the U.S. Army.

Sublett admitted that, on January 11, 2005, he sent a package from Balad, Iraq, to Killeen, Texas, which was seized by U.S. Customs and Border Protection officers in Memphis. Sublett admitted that, on the international air waybill, he falsely described the contents of the package as books, papers, a jewelry box, and clothes with a total declared customs value of $140 when, in fact, Sublett knew the package contained $107,900 in U.S. currency and 17,120,000 Iraqi dinar. Sublett also admitted that he failed to file a currency or monetary instruments transaction report (CMIR) as required by federal law when transporting currency in amounts of more than $10,000 into or out of the United States. During the plea hearing, Sublett admitted to making false claims to investigators regarding his attempt to bring the currency into the United States in an effort to impede their investigation.

Sublett is scheduled to be sentenced on October 8, 2010. As part of the plea agreement, Sublett also consented to the forfeiture of the $107,900 in U.S. funds and the 17,120,000 Iraqi dinar that he concealed in the package.

This investigation is being conducted by SIGIR, CID-MPFU, DCIS, FBI, IRS-CI, and U.S. Immigration and Customs Enforcement (ICE).

Cockerham Investigation Update

On June 18, 2010, a relative of former U.S. Army Major John Cockerham submitted a cashier's check in the amount of $100,000 for voluntary surrender to the U.S. Marshals Service Asset Forfeiture account. It is alleged that the Cockerham relative received $300,000 from a Kuwait-based contracting company. The money was identified as funds from the bribery scheme orchestrated by Cockerham. Prior to this action, a seizure order was executed on May 10, 2010, for $76,982.41 that was located in a

bank account of the same Cockerham relative. On December 2, 2009, John Cockerham was sentenced to 210 months in prison. He also was ordered to serve three years of supervised release following the prison term and to pay $9.6 million in restitution.

This investigation is being conducted jointly by SIGIR, CID-MPFU, DCIS, IRS, ICE, and FBI.

SIGPRO Update

The SIGIR Prosecutorial Initiative (SIGPRO) continues to thrive. In late 2009, in an effort to further align resources with its expanding caseload, SIGIR developed a program wherein it hired three highly experienced and respected former Department of Justice (DoJ) prosecutors. They were detailed as a unit to the Fraud Section of the Criminal Division of DoJ to prosecute SIGIR investigation cases, handling their own DoJ caseloads and working closely with the SIGIR General Counsel and other DoJ prosecutors who are assigned SIGIR cases. Additionally, they collaborate with Assistant U.S. Attorneys throughout the United States, as well as foreign prosecutors, on all SIGIR-related prosecutions. The SIGPRO prosecution team continues to make a substantive positive impact on the productivity of the SIGIR criminal investigation program. DoJ enthusiastically supports this program, and SIGIR could not be more pleased with the successful manner in which it has developed.

Suspension and Debarment

Since December 2005, SIGIR has worked closely with DoJ, CID-MPFU, DCIS, and the Army Legal Services Agency's Procurement Fraud Branch (PFB) to suspend and debar contractors and government personnel for fraud or corruption within the Army, including those involving Iraq reconstruction or Army support contracts in Iraq. These cases arise as the result of criminal indictments filed in federal district courts and allegations of contractor irresponsibility that require fact-based examination by the Army's Suspension and Debarment Official.

During the period between April 1 and June 30, 2010, the Army proposed 1 individual for debarment.

To date, the Army has suspended 90 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait. A total of 105 individuals and companies have been proposed for debarment, resulting in 88 finalized debarments, ranging in duration from nine months to 27.5 years. PFB is aggressively pursuing additional companies and individuals associated with Army contract fraud in Iraq, Kuwait, and other locations in Southwest Asia, with additional suspension and debarment actions projected during 2010. Suspension and debarment actions related to reconstruction and Army support contract fraud in Afghanistan are reported to the Special Inspector General for Afghanistan Reconstruction (SIGAR). Cases originating in Afghanistan—previously listed with cases originating in Iraq, Kuwait, and other locations in Southwest Asia—were removed from PFB's submissions to SIGIR in the third quarter of 2009 and are now included in SIGAR's quarterly report to the Congress.

For a list of debarments, see Table 3.3. For a complete list of suspensions and debarments, see Appendix F. ◆

TABLE 3.2

CONVICTIONS (AS COMPILED BY THE DEPARTMENT OF JUSTICE)

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Maj. Charles Sublett, USA	False statements	7/7/2010	Pending
Capt. Faustino Gonzales, USA	Receipt of a gratuity by a public official	6/24/2010	Pending
MSGT Terence Walton, USMC	Bribery, graft, failure to obey a direct order (UCMJ)	5/17/2010	Reprimand; reduction in rank from E-8 to E-3; $65,000 fine; and 62 days confinement
Capt. Eric Schmidt, USMC	Wire fraud, filing a false federal tax form	5/17/2010	Pending
William Collins, USA civilian	Bribery	4/21/2010	Pending
SFC Ray Chase, USA	Illegal gratuities, structuring monetary transactions, false statements	4/21/2010	Pending
Marcus McClain	Acceptance of illegal gratuities	4/15/2010	Pending
Kevin A. Davis	Acceptance of illegal gratuities	4/13/2010	Pending
Janet Schmidt, contractor and military spouse	Filing a false tax return and fraud	3/18/2010	Pending
Terry Hall, contractor	Conspiracy, bribery	2/17/2010	Pending
Theresa Russell, former USA staff sergeant	Money laundering	1/28/2010	Pending
Cpt. Michael D. Nguyen, USA	Theft and structuring financial transactions	12/7/2009	30 months in prison; 3 years supervised release; $200,000 restitution; and forfeit his interest in all personal property bought with the stolen money as well as the remaining funds seized by the government at the time of his arrest
Ronald Radcliffe	Bribery and money laundering	10/16/2009	40 months in prison and $30,000 fine
Joselito Domingo	Bribery	11/19/2009	Pending
Gloria Martinez	Bribery and conspiracy	8/12/2009	5 years in prison
Robert Jeffery	Conspiracy and theft	8/11/2009	4 years in prison
William Driver	Money laundering	8/5/2009	3 years probation, to include 6 months home confinement; $36,000 restitution
Nyree Pettaway, niece of Maj. John Cockerham	Conspiracy to obstruct justice	7/28/2009	12 months and 1 day in prison; 2 years of supervised release; $5 million restitution
Michel Jamil	Conspiracy	7/27/2009	40 months in prison
Robert Young	Conspiracy and theft of government property	7/24/2009	97 months in prison, 3 years supervised release; forfeiture of $1 million; and restitution of $26,276,472
Samir Itani	Conspiracy	7/21/2009	Pending
Tijani Saani	Filing false tax returns	6/25/2009	110 months in prison; 1 year supervised release; $1.6 million fine; and $816,485 in restitution to the IRS
Diane Demilta	Wire fraud	5/27/2009	6 months in prison; 12-month house arrest; 2 years supervised release; $20,000 fine; $70,000 restitution
Benjamin R. Kafka	Misprision of a felony	5/18/2009	Pending

Name	Charges	Date of Conviction	Sentence
Elbert W. George III	Theft of government property; conspiracy	5/18/2009	60 days intermittent confinement; 2 years supervised release; forfeit $103,000; and pay jointly and severally with co-conspirator Roy Green $52,286.60 in restitution
Roy Greene, Jr.	Theft of government property; conspiracy	5/18/2009	3 years supervised release; forfeit $103,000; and pay jointly and severally with co-conspirator Elbert George $52,286.60 in restitution
Frederick Kenvin	Conspiracy	4/30/2009	3 years probation and $2,072,967 restitution
Stephen Day	Conspiracy to defraud the United States by misrepresentation	4/13/2009	3 years probation; $41,522 restitution; and $2,000 fine
Jeff Alex Mazon, contractor, KBR	Major fraud against the United States and wire fraud	3/24/2009	1 year probation; 6 months home confinement; and $5,000 fine
Carolyn Blake, Sister of Maj. John Cockerham	Conspiracy and money laundering	3/19/2009	70 months in prison; 3 years of supervised release; $3.1 million restitution
Michael Carter, Project Engineer, Force Protection Industries	Violating the Anti-Kickback Act	1/25/2009	61 months in prison; 3 years supervised release
Harith al-Jabawi, contractor	Conspiracy, bribery, and false statements	1/22/2009	Pending
Maj. Christopher Murray, USA Contracting Officer	Bribery and false statements	1/8/2009	57 months in prison; 3 years supervised release; $245,000 restitution
Maj. Theresa Baker, USAR Contracting Officer	Conspiracy and bribery	12/22/2008	70 months in prison; $825,000 restitution
Col. Curtis Whiteford, USAR Senior Official, CPA-South Central Region	Conspiracy, bribery, and wire fraud	11/7/2008	5 years in prison; 2 years supervised release; $16,200 restitution
Lt. Col. Michael Wheeler, USAR CPA Reconstruction Advisor	Conspiracy, bribery, wire fraud, interstate transportation of stolen property, and bulk cash smuggling	11/7/2008	42 months in prison; 3 years supervised release; $1,200 restitution; $100 special assessment
David Ramirez, Contractor, Readiness Support Management, Inc.	Bulk currency smuggling and structuring transactions	10/9/2008	50 months in prison; 3 years supervised release; $200 special assessment
Lee Dubois, contractor, Future Services General Trading and Contracting Company	Theft of government property	10/7/2008	3 years in prison and repayment of $450,000 that represented the illegal proceeds of the scheme
Jacqueline Fankhauser	Receipt of stolen property	8/28/2008	1 year probation; 180 days home confinement; 104 hours community service; $10,000 fine; $100 special assessment
Robert Bennett, contractor, KBR	Violating the Anti-Kickback Act	8/28/2008	1 year probation and $6,000 restitution
Maj. James Momon, Jr., USA Contracting Officer	Conspiracy and bribery	8/13/2008	Pending
Lt. Col. Debra M. Harrison, USA Acting Comptroller for CPA-South Central Region	Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, and preparing false tax returns	7/28/2008	30 months in prison; 2 years supervised release; $366,640 restitution
Capt. Cedar Lanmon, USA	Accepting illegal gratuities	7/23/2008	1 year in prison; 1 year supervised release

