



Special Inspector General for Iraq Reconstruction

**Quarterly Report and
Semiannual Report to the
United States Congress**

[January 30, 2011]

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

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SIGIR Mission Statement

Regarding U.S. relief and reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective:

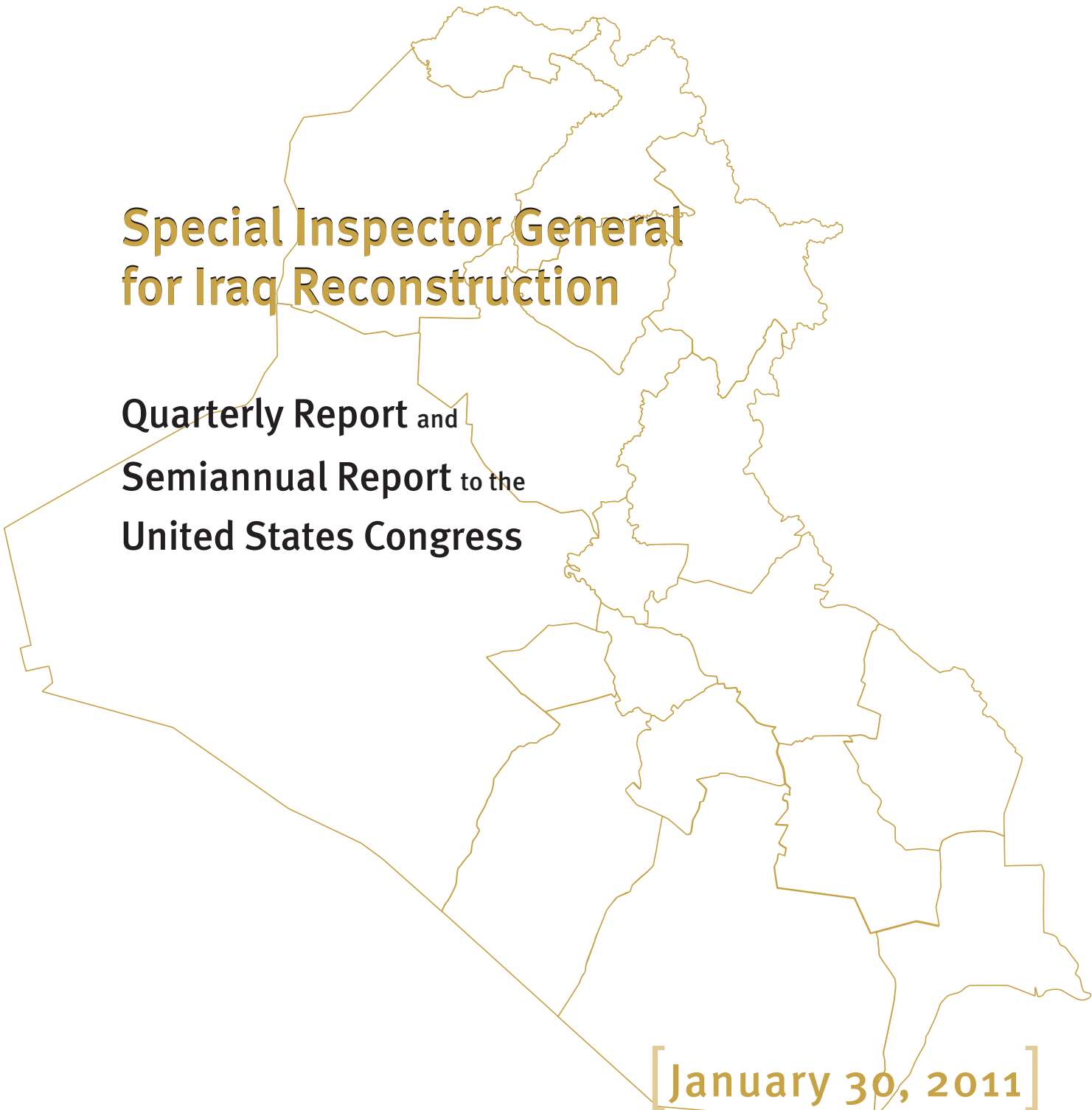
- oversight and review through comprehensive audits, inspections, and investigations
- advice and recommendations on policies to promote economy, efficiency, and effectiveness
- prevention, detection, and deterrence of fraud, waste, and abuse
- information and analysis to the Congress, the Secretary of State, the Secretary of Defense, and the American people

The jurisdiction of the Office extends to amounts appropriated or otherwise made available for any fiscal year to the Iraq Relief and Reconstruction Fund, the Iraq Security Forces Fund, the Commander's Emergency Response Program; or for assistance for the reconstruction of Iraq under the Economic Support Fund, the International Narcotics Control and Law Enforcement account, or any other provision of law.

(Section 3001 of Public Law 108-106, as amended)



Workers at the al-Rumaila Operations Organization (ROO)—a consortium of Iraq's South Oil Company, British Petroleum, and the Chinese National Petroleum Corp.—reportedly drilled 41 new oil wells in Basrah's al-Rumaila field in 2010. Iraq's southern oil fields contain more than half of the country's proved reserves, and international oil companies are also ramping up operations at West Qurna, Majnoon, and al-Zubair. (ROO photo)

An outline map of Iraq, showing its international borders and internal provincial boundaries. The map is rendered in a light gold color against a white background.

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MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

As I mark my seventh anniversary as Special Inspector General for Iraq Reconstruction, I am pleased to present this 28th Quarterly Report to the United States Congress and the Secretaries of State and Defense.

The next eleven months will see a series of transitions in Iraq that will profoundly affect the nature of the continuing U.S. mission, culminating in the scheduled withdrawal of all U.S. troops by December 31, 2011. Notable transitions include:

- the closure of the last Provincial Reconstruction Teams and the transition of their reconstruction missions to consulates in Erbil and Basrah and temporary offices in Mosul and Kirkuk
- the transition of the police training mission from the military to the Department of State
- the opening of a new Office of Security Cooperation-Iraq to manage most aspects of the continuing U.S. military assistance program

The various changes occurring in Iraq in 2011 will unfold under the aegis of the new coalition government in Baghdad. Prime Minister Nuri al-Maliki finally secured a second four-year term this quarter, but did so only by allowing myriad rivals to obtain numerous positions in the new Council of Ministers.

This quarter was good for Iraq economically. The Iraqi government's aggressive efforts to attract foreign capital investment continued to bear fruit. Moreover, several international oil companies, working to develop southern Iraq's lucrative oil fields, reported better-than-expected progress, including production increases at the super-giant al-Rumaila field. Much of Iraq's oil and gas resources are located in Basrah province, Iraq's economic engine and gateway to the world. Cognizant of Basrah's importance to the future of Iraq, SIGIR officials traveled there in January to assess the state of the U.S. reconstruction effort. Our "Focus on Basrah" section details SIGIR's findings and describes conditions in what is probably Iraq's most strategically important province.

In another development, the United Nations Security Council passed three resolutions in December, lifting a series of anachronistic trade sanctions imposed when Iraq was governed by Saddam. One effect of this UN action is that the Government of Iraq (GOI) is free, if it so wishes, to pursue a peaceful nuclear energy program. It must also be vigilant in protecting its assets from creditors, now that protections of the UN will be lifted.

This quarter, SIGIR published five audits, including a review of the U.S. military's \$370 million effort to pay former insurgents to provide security services through the Sons of Iraq (SOI) program. The military financed the costly SOI initiative using funds from the Commander's Emergency Response Program (CERP). To date, almost \$3.7 billion in CERP funds have been committed to projects in Iraq, with the SOI program being the single largest outlay. The Insert to this Quarterly Report contains a comprehensive look at how CERP funds have been expended in Iraq. SIGIR's collective oversight reporting on the CERP is particularly informative, given the continued large-scale use of CERP funds in Afghanistan.

Other notable SIGIR accomplishments this quarter include:

- completing investigative work that helped result in criminal and civil penalties of \$69 million levied against the Louis Berger Group for inflating invoices relating to work it performed for USAID and the Department of Defense
- issuing a finding that a \$26 million U.S.-funded educational academy for Iraqi officials had not been formally supported by the GOI and that no provisions had been made for the academy's operation and sustainment
- determining that a discrepancy exists between the total CERP allocations that U.S. Forces-Iraq reports it received and the amount of CERP funds that the Army Budget Office reports it provided to them

In early February, I will travel to Iraq for the 29th time, meeting with senior officials from the U.S. Embassy and the GOI to discuss how the U.S. drawdown will affect the ongoing reconstruction effort. I will also confer with members of the new Iraqi government about its plans to maintain U.S.-funded projects and ameliorate the continuing pernicious influence of corruption.

Although the last troops may withdraw from Iraq in December 2011, the Department of State will still maintain a significant reconstruction presence there for years to come, requiring sustained oversight and engagement to watch over what remains of the \$58 billion U.S. reconstruction program.

A handwritten signature in black ink, appearing to read "Stuart Bowen, Jr.", followed by a period.

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

SIGIR SUMMARY OF PERFORMANCE

SIGIR SUMMARY OF PERFORMANCE AS OF JANUARY 30, 2011

AUDITS

Reports Issued	182
Recommendations Issued	444
Dollars Saved and Recovered (\$ Millions)	\$610.61
Dollars Put to Better Use (\$ Millions)	\$586.62
Challenged Payments (\$ Millions)	\$112.63

EVALUATIONS

Reports Issued	1
Recommendations Issued	4
Studies Ongoing/Planned	3

INSPECTIONS

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

INVESTIGATIONS

Investigations Initiated	524
Investigations Closed or Referred	420
Open Investigations	104
Arrests	31
Indictments	54
Convictions	44
Monetary Results (\$ Millions)	\$140.9

HOTLINE CONTACTS, AS OF DECEMBER 31, 2010

E-mail	398
Fax	18
Mail	29
Referrals	26
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Telephone	79
Walk-in	112
Total Hotline Contacts	831

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*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.

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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 with 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 reports on the international contributions to the Iraq reconstruction effort.

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

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

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

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

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SECTION

1

IRAQ RECONSTRUCTION 2011: EVOLVING TOWARD REGULAR ORDER

The new year dawned with the formation of the new Iraqi government and is expected to close with the withdrawal of virtually all military forces, ending the United States' almost nine-year military engagement in Iraq. Although the remaining missions of the U.S. Forces-Iraq (USF-I) under Operation New Dawn will conclude in December 2011, significant U.S. support for the overall reconstruction effort will continue as the new Government of Iraq (GOI) seeks to build on recent gains in governance, economy, and security.

The next 11 months will bring numerous transitions and transformations within the U.S. rebuilding program, whose total price tag in American tax dollars now stands at \$58 billion. Notable changes include:

- By the end of January, the Department of Defense (DoD) Task Force for Business and Stability Operations (TFBSO) will conclude its current operations in Iraq.¹
- By early fall, the last Provincial Reconstruction Teams (PRTs) will shut down, transferring remaining missions to two permanent consulates and two temporary Embassy Branch Offices (EBOs).
- By October, the Department of State (DoS) will take over DoD's police-training mission, and a new Office of Security Cooperation-Iraq (OSC-I), under the U.S. Chief of Mission authority, will assume control of most aspects of the ongoing U.S. military assistance program.