Continued on the next page

Name	Charges	Date of Conviction	Sentence
Maj. John Lee Cockerham, Jr., USA Contracting Officer	Bribery, conspiracy, and money laundering	6/24/2008	210 months in prison; 3 years of supervised release; $9.6 million restitution.
Melissa Cockerham, spouse of Maj. John Cockerham	Conspiracy and money laundering	6/24/2008	41 months in prison; 3 years of supervised release; $1.4 million restitution
Lt. Col. Levonda Selph, USAR Contracting Officer	Conspiracy and bribery	6/10/2008	Pending
Raman International Corp.	Conspiracy and bribery	6/3/2008	$500,000 fine and $327,192 restitution
Capt. Austin Key, USA Contracting Officer	Bribery	12/19/2007	Pending
Maj. John Rivard, USAR Contracting Officer	Bribery, conspiracy, and money laundering	7/23/2007	10 years in prison; 3 years supervised release; $5,000 fine; and $1 million forfeiture order
Kevin Smoot, Managing Director, Eagle Global Logistics, Inc.	Violating the Anti-Kickback Act and making false statements	7/20/2007	14 months in prison; 2 years supervised release; $6,000 fine; $17,964 restitution
Anthony Martin, Subcontractor Administrator, KBR	Violating the Anti-Kickback Act	7/13/2007	1 year and 1 day in prison; 2 years supervised release; $200,504 restitution
Jesse D. Lane, Jr., USAR 223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months in prison; $323,228 restitution
Steven Merkes, DoD Civilian, Operational Support Planner	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison; $24,000 restitution
Chief Warrant Officer Peleti "Pete" Peleti, Jr., USA, Army's Food Service Advisor for Kuwait, Iraq, and Afghanistan	Bribery and smuggling cash	2/9/2007	28 months in prison; $57,500 fine and forfeiture
Jennifer Anjakos, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; $86,557 restitution; $100 assessment
Sgt. Lomeli Chavez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; $28,107 restitution; $100 assessment
Sgt. Derryl Hollier, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; $83,657.47 restitution; $100 assessment
Sgt. Luis Lopez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; $66,865 restitution; $100 assessment
Bonnie Murphy, Contracting Officer	Accepting unlawful gratuities	11/7/2006	1 year supervised release and $1,500 fine
Samir Mahmoud, employee of U.S. construction firm	Making false statements	11/3/2006	1 day credit for time served; 2 years supervised release
Gheevarghese Pappen, USACE Civilian	Soliciting and accepting illegal gratuities	10/12/2006	2 years in prison; 1 year supervised release; $28,900 restitution
Lt. Col. Bruce Hopfengardner, USAR Special Advisor to CPA-South Central Region	Conspiracy, conspiring to commit wire fraud and money laundering, and smuggling currency	8/25/2006	21 months in prison; 3 years supervised release; $200 fine; $144,500 forfeiture
Faheem Mousa Salam, Interpreter, Titan Corp.	Violating the Foreign Corrupt Practices Act's Anti-Bribery Provisions	8/4/2006	3 years in prison; 2 years supervised release; 250 hours community service; $100 special assessment

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Name	Charges	Date of Conviction	Sentence
Mohammad Shabbir Khan, Director of Operations for Kuwait and Iraq, Tamimi Global Co., Ltd.	Violating the Anti-Kickback Act	6/23/2006	51 months in prison; 2 years supervised release; $10,000 fine; $133,860 restitution; $1,400 assessment
	Witness tampering	8/10/2009	Pending
Philip Bloom, owner: Global Business Group, GBG Holdings, and GBG-Logistics Division	Conspiracy, bribery, and money laundering	3/10/2006	46 months in prison; 2 years supervised release; $3.6 million forfeiture; $3.6 million restitution; $300 special assessment
Stephen Seamans, Subcontracts Manager, KBR	Wire fraud, money laundering, and conspiracy	3/1/2006	12 months and 1 day in prison; 3 years supervised release; $380,130 restitution; $200 assessment
Christopher Cahill, Regional Vice President, Middle East and India, Eagle Global Logistics, Inc.	Major fraud against the United States	2/16/2006	30 months in prison; 2 years supervised release; $10,000 fine; $100 assessment (a civil settlement with EGL arising from the same facts resulted in a settlement of $4 million)
Robert Stein, CPA-South Central Comptroller and Funding Officer	Felon in possession of a firearm, possession of machine guns, bribery, money laundering, and conspiracy	2/2/2006	9 years in prison; 3 years supervised release; $3.6 million forfeiture; $3.5 million restitution; $500 special assessment
Glenn Powell, Subcontracts Manager, KBR	Major fraud and violating the Anti-Kickback Act	8/1/2005	15 months in prison; 3 years supervised release; $90,973.99 restitution; $200 assessment

Note: Does not include non-U.S. court results from joint SIGIR/foreign law enforcement investigations.

TABLE 3.3
DEBARMENT LIST

Name	Debarred	Name	Debarred
Jeff Thompson	3/29/2010	D+J Trading Company	5/14/2009
John Cockerham	3/17/2010	Jesse D. Lane, Jr.	1/30/2009
Melissa Cockerham	3/17/2010	Jennifer Anjakos	1/30/2009
Carolyn Blake	3/17/2010	Carlos L. Chavez	1/30/2009
Nyree Pettaway	3/17/2010	Darryl Hollier	1/30/2009
Robert Young	3/9/2010	Luis A. Lopez	1/30/2009
Elbert Westley George III	1/21/2010	Mohammed Shabbir Kahn	10/10/2008
Roy Greene	1/21/2010	Kevin Andre Smoot	9/30/2008
Ofelia Webb	1/21/2010	Green Valley Company	9/17/2008, 5/18/2007
Patrick Faust	1/21/2010	Triad United Technologies, LLC	9/17/2008
Ali N. Jabak	9/30/2009	Dewa Europe	9/17/2008
Liberty A. Jabak	9/30/2009	Dewa Trading Establishment	9/17/2008
Liberty's Construction Company	9/30/2009	Al Ghannom and Nair General Trading Company	9/17/2008
Tharwat Taresh	9/30/2009	Dewa Projects (Private) Ltd.	9/17/2008
Babwat Dourat Al-Arab	9/30/2009	Future AIM United	9/17/2008
Dourat Al-Arab	9/30/2009	First AIM Trading and Contracting	9/17/2008
Hussein Ali Yehia	9/30/2009	Vasantha Nair	9/17/2008
Amina Ali Issa	9/30/2009	K. V. Gopal	9/17/2008
Adel Ali Yehia	9/30/2009	Falah Al-Ajmi	9/17/2008
Javid Yousef Dalvi	9/25/2009	Trans Orient General Trading	9/17/2008
Mohamed Abdel Latif Zahed	9/10/2009	Zenith Enterprises Ltd.	9/17/2008
Gerald Thomas Krage	9/4/2009	Peleti "Pete" Peleti, CWO, USA	6/15/2008
Andrew John Castro	9/4/2009	Al Sawari General Trading and Contracting Company	3/13/2008
Airafidane, LLC	9/4/2009	John Allen Rivard, MAJ, USAR	1/14/2008
Kevin Arthis Davis	8/20/2009	Samir Mahmoud	11/29/2007
Jacqueline Fankhauser	8/7/2009	Robert Grove	10/30/2007
Debra M. Harrison, LTC, USAR	8/7/2009	Steven Merkes	9/27/2007
Nazar Abd Alama	7/1/2009	Bruce D. Hopfengardner, LTC, USAR	9/20/2007
San Juan Company	7/1/2009	Robert J. Stein, Jr.	8/16/2007
Mississippi Company for the General Contract	7/1/2009	Philip H. Bloom	8/8/2007
Lee Dynamics International	6/17/2009	Global Business Group S.R.L.	8/8/2007
Lee Defense Services Corporation	6/17/2009	Stephen Lowell Seamans	7/27/2007
George H. Lee	6/17/2009	Gheevarghese Pappen	6/28/2007
Justin W. Lee	6/17/2009	Faheem Mousa Salam	6/28/2007
Oai Lee	6/17/2009	QAH Mechanical and Electrical Works	6/27/2007
Mark J. Anthony	6/17/2009	Abdullah Hady Qussay	6/27/2007
Levonda J. Selph	6/17/2009	Al Riyadh Laboratories and Electricity Co.	1/26/2007
Starcon Ltd. LLC	6/17/2009		
Cedar J. Lanmon, CPT, USA	6/3/2009		

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NAME	DEBARRED		NAME	DEBARRED
Thomas Nelson Barnes	1/24/2007		Custer Battles	3/17/2006
Danube Engineering and General Contracting	12/28/2006		Robert Wiesemann, CW2, USA	3/6/2006
Alwan Faiq	12/28/2006		Glenn Allen Powell	2/16/2006
Christopher Joseph Cahill	11/9/2006		Amro Al Khadra	1/12/2006
Ahmed Hassan Dayekh	9/26/2006		Dan Trading and Contracting	1/12/2006
Diaa Ahmen Abdul Latif Salem	5/14/2009, 6/2/2006		Steven Ludwig	9/29/2005
Jasmine International Trading and Service Company	5/14/2009, 6/2/2006		DXB International	9/29/2005

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SIGIR EVALUATIONS

SIGIR's Evaluations Directorate is implementing a multi-faceted approach to the evaluation of programs funded by the U.S. government for the purpose of supporting the stabilization and reconstruction of Iraq. This new organizational capability will help fulfill SIGIR's oversight responsibility using both traditional and innovative approaches.

SIGIR plans to evaluate a cross-section of major U.S. government-funded programs initiated to improve the stability and security of Iraq. In addition to developing findings, conclusions, and recommendations to agency management, the evaluations will identify and report on the outcomes and effects of stabilization and reconstruction programs in Iraq.

During this quarter, SIGIR issued its second evaluation announcement: "Review of Major U.S. Government-funded Infrastructure Projects in Iraq: Nassiriya and Ifraz Water Treatment Plants" (EV-10-002). SIGIR expects to report on this evaluation by the end of October 2010. ◆

SIGIR HOTLINE

The SIGIR Hotline facilitates the reporting of fraud, waste, abuse, mismanagement, and reprisal in all programs associated with Iraq reconstruction efforts funded by the U.S. taxpayer. Cases received by the SIGIR Hotline that are not related to programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq are transferred to the appropriate entity. The SIGIR Hotline receives walk-in, telephone, mail, fax, and online contacts from people in Iraq, the United States, and throughout the world.