These key developments occurred this quarter:

- **Government Formation.** After nearly nine months of political negotiations, Prime Minister Nuri al-Maliki secured sufficient parliamentary support in late November to claim a second term. Under the power-sharing deal, al-Maliki's

State of Law (SoL) Coalition controls the powerful Ministries of Interior and Defense and five other cabinet posts. Former Prime Minister Ayad Allawi's al-Iraqiya bloc has the chairmanship of the new National Council for Higher Policies (NCHP)—whose duties have yet to be defined—and 10 cabinet-level offices. The other two major blocs—the Shia Iraqi National Alliance and the Kurdistan Alliance—hold 12 and 7 cabinet seats, respectively.

A major challenge for the new government will be managing its relationship with the anti-American cleric Muqtada al-Sadr, who returned from Iran this quarter and controls 39 seats in the Council of Representatives (CoR). This significant political power places him in a position to demand policy concessions from Prime Minister al-Maliki. In January, al-Sadr banned his ministers from meeting with any U.S. officials.²

- **Security.** In late 2010, the GOI began to dismantle some of the more than 870 checkpoints dotting Baghdad, in part because the number of reported violent incidents reached post-invasion lows. Despite this statistical good news, insurgents continued to wage a campaign of intimidation and assassination against certain GOI military and civilian personnel this quarter, killing or attempting to kill several dozen officials. Police officials were particularly singled out.

With the end of the U.S. combat mission in Iraq last August and the scheduled departure of all U.S. troops later this year, one of the main responsibilities of Iraq's security forces will be suppressing such violence. This quarter, several U.S. observers noted real or potential gaps in Iraqi Security Forces (ISF) capabilities that could affect its ability to lock in hard-won security gains.³

- **Essential Services.** According to a recently released DoS report, the lack of sufficient basic services will be the most likely cause of future instability in Iraq. DoS's new "Stability Development Roadmap" analyzed public opinion data and determined that the lack of perceived improvements in Iraq's water, sewage, and

electricity systems could lead to popular unrest—more so than political or sectarian disagreements. To ameliorate part of this problem, the Ministry of Electricity (MOE) will soon release the *Iraq Electricity Masterplan* for improving the national grid. It anticipates that, if planned generators come into service on schedule over the next few years, Iraq should meet national electricity demand by 2014. But this hope is conditioned on implementing costly improvements to Iraq's electrical transmission and distribution network as well as operational enhancements between the MOE and the Ministry of Oil. In December, the prime minister named former Minister of Oil Hussein al-Shahristani as Deputy Prime Minister for Energy Affairs—a new position that places him in charge of coordinating the GOI's energy policy, historically hampered by a lack of cooperation between the operative ministries.

- **Economic Development.** Iraq's southern oil fields continued to be the focus of international investors' attention this quarter, with the al-Rumaila field in Basrah exceeding targets for crude production and several international oil companies increasing the size and scope of their presence in the oil-rich deserts around Basrah. GOI officials reported that they plan to explore for new oil finds in the western deserts located in the predominantly Sunni Anbar province.⁴ Several obstacles stand in the way of the effective exploitation and monetization of extant resources, including poorly maintained infrastructure, pervasive public corruption, and a set of hydrocarbon laws still greatly in need of reform.
- **Reintegration into the Global Community.** In early October, the International Monetary Fund (IMF) made an additional \$741 million available for disbursement to the GOI as part of its Stand-By Arrangement with Iraq.⁵ Two months later, the United Nations Security Council (UNSC) passed three resolutions, lifting a series of sanctions that had been imposed on Iraq when it was governed by Ba'athists. One consequence of these resolutions is that Iraq is once again able to

pursue, if it so chooses, a peaceful nuclear power program. Currently, the GOI is preparing to host the upcoming Arab League Summit, scheduled to take place this March in Baghdad—the first such gathering held in Iraq in more than two decades.

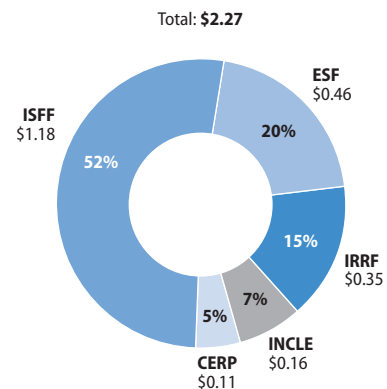
FUNDING UPDATE

Major U.S. Reconstruction Funds

Since 2003, the United States has appropriated or otherwise made available \$58.00 billion for reconstruction efforts in Iraq, primarily through five major funds: the Iraq Security Forces Fund (ISFF), the Economic Support Fund (ESF), the Iraq Relief and Reconstruction Fund (IRRF), the International Narcotics Control and Law Enforcement (INCLE) account, and the Commander's Emergency Response Program (CERP).⁶ Figure 1.1 summarizes the current status of unexpended obligations of the five major funds. For more on U.S. reconstruction funding, see Section 2 of this Quarterly Report.

FIGURE 1.1

UNEXPENDED OBLIGATIONS: MAJOR U.S. FUNDS
\$ Billions



Note: Data not audited. Numbers affected by rounding.

Sources: 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; P.L. 111-212; P.L. 111-322; P.L. 111-242, Sec. 101(8); USAID, response to SIGIR data call, 1/10/2011; USACE, response to SIGIR data call, 1/4/2011; NEA-I, responses to SIGIR data calls, 12/20/2010, 12/21/2010, 1/7/2011, and 1/10/2011; INL, response to SIGIR data call, 1/10/2011; OSD, response to SIGIR data call, 1/13/2011; ABO, response to SIGIR data call, 12/6/2010.