Second Quarter Reporting

As of June 30, 2010, the SIGIR Hotline had initiated 803 cases. Of these cases, 739 have been closed, and 64 cases remain open. For a summary of these cases, see Table 3.4:

Table 3.4

Summary of SIGIR Hotline Cases, as of 6/30/2010

Open Cases	
Investigations	53
Audits	11
Total Open	**64**

Closed Cases	1st Qtr 2010	2nd Qtr 2010	Cumulative*
FOIA	0	0	4
OSC Review	0	0	2
Assists	0	0	46
Dismissed	0	2	131
Referred	9	7	341
Inspections	0	1	80
Investigations	1	0	118
Audits	0	1	17
Total Closed	**10**	**11**	**739**
Cumulative* Open & Closed			**803**

*Cumulative totals cover the period since the SIGIR Hotline began operations—from 3/24/2004 to 6/30/2010.

New Cases

During this reporting period, the SIGIR Hotline received 12 new complaints, bringing the cumulative total to 803 Hotline cases. The new complaints were classified in these categories:

- 6 involved contract fraud.
- 2 involved mismanagement.
- 2 involved personnel issues.
- 1 involved miscellaneous issues.
- 1 involved waste.

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal through the website and electronic mail. Of SIGIR's 12 new Hotline complaints, 4 were received through electronic mail and 8 by the SIGIR website.

Closed Cases

During this quarter, SIGIR closed 11 Hotline cases:

- 7 were referred to other inspector general agencies.
- 2 were dismissed.
- 1 was closed by SIGIR Audits.
- 1 was closed by SIGIR Inspections.

Referred Complaints

After a thorough review, SIGIR referred 7 complaints to outside agencies for proper resolution:

- 2 were sent to the Joint Contracting Command-Iraq/Afghanistan.
- 2 were sent to the U.S. Forces-Iraq Office of Inspector General.
- 1 was sent to the U.S. Department of State Office of Inspector General.
- 1 was sent to the Department of Defense Office of Inspector General.
- 1 was sent to the U.S. Army Office of Inspector General. ◆

SIGIR WEBSITE

During this reporting period, the SIGIR website (www.sigir.mil) recorded these activities:

- More than 99,000 users visited the SIGIR website this quarter—almost 1,100 users per day.
- This quarter, the Arabic language section of the site received 958 visits.
- The most frequently downloaded documents were SIGIR's most recent Quarterly Reports.
- More than 23,000 web feeds were visited during this quarter. Information is updated to the web feeds, which are automatically downloaded to subscribers' computers and can be viewed by feed reader programs.

For an overview of daily visits to the SIGIR website, see Figure 3.3. ◆

FIGURE 3.3

AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, AS OF 6/30/2010
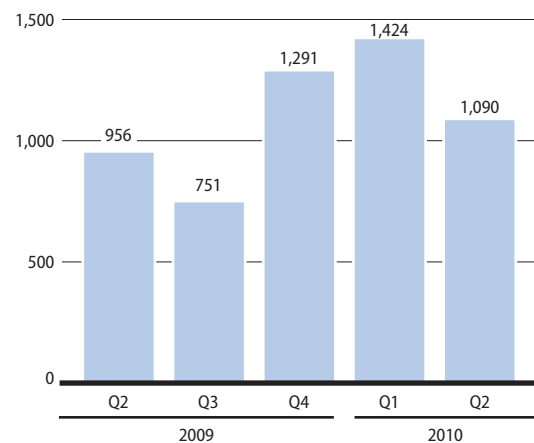
Source: DoD, IMCEN, response to SIGIR data call, 6/30/2010.

LEGISLATIVE UPDATE

Supplemental and Regular Appropriations

During this quarter, the Congress began to take action on the President's request for regular or supplemental appropriations for or related to the reconstruction of Iraq. For information on the President's request and Congress's action, which was incomplete as this report was prepared, see Section 2 of this Report.

National Defense Authorization Act for Fiscal Year 2011

During this quarter, the House passed the National Defense Authorization Act for Fiscal Year 2011. In the Senate, a bill was reported out of committee but as of July 22, 2010, no action had been taken on it in the full Senate. SIGIR will report on the bill at a later stage in the bill's consideration.

Congressional Appearances

Since the last Quarterly Report, SIGIR officials have appeared before one legislative branch commission and one congressional committee:

- **May 24, 2010—Commission on Wartime Contracting in Iraq and Afghanistan—Hearing on "How Good Is Our System for Curbing Waste, Fraud, and Abuse?"** The Deputy Inspector General and the Assistant Inspector General for Investigations testified before this legislative branch commission. Their remarks addressed issues related to general controls over funds and contracting in Iraq and the extent of fraud in the Iraq reconstruction program. They also briefed the commission on the resources and processes SIGIR uses to investigate allegations of fraud, specific cases that have been prosecuted, and reforms that SIGIR believes are needed to prevent and detect fraud in current and future stabilization and reconstruction operations.

- **June 29, 2010—House Committee on Oversight and Government Reform, Subcommittee on National Security and Foreign Affairs, House of Representatives—Hearing on "Subcontracting in Combat Zones: Who Are Our Subcontractors?"** The Inspector General appeared as part of a panel examining the problems associated with subcontracting—and contracting—in contingency operations. His testimony noted that government leaders need to take steps to prevent contractors and those layered below them from undermining the government's interests. Transparency, which might prevent bad practices from occurring, is too often lacking; for example, entities executing government programs have been found to be unable to maintain records as simple as rosters of those employed. The Inspector General recalled two key recommendations SIGIR has made in the past: the implementation of a "Contingency Federal Acquisition Regulation" and the creation of a new integrated office to manage stabilization and reconstruction operations. He called for more careful, thoughtful balancing of the possible benefits of contracting to achieve program objectives, and the various risks inherent in the practice of using contractors in a combat zone.

The complete prepared statements of SIGIR officials who have testified before the Congress or the Commission on Wartime Contracting can be found at www.sigir.mil/publications/testimony/index.html. ♦

OTHER AGENCY OVERSIGHT

SECTION

4

INTRODUCTION

In March 2004, SIGIR formed the Iraq Inspectors General Council (IIGC) to provide a forum for discussion of oversight in Iraq and to enhance collaboration and cooperation among the inspectors general (IGs) of the agencies that oversee Iraq reconstruction funds. Representatives of member organizations meet quarterly to exchange details about current and planned audits, to identify opportunities for collaboration, and to minimize redundancies.

The most recent meeting was held on May 25, 2010, at the SIGIR office in Arlington, Virginia, with Special Inspector General Bowen chairing the meeting from Baghdad. These organizations attended:

- Air Force Audit Agency (AFAA)
- Commission on Wartime Contracting in Iraq and Afghanistan
- Department of Defense Office of Inspector General (DoD OIG)
- Department of State Office of Inspector General (DoS OIG)
- Government Accountability Office (GAO)
- SIGIR
- U.S. Agency for International Development Office of Inspector General (USAID OIG)
- U.S. Army Audit Agency (USAAA)

Each quarter, SIGIR requests updates from member organizations on their completed, ongoing, and planned oversight activities. This section summarizes the audits and investigations reported to SIGIR this quarter by DoD OIG, DoS OIG, GAO, USAAA, and USAID OIG. For DCAA updates, see Appendix G.

In previous quarters, SIGIR has provided updates on the U.S. Department of the Treasury and the U.S. Department of Commerce, but these agencies have no current Iraq reconstruction oversight activities ongoing or planned for FY 2010. SIGIR no longer reports on these agencies in this section.

Section 842 of the National Defense Authorization Act for Fiscal Year 2008 (Public Law 101-181) requires that SIGIR, in consultation with other inspectors general, develop "a comprehensive plan for a series of audits" of "federal agency contracts, subcontracts, and task and delivery orders for the performance of security and reconstruction functions in Iraq." Following the enactment of Section 842, SIGIR has worked closely with the DoD OIG Joint Planning Group-Southwest Asia, which has facilitated the production of the *Comprehensive Oversight Plan for Southwest Asia*. That document, compiled by the relevant IGs (including SIGIR), summarizes ongoing and near-term planned audits for Iraq and the region. In February 2010, the Group held its twelfth meeting and issued the FY 2010 update to the *Comprehensive Oversight Plan for Southwest Asia*. The plan was expanded beyond statutory requirements to include additional planning for functional areas relevant to supporting Operations Enduring Freedom and Iraqi Freedom, as well as overseas contingency operations. These include contract administration and management, reset of equipment, financial management, and reconstruction support effort. Participating oversight agencies will continue to coordinate audit plans through working groups and councils. ◆

OTHER AGENCY AUDITS

This section updates the audits that IIGC member agencies reported to SIGIR:

- For recently completed oversight report activity, see Table 4.1.
- For ongoing oversight report activity of other U.S. agencies during this reporting period, see Table 4.2.

- For more information on other agency audits, including audit summaries, see Appendix G.
- For a complete historical list of audits and reviews on Iraq reconstruction by all entities, see Appendix H. ◆

Table 4.1

Recently Completed Oversight Reports of Other U.S. Agencies, as of 6/30/2010

Agency	Report Number	Report Date	Report Title
DoD	D-2010-069	6/21/2010	Central Issue Facility at Fort Benning and Related Army Policies
DoD	D-2010-068	6/17/2010	Government Oversight of Field Service Representative and Instructor Services in Support of the Mine Resistant Ambush Protected Vehicle Program
DoD	D-2010-060	6/11/2010	Drawdown and Reset of Equipment in Iraq – Operation Clean Sweep
DoD	D-2010-067	6/10/2010	Public-Private Partnerships at Air Force Maintenance Depots
DoD	D-2010-066	5/28/2010	Oversight of the U.S. Air Forces Central War Reserve Materiel Contract
DoD	D-2010-062	5/24/2010	Controls Over Funds Appropriated for Assistance to Afghanistan and Iraq Processed Through the Foreign Military Sales Network
DoD	D-2010-064	5/21/2010	Army Vessels Maintenance Contracts in Southwest Asia
DoD	D-2010-061	5/21/2010	Counter Radio-Controlled Improvised Explosive Device Electronic Warfare (CREW) Program
DoD	D-2010-059	5/14/2010	Contingency Contracting: A Framework for Reform
DoD	10-INTEL-04	5/4/2010	Review of the Joint Task Force Guantanamo Inclusion of Detainee Mental Health Information in Intelligence Information Reports
DoD	D-2010-055	4/29/2010	Medical/Surgical Prime Vendor Contract Supporting Coalition Forces in Iraq and Afghanistan
DoD	SPO-2010-002	4/20/2010	Assessment of Intra-Theater Transportation Planning, Capabilities, and Execution for the Drawdown from Iraq
DoD	D-2010-052	4/16/2010	Efforts to Prevent Sexual Assault/Harassment Involving DoD Contractors During Contingency Operations
DoD	D-2010-051	4/8/2010	Defense Contract Management Agency Acquisition Workforce for Southwest Asia
DoD	D-2010-050	4/2/2010	Standard Procurement System Synchronization Utility
DoD	D-2010-049	4/1/2010	U.S. Army Corps of Engineers' Use of Award Fees on Contracts in Iraq and Afghanistan
DoD	Memorandum	3/25/2010	Material Purchases Made Through Partnership Agreements at Corpus Christi Army Depot
DoS	MERO-A-10-07	5/4/2010	Property Inventory and Accountability at Embassy Baghdad
GAO	GAO-10-460	4/30/2010	Warfighter Support: Improvements to DoD's Urgent Needs Processes Would Enhance Oversight and Expedite Efforts to Meet Critical Warfighter Needs
GAO	GAO-10-376	4/19/2010	Operation Iraqi Freedom: Actions Needed to Facilitate the Efficient Drawdown of U.S. Forces and Equipment from Iraq
GAO	GAO-10-465	4/16/2010	Military Training: Actions Needed to Further Improve the Consistency of Combat Skills Training Provided to Army and Marine Corps Support Forces
GAO	GAO-10-615T	4/14/2010	Human Capital: Status of Actions Needed to Improve the Timely and Accurate Delivery of Compensation and Medical Benefits to Deployed Civilians

Agency	Report Number	Report Date	Report Title
GAO	GAO-10-357	4/12/2010	Contingency Contracting: Improvements Needed in Management of Contractors Supporting Contract and Grant Administration in Iraq and Afghanistan
USAAA	A-2010-0098-ALL	5/7/2010	Retrograde Operations in Southwest Asia, Donation and Transfer of Excess Materiel and Supplies
USAAA	A-2010-0096-ALL	5/7/2010	Controls Over Vendor Payments – Southwest Asia (Phase II) – U.S. Army Contingency Operations
USAAA	A-2010-0097-ALL	5/4/2010	Commander's Emergency Response Program (CERP), Multi-National Force – Iraq, Summary Report
USAAA	A-2010-0094-ALA	5/3/2010	Foreign Military Sales Process for Iraq and Afghanistan
USAAA	A-2010-0088-ALL	4/14/2010	Agreed-Upon Procedures Attestation to Evaluate Bulk Fuel Requests for Forward Operating Base Shank, Afghanistan
USAAA	A-2010-0082-ALL	4/12/2010	Multi-National Security Transition Command – Iraq (MNSTC-I), Iraqi Security Forces Fund (ISFF)
USAAA	A-2010-0087-ALL	4/12/2010	Followup Audit on Sensitive Items Accountability and Control at Abu Ghraib

Table 4.2
Ongoing Oversight Activities of Other U.S. Agencies, as of 6/30/2010

Agency	Project Number	Date Initiated	Project Title
DoD	D2009-DIP0E3-0260.000	8/5/2010	Evaluation of the DoD Combating Trafficking in Persons (CTIP) Program
DoD	D2010-D000JB-0219.000	5/7/2010	Drawdown and Reset of Equipment in Iraq – Supply Support Activity and Central Receiving and Shipping Point Operations in Iraq
DoD	D2010-D000JB-0211.000	5/6/2010	Realignment of Contractor Support in Response to the Drawdown of U.S. Forces from Iraq
DoD	D2010-D000CE-0190.000	3/23/2010	Material Purchases Made Through Partnership Agreements at Anniston Army Depot
DoD	D2010-D000JB-0158.000	2/17/2010	Contracting for U.S. Facilities in Iraq
DoD	D2010-D000AE-0139.000	1/29/2010	DoD Countermine and Improvised Explosive Device Defeat Systems Interrogation Arm
DoD	D2010-D000IG-0073.000	12/7/2009	Update to the Summary Report on Challenges, Recommendations, and Initiatives Impacting OEF/OIF As Reported by Federal and Defense Oversight Organizations for FY 2003-FY 2009
DoD	D2010-D000CH-0077.001	11/18/2009	Material Purchases Made Through the Partnership Agreement with Sikorsky Aircraft Corporation at Corpus Christi Army Depot
DoD	D2010-D000CH-0077.000	11/17/2009	Material Purchases Made Through the Partnership Agreement with the Boeing Company at Corpus Christi Army Depot
DoD	D2010-D000JA-0055.000	10/27/2009	Management of Operations in the Theater Retrograde, Camp Arifjan, Kuwait
DoD	D2010-D000JA-0054.000	10/27/2009	Controls Over the Disposition of Equipment at the Defense Reutilization and Marketing Office at Camp Arifjan, Kuwait
DoD	D2010-D000AS-0031.000	10/27/2009	Logistics Civil Augmentation Program IV Support Contract
DoD	D2009-D000FH-0292.000	9/23/2009	Commercial Vendor Services Compliance With Federal Tax Reporting Requirements for Contractors Supporting Operations in Southwest Asia
DoD	Not reported	Not reported	Ministerial Capacity Development of the Iraqi Ministries of Defense and Interior Inspectors General
DoD	D2009-D000JB-0307.000	9/16/2009	Controls Over the Accountability and Disposition of Government Furnished Property in Iraq
DoD	D2009-DIPOE3-0306.000	9/11/2009	Review of Army Response to Sodium Dichromate Exposure at Qarmat Ali Iraq
DoD	D2009-D00SPO-0310.000	9/10/2009	Assessment of Intra-Theater Transportation Planning, Capabilities, and Execution for the Drawdown from Iraq
DoD	D2009-DOOSPO-0287.000	Not reported	Assessment of U.S. Government Efforts to Transition the Security Assistance Mission Supporting the Government of Iraq from Department of Defense Authority to Department of State Authority
DoD	D2009-D00SPO-0286.000	8/11/2009, amended 2/19/2010	Assessment of U.S. Government Efforts to Develop the Logistics Sustainment Capability of the Iraq Security Forces

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Agency	Project Number	Date Initiated	Project Title
DoD	D2009-D000AS-0266.000	7/31/2009	Contracts Supporting Base Operation in Kuwait
DoD	D2009-D000AS-0247.000	7/10/2009	Contracts Supporting the Broad Area Maritime Surveillance Program
DoD	D2009-D000CH-0244.000	7/7/2009	International Oil Trading Company Contracts to Supply Fuel to U.S. Troops in Iraq
DoD	D2009-D000LC-0237.000	6/11/2009	Air Cargo Transportation Contracts in Support of Operation Iraqi Freedom and Operation Enduring Freedom
DoD	D2009-D00SPO-0242.00	6/11/2009	Assessment of the Defense Hotline Allegations Concerning Traumatic Brain Injury Research Integrity in Iraq
DoD	D2009-D000IG-D00SPO-0226.000	5/15/2009	Assessment Research on Enlisted Administrative Separations
DoD	D2009-D000AE-0210.000	4/28/2009	Marine Corps Fulfillment of Urgent Universal Need Statements for Laser Dazzlers
DoD	D2009-D000FC-0199.000	4/17/2009	Allowances and Differentials Paid to DoD Civilian Employees Supporting the Global War on Terror
DoD	D2009-D000FG-0183.000	4/7/2009	FY 2008 Marine Corps Global War on Terror-Related Costs Processed Through the Standard Accounting, Budgeting, and Reporting System
DoD	D2009-D000FC-0176.000	3/19/2009	Controls Over Unliquidated Obligations for Department of the Army Contracts Supporting the Global War on Terror
DoD	D2009-D000AS-0163.000	3/2/2009	Army and Navy Small Boats Maintenance Contracts
DoD	D2009-D000JA-0136.000	1/30/2009	Controls Over the Common Access Card in Non-Department of Defense Agencies
DoD	D2009-D000FB-0112.000	1/5/2009	Deployment of the Standard Procurement System in the Joint Contracting Command Iraq/Afghanistan
DoD	D2009-D000CK-0100.000	12/9/2008	Maintenance and Support of the Mine Resistant Ambush Protected Vehicle
DoD	D2009-D000CF-0095.000	12/1/2008	DoD's Use of Time and Materials Contracts
DoD	D2009-D000CD-0071.000	11/12/2008	Implementation of Predator/Sky Warrior Acquisition Decision Memorandum Dated May 19, 2008
DoD	D2009-D000AE-0007.000	9/29/2008	Army Acquisition Actions in Response to the Threat to Light Tactical Wheeled Vehicles
DoD	D2008-D000CD-0256.000	8/7/2008	DoD Body Armor Contracts
DoD	D2008-D000FP-0252.000	8/1/2008	Department of the Air Force Military Pay in Support of the Global War on Terror
DoD	D2007-D000FL-0252.000	8/31/2007	Internal Controls and Data Reliability in the Deployable Disbursing System
DoS	10AUD3004	10/1/2009	Audit of Embassy Baghdad Overtime Procedures and Costs
DoS	10-ISP-3013	9/1/2009	De-mining Programs in Iraq
DoS	09MERO3016	6/1/2009	LOGCAP Task Order for Embassy Baghdad
GAO	320752	6/1/2010	Not reported
GAO	351476	4/1/2010	DoD Iraq Drawdown Planning
GAO	351475	4/1/2010	U.S. Military Withdrawal from Iraq
GAO	320734	11/1/2009	U.S Strategy and Joint Campaign Plan for Iraq
GAO	120874	11/1/2009	Annual Mandated Review of Contracting in Iraq and Afghanistan
GAO	351388	10/2/2009	Availability of Trained and Ready Forces to Support Military Operations in Iraq and Afghanistan
GAO	320638	10/1/2009	Iraq Cost Sharing Arrangements
GAO	351376	9/1/2009	Readiness of Air Force Combat and Expeditionary Combat Forces
GAO	361123	8/9/2009	U.S. Military Burns of Solid Waste in Open Pits at Some Locations in Iraq and Afghanistan
GAO	351393	8/1/2009	DoD Medical Wartime Personnel Requirements
GAO	351387	7/30/2009	Army and Marine Corps Training Capacity
GAO	320691	7/22/2009	Civilian Agency Plans for Programs, Security, and Logistics during/after the U.S. Drawdown from Iraq