Status of the CERP

The CERP began as a relatively low-cost means for local military commanders to implement small reconstruction projects that could address urgent and humanitarian needs. Over the years, it grew into a \$3.99 billion program that has been used for a wide variety of projects—from paying former insurgents to provide security services through the Sons of Iraq (SOI) regime to financing large-scale business development and infrastructure projects. As of January 2011, USF-I was still working to provide comprehensive updates on its use of the CERP to fund projects. Consequently, SIGIR is unable to provide a complete “project-by-project” or “category-by-category” accounting of all CERP obligations and expenditures. For an in-depth analysis of the challenges with CERP reporting data, see Section 2; and for an analysis of the CERP program since 2003, see the Insert to this Quarterly Report.⁷

Iraq’s 2011 Draft Budget

On December 1, 2010, the Council of Ministers (CoM) approved a draft budget of \$79.47 billion for 2011. The draft budget represents a 10% increase from the GOI’s 2010 base budget of \$72.36 billion.⁸ The 2011 budget is based on two assumptions about oil:⁹

- **Price.** It assumes an average price per barrel of oil of \$73.00, a 17% increase from the \$62.50 price assumed for the 2010 budget.¹⁰ As of December 31, 2010, Kirkuk crude oil was selling for \$90.84 per barrel.¹¹
- **Export levels.** It estimates that Iraq’s oil exports will average 2.25 million barrels per day (MBPD). This assumption includes 150,000 BPD in exports from the Kurdistan Region. The GOI’s 2010 budget assumed an average export level of 2.15 MBPD.¹² The actual level in 2010 was 1.90 MBPD.¹³

The draft budget provides for capital expenditures totaling \$24.75 billion, a 22% increase over the 2010 budget. Notable planned capital expenditures for 2011 include:¹⁴

- \$5.94 billion for the Ministry of Oil, a 162% increase from 2010
- \$3.69 billion for the provincial governments, a 69% increase from 2010
- \$3.64 billion for the Kurdistan Regional Government, a 2% increase from 2010
- \$3.20 billion for the Ministry of Electricity, a 38% increase from 2010

In the security sector, the draft budget provides funds to hire about 110,000 new police officers. It also sets aside \$195 million for salaries and expenses relating to the Sons of Iraq program, a 448% increase from 2010 levels.¹⁵

Article 39 of the draft budget allows the CoM access to \$5 billion from the Central Bank of Iraq’s currency reserves.¹⁶ U.S. officials have privately voiced their concerns about this provision, speculating that, if this proposal were to become law, it could potentially weaken international confidence in the solvency of the Iraqi state.¹⁷ The CoR will decide the fate of Article 39 when it finalizes Iraq’s 2011 budget.

U.S. RECONSTRUCTION MANAGEMENT

The Department of State (DoS) continued the ongoing process of normalizing Embassy operations this quarter, proceeding with plans to close all PRTs by September 2011. The reconstruction responsibilities of the PRTs will transition to the Consulates General in Erbil and Basrah and the temporary EBOs in Mosul and Kirkuk.

DoS Defines Reconstruction Narrowly, Resulting in a Data Gap

This quarter, DoS informed SIGIR that the only U.S. government civilian employees supporting reconstruction efforts in Iraq as of December 31, 2010, were the 10 members of its Iraq Strategic

Partnership Office. It estimated contractor support for reconstruction activities at 1.1% of the total number of contractors supporting Embassy activities, for a combined total of 58 U.S., third-country, and Iraqi contractors—including private security contractors (PSCs) and non-PSCs. DoS arrived at these figure by applying a restrictive definition of “reconstruction,” excluding programs managed by the PRTs, the U.S. Agency for International Development (USAID), and the DoS Bureaus of International Narcotics and Law Enforcement Affairs (INL), Democracy, Human Rights, and Labor (DRL), and Population, Refugees, and Migration (PRM)—all of which spend U.S. taxpayer dollars subject to SIGIR oversight.

Applying U.S. Embassy-Baghdad’s narrowed definition of “reconstruction” would mean that virtually all of the 910 U.S. government civilian employees now working at U.S. Embassy-Baghdad are performing tasks unrelated to supporting the reconstruction effort.¹⁸ The Embassy declined to answer SIGIR’s request for information on the status and funding of several aspects of its reconstruction responsibilities, including:

- the status of life-support contracts that will be used to provide support to PRTs, EBOs, Consulates, and other Embassy elements that implement reconstruction activities
- the status of Embassy vehicle and equipment requests to support the Police Development Program (PDP), EBOs, and Consulates (as they relate to the enduring PRT mission and other reconstruction activities)
- anticipated staffing for vehicle and equipment maintenance for those activities related to reconstruction

Office of Security Cooperation-Iraq

On October 1, 2011, the new OSC-I will assume primary responsibility for assisting the ISF from USF-I. OSC-I will manage sales of U.S. military equipment to the GOI, operating as an office within U.S. Embassy-Baghdad under Chief of

Mission authority. Current plans call for the office to have 157 full-time personnel, 118 of whom will be provided by the U.S. military.¹⁹ Of note, the Defense Security Cooperation Agency, which manages similar offices in 117 countries, has 723 Security Cooperation Officers stationed overseas—an average of 6.2 officers per post.²⁰

INL Police Training Mission Reduced in Scope

INL will begin implementing the PDP in mid-2011, and will take over responsibility for training Iraqi police officers from USF-I in October. This quarter, INL reported that it reduced the number of advisors it will allot to the program because of funding concerns.²¹ Although it will be unable to reach the number of MOI officials called for in the original plan, INL noted that, “this revision does not impact the overall mission or goals.”²² The revised PDP does not focus on complex investigative training, but instead on developing the MOI’s leadership and management capacities, prompting some MOI officials to express concerns that urgently needed criminal investigative training has not been sufficiently prioritized.²³

Task Force for Business and Stability Operations Ending Iraq Mission

Since 2006, DoD’s TFBSO has operated in Iraq, focusing on rehabilitating the economy and creating jobs for the unemployed. This quarter, the Office of the Secretary of Defense reported that TFBSO plans to end its operations there on January 31, 2011.²⁴

On September 29, the Deputy Secretary of Defense notified the Congress of waivers he issued to use the CERP to fund three TFBSO contracts in excess of \$2 million each. Two of the contracts were among the ten largest CERP contracts on record for Iraq:²⁵

- \$9.8 million for facilitating business development opportunities in non-fuel natural resources
- \$9.1 million to assist the Ministry of Industry and Minerals in restructuring its operations

These projects had originally been financed by U.S. Army Operation and Maintenance funds; but, after determining that this was unlawful, DoD charged these contacts to the CERP, marking what was apparently the first time that TFBSO has received CERP funding to support its operations in Iraq.²⁶

GOVERNMENT FORMATION

Prime Minister al-Maliki Secures a Second Term

Although Prime Minister Nuri al-Maliki's SoL Coalition won two fewer seats in the March 2010 elections than former Prime Minister Ayad Allawi's al-Iraqiya bloc, al-Maliki outmaneuvered his predecessor in the nine months of negotiations that followed. In October, he won the support of Muqtada al-Sadr and the 39 seats his followers

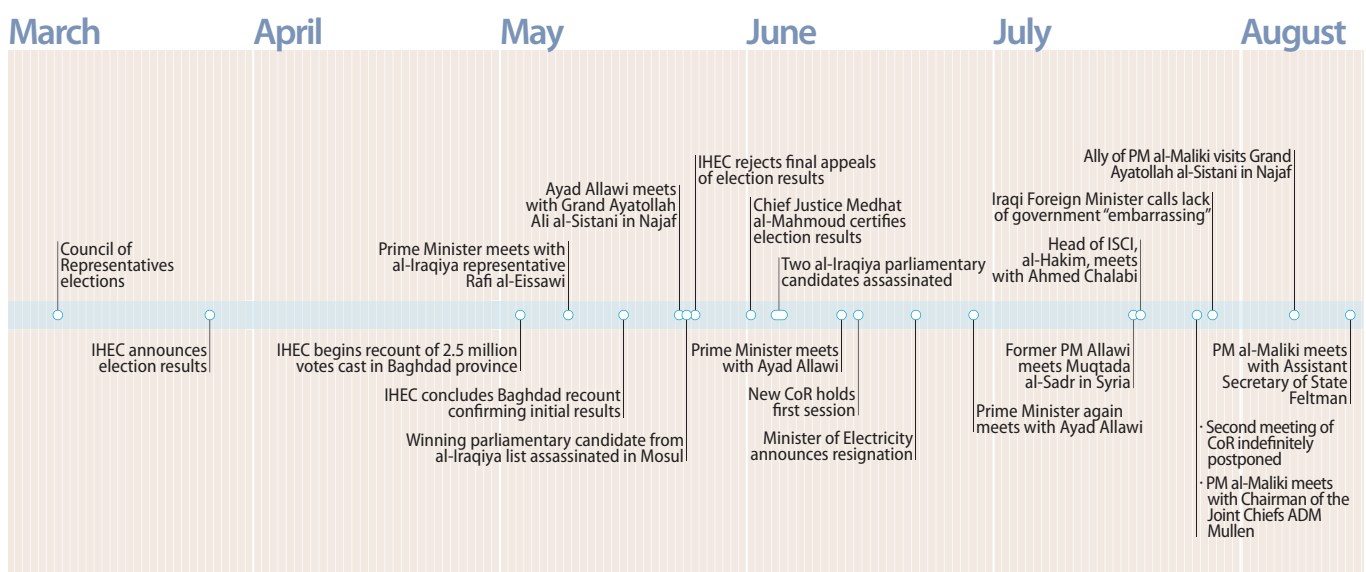
hold in the CoR; and in November, he provided sufficient assurances to al-Iraqiya and the Kurdistan Alliance to secure their assent to his leading a broad-based coalition government encompassing all of Iraq's major political blocs. The deal became official on November 25, 2010, when President Jalal Talabani officially asked al-Maliki to form the new government, ending a 264-day political impasse. Figure 1.2 displays selected significant events in the process of government formation between March 2010 and January 2011.²⁷

More Seats at the Table

The new GOI contains 42 ministerial posts, slightly more than the size of the former government.²⁸ Newly created positions include an additional Vice President, a Deputy Prime Minister for Energy Affairs, the NCHP, and several cabinet posts. Most of these new offices, however, are essentially ministers without portfolio. Defining these positions' responsibilities and clarifying the relationships among them will be one of the GOI's major challenges in the coming months.²⁹

FIGURE 1.2

SIGNIFICANT DEVELOPMENTS IN NEGOTIATIONS CONCERNING GOVERNMENT FORMATION, 3/1/2010–1/15/2011



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

To secure a working majority in the 325-person parliament, SoL, which won 89 seats, offered prominent cabinet posts to its former rivals. Under the November agreement, each bloc submitted three candidates for the ministries it sought, and Prime Minister al-Maliki selected from those nominees. The broad power-sharing agreement resulted in the following apportionment of power:³⁰