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Agency	Project Number	Date Initiated	Project Title
GAO	320654	4/1/2009	U.S., Iraqi, and International Efforts to Address Challenges in Reintegrating Displaced Iraqis
GAO	351230	6/1/2008	Joint IED Defeat Organization (JIEDDO) Strategic Management
USAAA	A-2010-FFP-0188.000	3Q/FY 2010	Managing Equipment Reset – U.S. Army Pacific
USAAA	A-2010-ALL-0480.000	3Q/FY 2010	Agreed-Upon Procedures Attestation for USFOR-A LOGCAP Course of Action – Afghanistan
USAAA	A-2010-ALL-0086.000	3Q/FY 2010	Return of Assets from SWA – CONUS
USAAA	A-2010-FFS-0180.000	3Q/FY 2010	Deployment Support Systems
USAAA	A-2010-ALL-0260.000	3Q/FY 2010	Retrograde Operations in Southwest Asia – Multi Class Supplies
USAAA	A-2010-ALM-0394.000	3Q/FY 2010	Follow-up Audit of Automatic Reset Induction
USAAA	A-2010-ALL-0258.000	3Q/FY 2010	Audit of Retrograde Operations – Class VII Equipment in Iraq
USAAA	A-2010-FFF-0372.000	2Q/FY 2010	Improvised Explosive Device Defeat (IED-D) Home Station Training
USAAA	A-2010-ALL-0364.000	2Q/FY 2010	Excalibur Accountability Gap
USAAA	A-2010-ALL-0338.000	2Q/FY 2010	Redistribution Property Assistance Teams
USAAA	A-2010-ALL-0312.000	2Q/FY 2010	U.S. Equipment Transferred to Iraq
USAAA	A-2010-ALL-0311.001	2Q/FY 2010	Disposal of Army Equipment and Materials Into Dump Sites in Iraq
USAAA	A-2010-ALL-0311.000	2Q/FY 2010	Disposal of Army Equipment and Material in Iraq
USAAA	A-2010-ALA-0294.000	2Q/FY 2010	Follow-up Audit – Body Armor
USAAA	A-2010-ALL-0103.000	2Q/FY 2010	Controls Over Vender Payments Phase II – Afghanistan
USAAA	A-2010-ALL-0232.000	1Q/FY 2010	Forward Operating Base Closures – Property Transfers to Government of Iraq
USAAA	A-2010-ALC-0122.000	1Q/FY 2010	Contracting Activities in Iraq During and After Force Drawdown
USAAA	A-2010-ALL-0105.000	1Q/FY 2010	Follow-up Audit on Forward Operating Base Closures – Iraq
USAAA	A-2010-ALL-0087.000	1Q/FY 2010	Life Support Contracts for U.S. Forces at Basra-Iraq
USAAA	A-2010-ALM-0008.000	1Q/FY 2010	Contracting for Maintenance Support – Life Cycle Management Commands
USAAA	A-2009-ALL-0593.000	4Q/FY 2009	Controls over Shipping Container Accountability and Visibility - Iraq
USAAA	A-2009-ALL-0590.000	4Q/FY 2009	Camp Buehring Fuel Farm Operations - Kuwait
USAAA	A-2009-ALL-0571.000	4Q/FY 2009	Contract for Recycling and Disposing of Waste Material at Camp Steeler, Iraq
USAAA	A-2009-ALL-0531.000	4Q/FY 2009	Commander's Emergency Response Program - Afghanistan
USAAA	A-2009-ALL-0133.000	2Q/FY 2009	Force Protection – Security Badging in Kuwait
USAAA	A-2009-ALL-0118.000	2Q/FY 2009	Controls over Vendor Payments – Southwest Asia (Phase II)
USAAA	A-2009-ALL-0106.000	2Q/FY 2009	Contracting Operations at the Joint Contracting Command-Iraq/Afghanistan – Jalalabad (Afghanistan)
USAAA	A-2009-FFS-0075.000	2Q/FY 2009	Reserve Component Post Mobilization Training
USAAA	A-2009-ALM-0059.000	2Q/FY 2009	Non-Standard Equipment Sustainment
USAAA	A-2009-ALC-0093.000	1Q/FY 2009	Logistics Civil Augmentation Program (LOGCAP) III, Contract Close-out
USAAA	A-2008-ALL-0401.000	4Q/FY 2008	Contracting Operations at the Joint Contracting Command-Iraq/Afghanistan – Kandahar and Salerno (Afghanistan)
USAAA	A-2008-ALL-0398.000	4Q/FY 2008	Controls over Logistics Civil Augmentation Program (LOGCAP) – White Property
USAAA	A-2008-ALL-0633.000	3Q/FY 2008	U.S. Army Corps of Engineers (USACE) Pilot Defense Base Act (DBA) Insurance Program
USAAA	A-2008-ALL-0625.000	3Q/FY 2008	Follow-up Audit of Contracting Operations, U.S. Army Contracting Command (USACC), SWA-Kuwait (Phase I)
USAAA	A-2008-FFF-0044.000	2Q/FY 2008	Management of the Prepositioned Fleet at Combat Training Centers
USAID	Not reported	3Q/FY 2010	Audit of Audit of USAID/Iraq's Microfinance Activities Under its Provincial Economic Growth Program

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Agency	Project Number	Date Initiated	Project Title
USAID	Not reported	3Q/FY 2010	Audit of USAID/Iraq's Nonexpendable Property
USAID	Not reported	2Q/FY 2010	Audit of USAID/Iraq's Payroll Payments to Foreign Service Nationals, Third Country Nationals, and U.S. Personal Services Contractors
USAID	Not reported	2Q/FY 2010	Audit of USAID/Iraq's Community Action Program III Activities
USAID	Not reported	1Q/FY 2010	Audit of USAID/Iraq's Agriculture Private Sector Development - Agribusiness Program
USAID	Not reported	4Q/FY 2009	Audit of USAID/Iraq's Implementation of the Iraq Financial Management Information System
USAID	Not reported	4Q/FY 2009	Survey of Incidents Reported by Private Security Contractors of USAID/Iraq's Contractors and Grantees

OTHER AGENCY INVESTIGATIONS

SIGIR regularly coordinates with other government agencies conducting investigations in Iraq. For statistics of investigative activities from other agencies, see Table 4.3. ◆

TABLE 4.3
INVESTIGATIVE ACTIVITIES - OTHER AGENCY INVESTIGATIONS

AGENCY	INVESTIGATORS IN IRAQ	INVESTIGATORS IN KUWAIT	OPEN/ONGOING CASES*
U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit	6	2	111
Defense Criminal Investigative Service	5	1	234
DoS OIG	1	0	15
Federal Bureau of Investigation	5	1	102
Naval Criminal Investigative Service	0	1	2
U.S. Air Force, Office of Special Investigations	2	0	5
USAID	2	0	14
Total	**21**	**5**	**483**

* Numbers include pending cases worked with other agencies within the Joint Operations Center.

ENDNOTES AND ACRONYMS AND DEFINITIONS

ENDNOTES

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4. P.L. 108-106; P.L. 108-11; P.L. 108-287; P.L. 108-7; P.L. 109-102; P.L. 109-13; P.L. 109-148; P.L. 109-234; P.L. 109-289; P.L. 110-161; P.L. 110-252; P.L. 110-28; P.L. 110-92; P.L. 110-116, P.L. 110-137, P.L. 110-149; P.L. 111-117; P.L. 111-118; P.L. 111-32; DoS, response to SIGIR data call, 4/5/2007; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, 7/6/2010, and 7/8/2010; OSD, responses to SIGIR data calls, 4/10/2009 and 7/13/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USACE, response to SIGIR data call, 7/12/2010; USAID, responses to SIGIR data calls, 7/8/2010 and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009.
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71. U.S. Embassy-Baghdad, Treasury Attaché, response to SIGIR data call, 7/15/2010.
72. USAID, "The Iraqi National Development Plan," briefing for the CERP Conference, Al Faw Palace, Baghdad, 7/7/2010, slide 11.
73. NEA-I, responses to SIGIR data call, 7/1/2010 and 7/13/2010.
74. NEA-I, responses to SIGIR data call, 7/1/2010 and 7/13/2010.
75. NEA-I, responses to SIGIR data call, 7/1/2010 and 7/13/2010.
76. NEA-I, response to SIGIR data call, 7/1/2010. Pledged loans include soft loans and potential loan facilities.
77. NEA-I, responses to SIGIR data call, 7/1/2010 and 7/13/2010.
78. UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010.
79. NEA-I, response to SIGIR data call, 7/13/2010.
80. UNAMI, "Fact Sheet on the International Compact with Iraq," 4/27/2007, www.un.org/News/Press/docs//2007/ note6078.doc.htm, accessed 6/24/2010.
81. UNAMI, *The International Compact with Iraq: A Shared Vision A Mutual Commitment*, 2007; UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010.
82. UNAMI, "The International Compact with Iraq: A New Beginning, Annual Review May 2007–April 2008," pp. 10–11, 5/2008, www.sweden.gov.se/content/1/ c6/10/36/08/dfdaeead.pdf, accessed 6/30/2010.
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84. UNAMI, "The International Compact with Iraq, Annual Review May 2007–April 2008: Annexes Showing Progress against Benchmarks," 5/2008, Annex 3, p. 4, and Annex 6, p. 1, www.sweden.gov.se/content/1/c6/10/36/08/b094ce76. pdf, accessed 6/30/2010; SIGIR, *Quarterly Report to the United States Congress*, 4/2010, p. 13.
85. NEA-I, response to SIGIR data call, 7/13/2010.
86. UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, p. 17.
87. UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, p. 16. Numbers affected by rounding.
88. UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, p. 36.
89. NEA-I, response to SIGIR data call, 7/1/2010.

90. USAID, "The Iraqi National Development Plan," briefing for the CERP Conference, Al Faw Palace, Baghdad, 7/7/2010, slide 11; UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, p. 36.

91. UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, p. 38.

92. UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, p. 38.

93. UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, p. 39.

94. UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, p. 44.

95. UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, p. 39. The list is adapted from the original.

96. UNCT, Iraq, *United Nations Development Assistance Framework for Iraq 2011–2014*, 5/11/2010, p. 39. The list is adapted from the original.

97. P.L. 108-7; P.L. 108-11; P.L. 108-106; P.L. 108-287; P.L. 109-13; P.L. 109-102; P.L. 109-148; P.L. 109-34; P.L. 109-289; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-118; OSD, response to SIGIR data call, 7/13/2010; BBG, response to SIGIR data call, 3/31/2010; DoJ, Justice Management Division, response to SIGIR data call, 4/1/2010; DoS, DRL, response to SIGIR data call, 4/2/2010; DoS, INL, response to SIGIR data call, 4/14/2010; DoS, ECA, response to SIGIR data call, 4/14/2010; DoS, response to SIGIR data call, 3/17/2010; NEA-I, response to SIGIR data call, 4/2/2010; OMB, response to SIGIR data call, 6/21/2010; OSD, responses to SIGIR data calls, 4/15/2010, 4/19/2010 and 7/14/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009; U.S. Treasury, OTA, "Office of Technical Assistance Overview," 12/30/2005, ustreas.gov/offices/international-affairs/assistance/, accessed 10/16/2009; USACE, response to SIGIR data call, 10/6/2008; USAID, responses to SIGIR data calls, 1/12/2009, 4/8/2009, and 4/14/2010; USAID, "U.S. Overseas Loans and Grants [Greenbook]," 2008, gbk.eads.usaidallnet.gov/query/do?_program=/eads/gbk/countryReport&unit=N, accessed 4/15/2010.

98. P.L. 108-7; P.L. 108-11; P.L. 108-106; P.L. 108-287; P.L. 109-13; P.L. 109-102; P.L. 109-148; P.L. 109-34; P.L. 109-289; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-118; OSD, response to SIGIR data call, 7/13/2010.

99. P.L. 108-106; P.L. 108-11; P.L. 108-287; P.L. 108-7; P.L. 109-102; P.L. 109-13; P.L. 109-148; P.L. 109-234; P.L. 109-289; P.L. 110-161; P.L. 110-252; P.L. 110-28; P.L. 110-92, P.L. 110-116, P.L. 110-137, P.L. 110-149; P.L. 111-32; P.L. 111-117; P.L. 111-118; DoS, response to SIGIR data call, 4/5/2007; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, 7/6/2010, and 7/8/2010; OSD, responses to SIGIR data calls, 4/10/2009 and 7/13/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USACE, response to SIGIR data call, 7/12/2010; USAID, responses to SIGIR data call, 7/8/2010 and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009.

100. BBG, response to SIGIR data call, 3/31/2010; DoJ, Justice Management Division, response to SIGIR data call, 4/1/2010; DoS, DRL, response to SIGIR data call, 4/2/2010; DoS, INL, response to SIGIR data call, 4/14/2010; DoS, ECA, response to SIGIR data call, 4/14/2010; DoS, response to SIGIR data call, 3/17/2010; NEA-I, response to SIGIR data call, 4/2/2010; OMB, response to SIGIR data call, 6/21/2010; OSD, responses to SIGIR data calls, 4/15/2010, 4/19/2010 and 7/14/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009; U.S. Treasury, OTA, "Office of Technical Assistance Overview," 12/30/2005, ustreas.gov/offices/international-affairs/assistance/, accessed 10/16/2009; USACE, response to SIGIR data call, 10/6/2008; USAID, responses to SIGIR data calls, 1/12/2009, 4/8/2009, and 4/14/2010; USAID, "U.S. Overseas Loans and Grants [Greenbook]," 2008, gbk.eads.usaidallnet.gov/query/do?_program=/eads/gbk/countryReport&unit=N, accessed 4/15/2010.

101. DoD, "Fiscal Year 2011 Budget Request: Overview," 2/2010, Chapter 6, pp. 5, 9; DoS, "FY 2010 Supplemental Budget Justification," 2/1/2010, p. 31; DoS, "FY 2011 Foreign Assistance Congressional Budget Justification: Summary Tables," 3/8/2010, p. 23.

102. DoS, "FY 2011 Department of State Congressional Budget Justification," p. 62.

103. H.R. 4899, as Engrossed in the House, 3/24/2010.

104. H.R. 4899, Engrossed Amendment Senate, 5/27/2010.

105. H.R. 4899, Engrossed Amendment Senate, 5/27/2010.

106. Senate Report 111-188, to accompany H.R. 4899, "Making Emergency Supplemental Appropriations for Disaster and Relief and Summer Jobs for the Fiscal Year Ending September 30, 2010, and for Other Purposes," p. 64.

107. Senate Report 111-188, to accompany H.R. 4899, "Making Emergency Supplemental Appropriations for Disaster and Relief and Summer Jobs for the Fiscal Year Ending September 30, 2010, and for Other Purposes," pp. 54–55.

108. H.R. 4899, as amended, 7/1/2010.

109. 111th Congress, "Congressional Record-Senate," 7/22/2010, p. S6190, frwebgate.access.gpo.gov/cgi-bin/getpage.cgi?dbname=2010_record&page=S6190&position=all, accessed 7/23/2010.

110. P.L. 108-106; P.L. 108-11; P.L. 108-287; P.L. 108-7; P.L. 109-102; P.L. 109-13; P.L. 109-148; P.L. 109-234; P.L. 109-289; P.L. 110-161; P.L. 110-252; P.L. 110-28; P.L. 110-92, P.L. 110-116, P.L. 110-137, P.L. 110-149; P.L. 111-117; P.L. 111-118; P.L. 111-32; DoS, response to SIGIR data call, 4/5/2007; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, 7/6/2010, and 7/8/2010; OSD, responses to SIGIR data calls, 4/10/2009 and 7/13/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USACE, response to SIGIR data call, 7/12/2010; USAID, responses to SIGIR data call, 7/8/2010 and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–4/2010. Data not audited. Numbers affected by rounding. Projections include ISFF, IRRF, ESF, and CERP. Projections represent appropriations less expenditures and expired funds. Projected expenditures are equal to the average expenditures, by fund, over the previous year. Projected expired funds are equal to expired funds, as of June 30, 2010. Both projections assume that Congress will appropriate the entire $1.00 billion in FY 2010 supplemental appropriations for ISFF. The second projection also assumes that the Congress will appropriate the entire $2.58 billion in ISFF, CERP, and ESF appropriations for FY 2011. SIGIR's current projection is a refinement of the projection presented in the October 2009 SIGIR *Quarterly Report to the United States Congress*, which projected that major U.S. reconstruction funds would be depleted at some point during FY 2012–FY 2014. SIGIR's projection of U.S. appropriations remaining for Iraq reconstruction does not include the smaller funding streams, which will become proportionally more significant as the Iraq reconstruction effort transitions to a more normal economic and security assistance mission.

111. P.L. 108-11; P.L. 108-106; P.L. 110-252; The Congress initially appropriated $18,649 million to IRRF 2, but earmarked $210 million to be transferred to other accounts for programs in Jordan, Liberia, and Sudan. The Administration transferred another $562 million for Iraq-related programs that could be implemented only in other accounts (such as bilateral debt forgiveness). In FY 2006, the Congress transferred roughly $10 million into the IRRF from the ESF. In FY 2008, P.L. 110-252 rescinded $50 million.

112. DoS, response to SIGIR data call, 4/5/2007; NEA-I, response to SIGIR data call, 7/6/2010; OSD, response to SIGIR data call, 4/10/2009; U.S. Treasury, response to SIGIR data call, 4/2/2009; USAID, response to SIGIR data call, 7/8/2010; USTDA, response to SIGIR data call, 4/2/2009; OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, 8/2009, Sec. 10, p. 3, and Sec. 20, pp. 15, 18. Unobligated funds from expired appropriations may only be used for adjustments to ongoing projects or for contract closeout

113. DoS, response to SIGIR data call, 4/5/2007; OSD, response to SIGIR data call, 4/10/2009; U.S. Treasury, response to SIGIR data call, 4/2/2009; USAID, response to SIGIR data call, 7/8/2010; USTDA, response to SIGIR data call, 4/2/2009. Among the main implementing agencies (DoD, DoS, U.S. Treasury, and USAID), only USAID could supply current IRRF 1 data. The last update received from DoS dates from April 2007, and indicates $8.61 million in unexpended obligations. SIGIR is auditing the IRRF to determine the status of funds.

114. P.L. 108-7; P.L. 109-102; P.L. 109-234; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-49; P.L. 110-161; P.L. 110-252; P.L. 111-32.

115. P.L. 108-7; P.L. 109-102; P.L. 109-234; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; OSD, response to SIGIR data call, 7/13/2010; OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, 8/2009, Sec. 10, p. 3, and Sec. 20, pp. 15, 20.

116. P.L. 108-7; P.L. 109-102; P.L. 109-234; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; OSD, response to SIGIR data call, 7/13/2010.

117. OSD, response to SIGIR data call, 7/13/2010; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 10/2005–4/2010.

118. P.L. 111-32; OSD, response to SIGIR data call, 7/13/2010.

119. OSD, responses to SIGIR data calls, 4/12/2010 and 7/13/2010.

120. OSD, responses to SIGIR data calls, 4/12/2010 and 7/13/2010.

121. P.L. 108-7; P.L. 109-102; P.L. 110-28; P.L. 110-161; P.L. 111-32; P.L. 111-117.

122. P.L. 108-7; P.L. 109-102; P.L. 110-28; P.L. 110-161; P.L. 111-32; P.L. 111-117; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, and 7/8/2010; USACE, response to SIGIR data call, 7/12/2010; USAID, response to SIGIR data call, 7/13/2010; OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, 8/2009, Sec. 10, p. 3, and Sec. 20, pp. 15, 20. SIGIR calculates expired funds as appropriations less obligations, as of the expiration date. Some ESF was transferred to other agencies under the Foreign Assistance Act of 1961, Sec. 632(b). NEA-I did not indicate whether its reported obligations include such transfers, so SIGIR's calculations may overstate expired funds. In addition, NEA-I was not able to provide the complete status of funds for the $50 million in FY 2003 appropriations to the ESF; only approximately $9 million were reported obligated and expended as of June 30, 2010. It is likely that more of these funds were obligated and expended than reported, which would affect the overall status of funds and the amount of expired funds.

123. U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, and 7/8/2010; USACE, response to SIGIR data call, 7/12/2010; USAID, response to SIGIR data call, 7/13/2010; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–4/2010.

124. NEA-I, responses to SIGIR data calls, 4/12/2010, 4/14/2010, 6/30/2010, and 7/8/2010; U.S. Embassy-Baghdad, responses to SIGIR data calls, 4/8/2010, 7/14/2010, and 7/16/2010; USACE, responses to SIGIR data calls, 4/1/2010 and 7/12/2010; USAID, response to SIGIR data call, 7/13/2010.

125. NEA-I, responses to SIGIR data calls, 4/12/2010, 4/14/2010, 6/30/2010, and 7/8/2010; U.S. Embassy-Baghdad, responses to SIGIR data calls, 4/8/2010, 7/14/2010, and 7/16/2010; USACE, responses to SIGIR data calls, 4/1/2010 and 7/12/2010; USAID, response to SIGIR data call, 7/13/2010.

126. SIGIR Audit 09-011, "Opportunities To Improve Management of the Quick Response Fund," 1/29/2009, p. 1.

127. NEA-I, response to SIGIR data call, 7/6/2010. A second ESF-funded program, PRT/PRDC Projects, also supports PRTs, but is implemented by USACE.