- **State of Law.** SoL controls 7 seats in the new cabinet, including the ministries of Defense and Interior, both of which are currently filled by the prime minister in an acting capacity. SoL holds about 17% of the cabinet seats and 27% of the CoR (89 seats).
- **Al-Iraqiya.** Al-Iraqiya secured 10 cabinet-level positions, including the ministries of Finance, Electricity, Agriculture, and Industry and Minerals. Al-Iraqiya controls about 24% of the cabinet and 28% of the parliament (91 seats).
- **Iraqi National Alliance (INA).** This grouping of Shia parties, including the Sadrist Trend and Islamic Supreme Council of Iraq (ISCI), has at

least 12 spots in the cabinet, including the ministries of Oil, Justice, and Transportation. The INA holds about 29% of the cabinet posts and 22% of the total CoR (70 seats).³¹

- **Kurdistan Alliance (KA).** The Kurds hold 7 cabinet posts, including the ministries of Foreign Affairs and Health. The KA controls about 17% of the cabinet and 13% of the CoR (43 seats).

The remaining positions are filled by representatives from minor parties. As of January 18, the government is still being formed, and all reported positions are subject to change.

Only one female minister has been appointed to the new cabinet; she will serve as an at-large Minister of State. In the previous government, five women held cabinet seats (as of November 2010), leading notable ministries such as Environment and Human Rights.³² Reports in mid-January indicated that additional female members may be named in the coming weeks. Figure 1.3 shows the current makeup of the GOI.

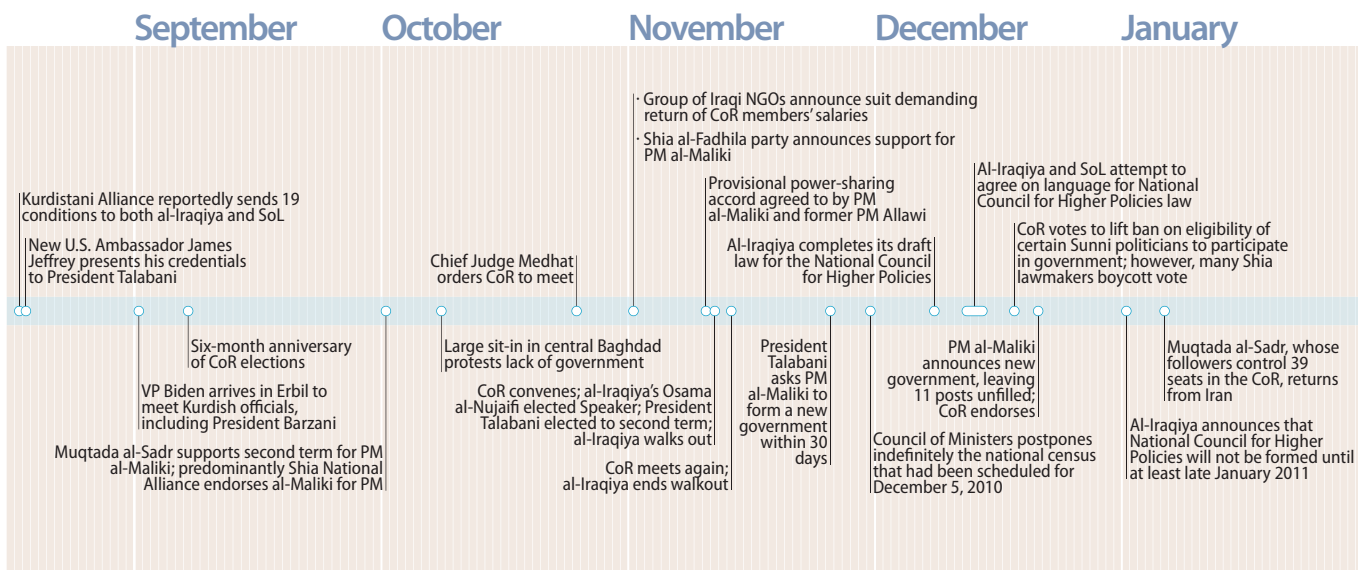
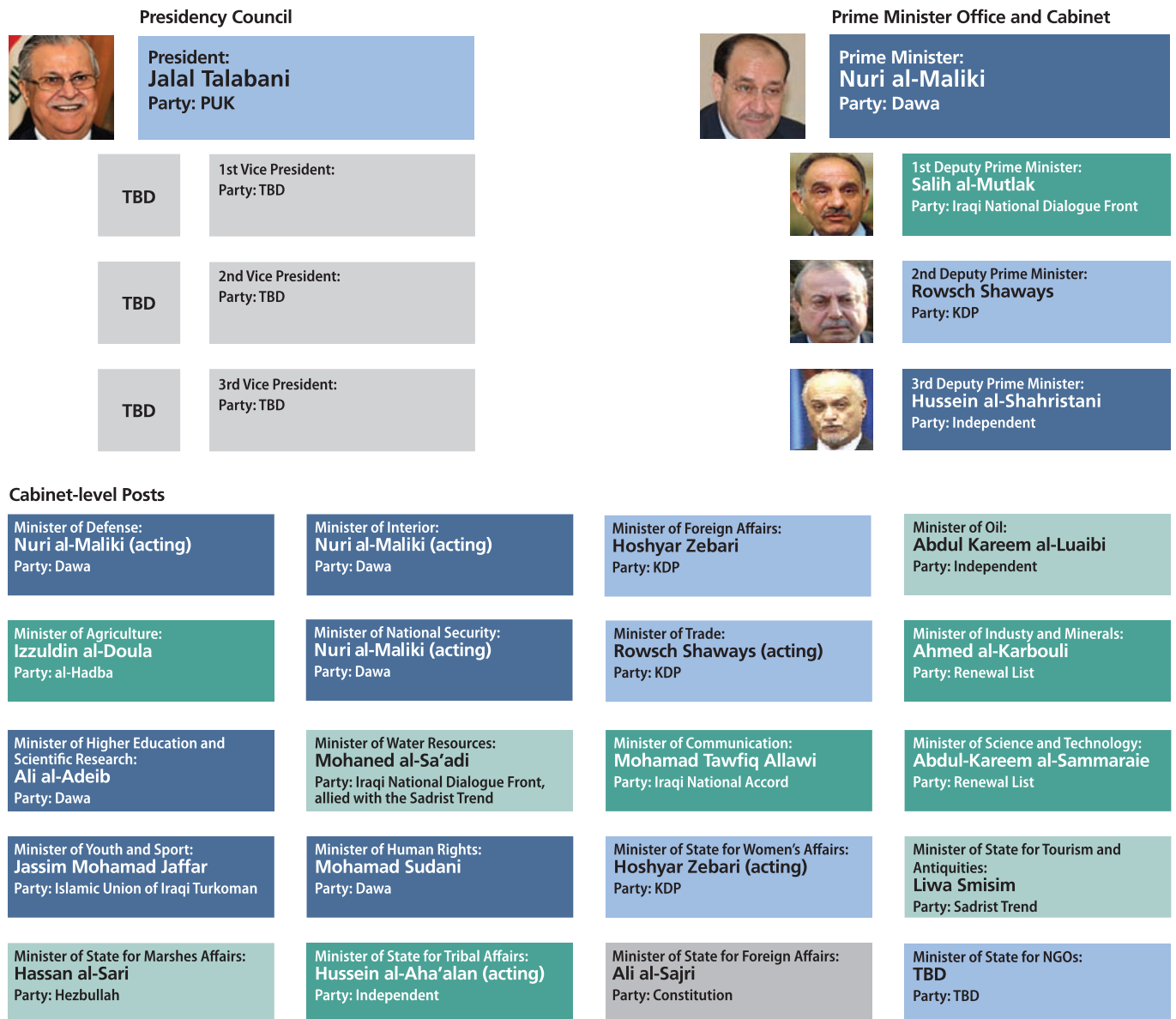


FIGURE 1.3
GOVERNMENT OF IRAQ, AS OF 1/15/2011



Coalition Affiliation
(at time of appointment)

State of Law	▶ The State of Law Coalition is a Shia-Sunni political bloc led by PM Nuri al-Maliki.
Kurdistani Alliance	▶ The Kurdistan Alliance is a coalition of the two main Kurdish parties: the Patriotic Union of Kurdistan (PUK) and the Kurdistan Democratic party (KDP).
Al-Iraqiya	▶ Al-Iraqiya is a largely secular bloc led by former PM Ayad Allawi. It won the most seats in the March 2010 CoR elections.
Iraqi National Alliance	▶ The Iraqi National Alliance is a Shia political bloc consisting primarily of the Islamic Supreme Council of Iraq (ISCI) and the Sadrist Trend.
Other/Independent	▶ Includes members of various minor parties, who may from time to time ally themselves with the major blocs.

Note: Several of the minor party ministries often ally with the major blocs. Party affiliations shown in this figure do not necessarily represent final composition of cabinet.

Sources: GOI, CoR, www.Parliament.iq/diirasd/2010/sort.pdf; GOI, CoM, response to SIGIR data call, 1/7/2011; SIGIR analysis of GOI and U.S. government documents and open-source information in Arabic and English, 11/2010–1/2011.

Council of Representatives



Speaker:
Osama al-Nujaifi
Party: Al-Hadba



1st Deputy:
Qusay al-Suhail
Party: Sadrist Trend



2nd Deputy:
Arif Tayfor
Party: KDP

National Council for Higher Policies



NCHP Chairman:
Ayad Allawi
Party: Iraqi National Accord

TBD

1st Deputy:
Party: TBD

TBD

2nd Deputy:
Party: TBD

TBD

3rd Deputy:
Party: TBD

Minister of Finance:
Rafi al-Eissawi
Party: National Future Gathering

Minister of Electricity:
Ziad Tariq (acting)
Party: National Movement for Development and Reform

Minister of Justice:
Hassan al-Shimari
Party: al-Fadhila

Minister of Planning:
Nasar al-Rubaie (acting)
Party: Sadrist Trend

Minister of Transportation:
Hadi al-Amiri
Party: ISCI

Minister of Housing and Construction:
Mohamad al-Daraji
Party: Sadrist Trend

Minister of Health:
Majid Amin
Party: PUK

Minister of Education :
Mohamad Tamim
Party: Iraqi National Dialogue Front

Minister of Labor:
Nasar al-Rubaie
Party: Sadrist Trend

Minister of Displacement and Migration:
Dindar Najman
Party: Islamic Coalition

Minister of the Environment:
Sargon Sliwah
Party: Assyrian Democratic Movement

Minister of Culture:
Saadoun al-Dulaimi
Party: Constitution Party, associated with the INA

Ministry of Municipalities and Public Works:
Dindar Najman (acting)
Party: Sadrist Trend

Minister of State and Government Spokesman:
Ali Dabbagh
Party: Associated with Dawa

Minister of State of Provincial Affairs:
Norhan Mudher
Party: Iraqi Turkoman Front, associated with al-Iraqiya