128. SIGIR Audit 09-011, "Opportunities To Improve Management of the Quick Response Fund," 1/29/2009, p. 1.

129. OSD, response to SIGIR data call, 7/13/2010; NEA-I, responses to SIGIR data call, 6/30/2010 and 7/8/2010; USACE, response to SIGIR data call, 7/12/2010.

130. USAID, response to SIGIR data call, 7/1/2010.

131. NEA-I, responses to SIGIR data calls, 6/29/2010, 6/30/2010, 7/8/2010, and 7/13/2010; SIGIR Audit 09-011, "Opportunities To Improve Management of the Quick Response Fund," 1/29/2009, p. 1.

132. NEA-I, response to SIGIR data call, 6/25/2010; USAID, response to SIGIR data call, 7/14/2010.

133. USAID, response to SIGIR data call, 7/14/2010.

134. USAID, response to SIGIR data call, 7/1/2010; SIGIR Audit 09-011, "Opportunities To Improve Management of the Quick Response Fund," 1/29/2009, p. 1. U.S. NGOs may be issued grants of up to $100,000. All other recipients (in the USAID-implemented portion) may be issued grants of up to $200,000.

135. NEA-I, response to SIGIR data call, 6/29/2010.

136. SIGIR Audit 09-011, "Opportunities To Improve Management of the Quick Response Fund," 1/29/2009, pp. 1–3. Procurements are divided into two groups: micro-procurements are limited to $25,000, and direct procurements are used for amounts larger than $25,000 (procurements over $25,000 are no longer supported by the QRF). Depending on the nature of a project and the funding mechanism used, funds may be disbursed in a lump sum or in periodic disbursements to recipients. The disbursements are made from an imprest fund maintained at each PRT. An imprest fund is a cash fund, usually of a fixed amount, established by an advance of funds from an agency finance or disbursing officer to a duly appointed cashier for disbursement as needed. PRTs usually have a QRF imprest fund ranging in value from $100,000 to $300,000. When the PRT disburses funds, the PRT cashier (referred to as a sub-cashier) prepares and forwards a package of supporting documents to the Finance Management Office, which is located in U.S. Embassy-Baghdad. The Finance Management Office reviews and processes the documents and authorizes replenishment of the funds disbursed to the PRT sub-cashier in the form of a U.S. Treasury check.

137. NEA-I, responses to SIGIR data call, 6/29/2010 and 7/6/2010.

138. SIGIR Audit 09-011, "Opportunities To Improve Management of the Quick Response Fund," 1/29/2009, p. 2.

139. NEA-I, response to SIGIR data call, 7/15/2010; SIGIR Audit 09-011, "Opportunities To Improve Management of the Quick Response Fund," 1/29/2009, p. 2. Prior to the restriction on purchase requests in excess of $25,000, they were approved by the ETEC before being forwarded to the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A).

140. U.S. Embassy-Baghdad, response to SIGIR data call, 7/2/2010; NEA-I, response to SIGIR data call, 7/15/2010.

141. U.S. Embassy-Baghdad, response to SIGIR data call, 7/2/2010; NEA-I, response to SIGIR data call, 7/15/2010. According to NEA-I, MSI's database also tracks large grants administered by DAI.

142. NEA-I, response to SIGIR data call, 6/29/2010.

143. USAID, response to SIGIR data call, 7/14/2010.

144. NEA-I, response to SIGIR data call, 7/6/2010.

145. USAID, response to SIGIR data call, 7/1/2010.

146. USAID, response to SIGIR data call, 7/1/2010.

147. U.S. Embassy-Baghdad, response to SIGIR data call, 7/2/2010.

148. NEA-I, response to SIGIR data call, 6/29/2010.
149. NEA-I, response to SIGIR data call, 7/6/2010.
150. USAID, response to SIGIR data call, 7/1/2010.
151. NEA-I, response to SIGIR data call, 6/29/2010.
152. NEA-I, response to SIGIR data call, 7/6/2010.
153. U.S. Embassy-Baghdad, response to SIGIR data all, 7/2/2010.
154. USAID, response to SIGIR data call, 7/14/2010.
155. NEA-I, response to SIGIR data call, 7/6/2010; House of Representatives Report 111-366, Conference Report to Accompany H.R. 3288, "Departments of Transportation, and Housing and Urban Development, and Related Agencies Appropriations Act, 2010," 12/8/2009, p. 1466.
156. NEA-I, response to SIGIR data call, 7/13/2010.
157. NEA-I, response to SIGIR data call, 7/13/2010.
158. USAID, "Iraq Rapid Assistance Project (IRAP) 10th Quarterly Report (January 1–March 31, 2010)," 4/2010, p. 11.
159. U.S. Embassy-Baghdad, response to SIGIR data call, 7/2/2010.
160. NEA-I, response to SIGIR data call, 7/13/2010.
161. U.S. Embassy-Baghdad, response to SIGIR data call, 7/2/2010.
162. NEA-I, response to SIGIR data call, 7/13/2010.
163. NEA-I, response to SIGIR data call, 7/15/2010.
164. NEA-I, response to SIGIR data call, 7/13/2010.
165. NEA-I, response to SIGIR data call, 7/15/2010.
166. NEA-I, response to SIGIR data call, 7/15/2010.
167. USAID, response to SIGIR data call, 7/14/2010.
168. USAID, response to SIGIR data call, 7/1/2010.
169. USAID, response to SIGIR data call, 7/14/2010.
170. USAID, response to SIGIR data call, 7/1/2010.
171. OSD, response to SIGIR data call, 7/13/2010; P.L. 108-287; P.L. 109-13; P.L. 109-148; P.L. 110-28; P.L. 110-161; P.L. 110-252; P.L. 111-118.
172. OSD, response to SIGIR data call, 7/13/2010; P.L. 111-118; OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, 8/2009, Sec. 10, p. 3, and Sec. 20, pp. 15, 20.
173. OUSD(C), response to SIGIR data call, 7/15/2010; OUSD(C), *DoD Financial Management Regulations*, 1/2009, Volume 12, Chapter 27, pp. 11–13, and Annex A. OUSD(C) defines 20 CERP project categories in Volume 12, Chapter 27, of the *DoD Financial Management Regulation*. OUSD(C) regulations require the Army to submit a monthly *CERP Project Status Report* to OUSD(C)—organized by project category—with details on the implementing unit; document reference number; project title, description, and location; and amounts obligated and expended. Additional reporting requirements pertain to larger projects.
174. USF-I, *CERP Category Report*, 7/2/2010; OSD, response to SIGIR data call, 7/13/2010.
175. ITAO, response to SIGIR data call, 3/3/2010.
176. P.L. 111-118, Sec. 9005.
177. House Appropriations Committee Report 111-230, "Department of Defense Appropriations Bill, 2010," 7/24/2009, p. 349.
178. House Appropriations Committee Explanatory Statement for P.L. 111-118, "Department of Defense Appropriations Bill, 2010," 12/16/2009, p. 404. The explanatory statement also required the report to include the number of personnel required and the number of personnel currently deployed to Afghanistan with Joint Contracting Command and U.S. Forces–Afghanistan, in support of the CERP.
179. House Appropriations Committee Explanatory Statement for P.L. 111-118, "Department of Defense Appropriations Bill, 2010," 12/16/2009, p. 404.
180. DoD, Report to Congress in Accordance with P.L. 111-118 Sec. 9005 and P.L. 111-84 Sec. 1222, "Department of Defense Review of the Commander's Emergency Response Program (CERP)," 7/2010, p. i–ii.
181. USF-I, *Money as a Weapon System (MAAWS)*, 3/31/2010, pp. B-2, B-4.
182. USF-I, *Money as a Weapon System (MAAWS)*, 3/31/2010, p. B-5.
183. USF-I, *Money as a Weapon System (MAAWS)*, 3/31/2010, p. B-10.
184. USF-I, *Money as a Weapon System (MAAWS)*, 3/31/2010, p. B-11.
185. USF-I, *Money as a Weapon System (MAAWS)*, 3/31/2010, p. B-11.
186. USF-I, *Money as a Weapon System (MAAWS)*, 3/31/2010, p. B-13.
187. USF-I, *Money as a Weapon System (MAAWS)*, 3/31/2010, pp. B-2-1–B-2-5.
188. USF-I, *Money as a Weapon System (MAAWS)*, 3/31/2010, p. B-7.
189. OSD, response to SIGIR data call, 7/15/2010.
190. USF-I, *Money as a Weapon System (MAAWS)*, 3/31/2010, p. B-8.
191. USF-I, response to SIGIR data call, 7/1/2010.
192. USF-I, *Money as a Weapon System (MAAWS)*, 3/31/2010, p. B-8.
193. OSD, response to SIGIR data call, 7/15/2010.
194. SIGIR, *Quarterly Report to the United States Congress*, 4/2009, p. 44.
195. OSD, response to SIGIR data call, 7/15/2010.
196. OUSD(C), response to SIGIR data call, 7/1/2010.
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ACRONYMS AND DEFINITIONS

This section contains all of the abbreviations and acronyms found in this Report.

Acronym	Definition
ACA	Army Contracting Agency
ACCO	Anti-Corruption Coordination Office
ACWG	Anticorruption Working Group
ADUSD	Assistant Deputy Under Secretary of Defense
AFAA	Air Force Audit Agency
AFCEE	U.S. Air Force Center for Engineering and the Environment
AQI	al-Qaeda in Iraq
AQM	Bureau of Acquisition Management (DoS)
ARCENT	U.S. Army Central Command
ARCENT OCO	U.S. Army Central Command Overseas Contingency Operations
Army	U.S. Department of the Army
Army IG	Army Inspector General
ATC	Air Traffic Control
BAC	Bawabet Al Amer Company
BBG	Broadcasting Board of Governors
BCT	Brigade Combat Team
BEZ	Baghdad International Airport Economic Zone
BIA	Basrah International Airport
BIAP	Baghdad International Airport
BP	British Petroleum
BPD	barrels per day
BSA	Board of Supreme Audit
C3	CENTCOM Contracting Command
CAC	common access card
CAG	community action group
CAP	Community Action Program
CBI	Central Bank of Iraq
CBJ	Congressional Budget Justification
CBO	Congressional Budget Office
CCC-I	Central Criminal Court of Iraq
CENTCOM	U.S. Central Command
CERP	Commander's Emergency Response Program

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Acronym	Definition
CIA	U.S. Central Intelligence Agency
CID	U.S. Army Criminal Investigation Command
CID-MPFU	U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit
CMIR	currency/monetary instruments transaction
CNOOC	China National Offshore Oil Corporation
CNPC	China National Petroleum Company
COFE	Committee of Financial Experts
COI	Commission of Integrity (previously known as Commission on Public Integrity)
CoM	Council of Ministers
COM	Chief of Mission
CoR	Council of Representatives (GOI)
COR	Contracting Officer's Representative
COSIT	Central Organization for Statistics and Information Technology (GOI)
CPA	Coalition Provisional Authority
CPJ	Committee to Protect Journalists
CRS	Congressional Research Service (Library of Congress)
CSH	Child Survival and Health
CSP	Community Stabilization Program
CWC	Commission on Wartime Contracting in Iraq and Afghanistan
CY	Calendar Year
DAI	Development Alternatives International
DCAA	Defense Contract Audit Agency
DCG-O	Deputy Commanding General for Operations
DCIS	Defense Criminal Investigative Service
DCM	Deputy Chief of Mission
DFAS	Defense Finance and Accounting Service
DFI	Development Fund for Iraq
DHS	U.S. Department of Homeland Security
DoD	Department of Defense
DoD OIG	Department of Defense Office of Inspector General
DOI	Daughters of Iraq
DoJ	Department of Justice
DoL	Department of Labor
DoS	Department of State
DoS OIG	Department of State Office of Inspector General
DPL	development policy loan (World Bank)

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Acronym	Definition
DRL	Bureau of Democracy, Human Rights and Labor (DoS)
DTM	Directive-Type Memorandum
ECA	Bureau of Educational and Cultural Affairs (DoS)
EIA	Energy Information Administration (DoE)
ELPS	Excluded Parties List System
EPC	engineering, procurement, and construction contracts (MOE)
EPP	Enduring Presence Post
ePRT	Embedded Provincial Reconstruction Team
ERMA	Emergency Refugee and Migration Assistance
ESF	Economic Support Fund
ETEC	Embassy Technical Education Committee
EU	European Union
FAPIIS	Federal Awardee Performance and Integrity Information System
FBI	Federal Bureau of Investigation
FinCEN	Financial Crimes Enforcement Network
FMS	Foreign Military Sales
FPS	Facilities Protection Service (GOI)
FY	fiscal year
GAO	U.S. Government Accountability Office
GDP	gross domestic product
GE	General Electric
GEO	Governorate Electoral Office
GOI	Government of Iraq
GSA	General Services Administration
HJC	Higher Judicial Council
IA	Iraqi Army
IAMB	International Advisory and Monitoring Board
IAP	Iraqi Associates Program
ICAA	Iraq Civil Aviation Authority
ICBG	Iraqi Company for Bank Guarantees
ICE	Immigration and Customs Enforcement
I-CERP	Iraq-Commander's Emergency Response Program
ICI	International Compact for Iraq (GOI and UN)
ICITAP	International Criminal Investigative Training Assistance Program
ICOEE	Iraq Crude Oil Export Expansion

Acronym	Definition
IDA	International Development Association (World Bank)
IDA	International Disaster Assistance (USAID humanitarian assistance fund)
IDFA	International Disaster and Famine Assistance
IDP	internally displaced person
IED	improvised explosive device
IG	Inspector General
IGB	Iraqi Grain Board
IHCHR	Independent High Commission for Human Rights
IHEC	Independent High Electoral Commission
IIGC	Iraq Inspectors General Council
IIRTF	Iraq Investment and Reconstruction Task Force (U.S. Dept of Commerce)
IMET	International Military and Education Training
IMF	International Monetary Fund
INA	Iraqi National Alliance
INCLE	International Narcotics Control and Law Enforcement Fund (INL)
INL	Bureau of International Narcotics and Law Enforcement Affairs (DoS)
IOM	International Organization for Migration
IP	Iraqi Police
IPA	International Police Advisor
IPP	independent power producers
IPS	Iraqi Police Service
IPTP	Iraqi Police Training Program
IRAP	Iraq Rapid Assistance Program
IRFFI	International Reconstruction Fund Facility for Iraq
IRI	International Republican Institute
IRMO	Iraq Reconstruction Management Office (DoS)
IRMS	Iraq Reconstruction Management System
IRR	Iraqi Republic Railway Company
IRRF	Iraq Relief and Reconstruction Fund
IRS	Internal Revenue Service
IRS-CI	Internal Revenue Service Criminal Investigation Division
ISAM	Iraq Security Assistance Mission
ISF	Iraqi Security Forces
ISFF	Iraq Security Forces Fund
ISOC	Iraq Status of Construction

Acronym	Definition		Acronym	Definition
ISPO	Iraq Strategic Partnership Office (replaces ITAO)		MOU	memorandum of understanding
ITAM	Iraq Training and Advisory Mission		MoWR	Ministry of Water Resources
ITAO	Iraq Transition Assistance Office		MRA	Migration and Refugee Assistance
ITF	Iraq Trust Fund		MSI	Management Systems International, Inc.
IZ	International Zone		MW	megawatt
JCC-I/A	Joint Contracting Command-Iraq/ Afghanistan		MWh	megawatt-hour
JCP	Joint Campaign Plan		NADR	Nonproliferation, Anti-Terrorism, Demining, and Related Programs
JDI	Judicial Development Institute		NCD	National Capacity Development Program (USAID) (also referred to as *Tatweer*)
JIATF	U.S. Joint Interagency Task Force		NCIS	Naval Criminal Investigative Service
KBR	Kellogg, Brown and Root Services, Inc.		NCO	non-commissioned officer
km	kilometer		NDAA	National Defense Authorization Act
KRG	Kurdistan Regional Government		NDP	National Development Plan
kV	kilovolt		NDS	National Development Strategy (GOI and World Bank)
LGP	Local Governance Program		NEA-I	Bureau of Near Eastern Affairs-Iraq (DoS)
LOA	letter of authorization		NEC	New Embassy Compound
LOGCAP	Logistics Civil Augmentation Program		NGO	non-governmental organization
LPG	liquefied petroleum gas		NIC	National Investment Commission
MAAWS	Money as a Weapon System		O&M	operations and maintenance
MBPD	million barrels per day		OECD	Organization for Economic Cooperation and Development
MCD	Ministerial Capacity Development Program (ITAO)		OFDA	Office of Foreign Disaster Assistance (USAID)
MCF	million cubic feet		OHCHR	Office of the High Commissioner for Human Rights (UN)
MCTF	Major Crimes Task Force		OHDACA	Overseas Humanitarian, Disaster, and Civic Aid
MEES	Middle East Economic Survey		OIG	Office of Inspector General
MFI	Microfinance Institution		OMB	Office of Management and Budget
MMQA	Maturity Model Quarterly Assessment		OPA	Office of Provincial Affairs (U.S. Embassy-Baghdad)
MNC-I	Multi-National Corps-Iraq		ORHA	Office of Reconstruction and Humanitarian Assistance
MNF-I	Multi-National Force-Iraq		OSD	Office of the Secretary of Defense
MNSTC-I	Multi-National Security Transition Command-Iraq		OTA	Office of Technical Assistance
MOC	Ministry of Communications		OTI	Office of Transition Initiatives
MOD	Ministry of Defense		OUSD(C)	Office of the Under Secretary of Defense(Comptroller)
MoDM	Ministry of Displacement and Migration		P.L.	Public Law
MOE	Ministry of Electricity		PCO	Project and Contracting Office
MOF	Ministry of Finance		PDP	Police Development Program
MOH	Ministry of Health		PDS	Public Distribution System
MOI	Ministry of Interior		PEG	Provincial Economic Growth
MOJ	Ministry of Justice			
MoPDC	Ministry of Planning and Development Cooperation			
MOT	Ministry of Transportation			

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ACRONYMS AND DEFINITIONS

Acronym	Definition
PEZ	Pipeline Exclusion Zone
PFB	Procurement Fraud Branch
PHC	Primary Healthcare Center
PIC	Provincial Investment Commission
PIC	Provincial Iraqi Control
PJAK	Party of Free Life of Kurdistan
PKK	Kurdish Workers Party
PM	Prime Minister
PPP	purchasing power parity
PRDC	Provincial Reconstruction Development Council
PRM	Bureau of Population, Refugees and Migration (DoS)
PRT	Provincial Reconstruction Team
PSC	private security contractor
PSD	protective security detail
PST	Provincial Support Team
QA	quality assurance
QC	quality control
QRF	Quick Response Fund
RAC	Return Assistance Center (GOI)
RoL	Rule of Law
RoLA	Rule of Law Advisor
ROLC	Rule of Law Complex
RoLC	Rule of Law Coordinator
RRT	Regional Reconstruction Team
RSO	Regional Security Office
SA	Security Agreement
Sadrist	Independent Liberals Trend
SBA	Stand-By Arrangement (IMF)
SFA	Strategic Framework Agreement
SIGAR	Special Inspector General for Afghanistan Reconstruction
SIGIR	Special Inspector General for Iraq Reconstruction
SIGPRO	SIGIR Prosecutorial Initiative
SIV	special immigrant visa
SOF	Iraqi Special Operations Forces
SOI	Sons of Iraq
SoL	State of Law
SOW	statement of work
SPOT	Synchronized Predeployment and Operational Tracker

Acronym	Definition
Tatweer	National Capacity Development Program (USAID)
TBI	Trade Bank of Iraq
TCA	Trade and Cooperation Agreement
TFBSO	Task Force for Business and Stability Operations (DoD)
Tijara	Provincial Economic Growth Program (USAID)
TPOC	Turkish Petroleum Overseas Company
Treasury	U.S. Department of Treasury
UK	United Kingdom
UN	United Nations
UNAMI	UN Assistance Mission for Iraq
UNCAC	United Nations Convention Against Corruption
UNCT	United Nations Country Team
UNDAF	UN Development Assistance Framework for Iraq
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNPF	United Nations Population Fund
UNSCR	United Nations Security Council Resolution
USAAA	U.S. Army Audit Agency
USACC	U.S. Army Contracting Command
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USAID OE	USAID Operating Expenses
USAID OIG	U.S. Agency for International Development Office of Inspector General
USCENTCOM	U.S. Central Command Areas of Responsibility
USDA	U.S. Department of Agriculture
USETTI	U.S. Equipment Transfer to Iraq
USF-I	U.S. Forces-Iraq
USMC	U.S. Marine Corps
USRAP	U.S. Refugee Admissions Program
USTDA	U.S. Trade and Development Agency
WFP	World Food Programme
WTEC	Washington Technical Evaluation Committee