Minister of State of National Reconciliation:
Ali al-Adeib (acting)
Party: Dawa

Minister of State of CoR Affairs:
Safa al-Safi
Party: Independent

Minister of State at Large:
Abdul-Mahdi Mutairi
Party: Associated with the Sadrist Trend

Minister of State at Large:
Yassin Mohamad Ahmed
Party: ISCI, associated with the INA

Minister of State at Large:
Bushra Saleh (F)
Party: Independent, associated with al-Fadhila

Minister of State at Large:
Diyah al-Asadi
Party: Sadrist Trend

Minister of State at Large:
Salah al-Jabouri
Party: Iraqi National Dialogue Front

F= Female

National Council for Higher Policies

The feature that most distinguishes the current government from its predecessor is the newly created NCHP. This body, formed in an effort to placate al-Iraqiya's leader Ayad Allawi, has no parallel in the former government, nor is it mentioned in the Iraqi Constitution. Allawi will serve as the NCHP Chairman along with three deputies, one each from SoL, the INA, and the KA. The remainder of the NCHP's membership has not been decided, although representatives from each major political bloc will be included. While the NCHP is expected to have a voice on security, economic, energy, and governance matters, the precise scope of its powers has not been defined.³³

As of mid-January, the CoR is considering a draft law delineating the NCHP's authorities. As provided for in this bill, the NCHP would have 20 members, including the president, the vice presidents, the prime minister, the deputy prime ministers, the speaker of the CoR and his deputies, the leaders of all major political blocs, and the chairman of the Higher Judicial Council (HJC). According to the bill before the CoR, the NCHP could bind the prime minister to act according to its wishes, but only if 80% of the Council supports a decision. If the NCHP operates with 20 members, this would allow any grouping of 5 to block the issuance of a binding decision, making it difficult for the NCHP to impose its will on the prime minister.³⁴

Near-term Priorities for the New Government

In the coming months, the new government will confront a series of pressing legislative challenges. Foremost among them are:

- appointing permanent Defense and Interior ministers and strengthening the ISF
- defining the NCHP's powers and clarifying its relationship to the GOI's constitutional offices and passing a final budget for 2011
- executing a smooth transition for oil revenue from United Nations (UN) to GOI control,

while ensuring protection of Iraqi funds from international creditors

- creating a safe environment effectively
- conducting a national census, which this quarter was once again postponed indefinitely
- implementing the constitutionally mandated process to determine the final status of Kirkuk and its environs
- improving the capacity of GOI workers and strengthening the fight against corruption at all levels of government

SECURITY

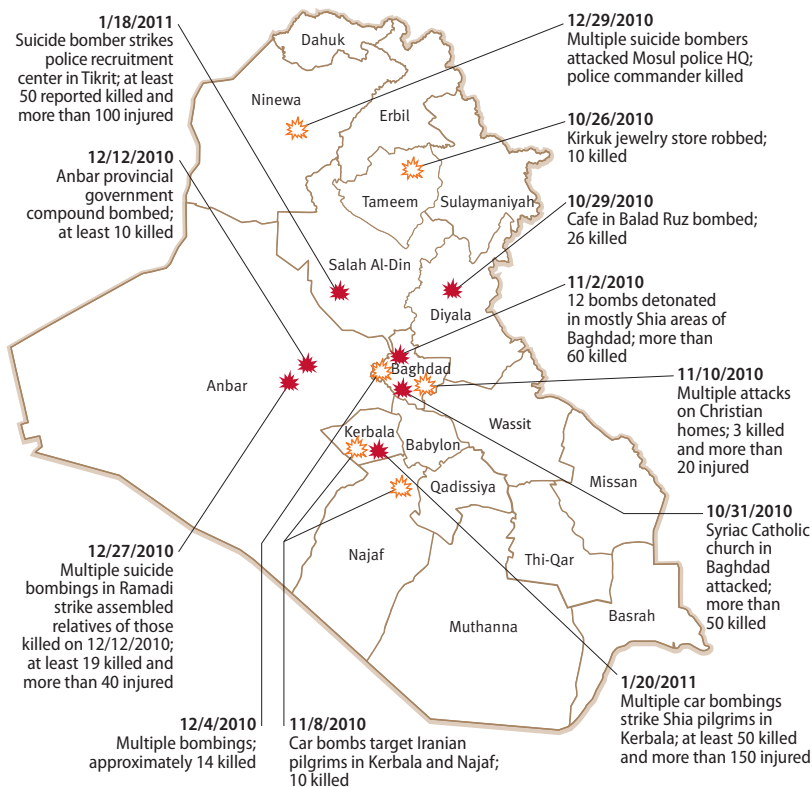
Iraq Reports 2010 Casualty Figures

According to the GOI, more than 3,600 civilians and ISF personnel were killed in violent incidents during 2010.³⁵ For the third consecutive month, however, December set a 2010 record for the fewest number of persons killed in attacks, down 151 from the previous month's 2010 record low of 171.³⁶ Figure 1.4 notes some of the major security incidents in Iraq between October 20, 2010, and January 20, 2011.

GOI Officials Targeted for Assassination

On December 29, 2010, three suicide bombers stormed a police headquarters facility in the restive northern city of Mosul, killing the local police commander, Lieutenant Colonel Shamel Ahmed al-Jabouri. A little more than two weeks later, a suicide bomber almost succeeded in killing the governor of Anbar province. MOI officials informed SIGIR that nearly 240 ISF and intelligence personnel and about 120 civilian government employees have been assassinated in recent months.³⁷ As Table 1.1 shows, more than three dozen mid- to senior-level GOI civilian and military officials were the apparent targets of assassination attempts this quarter, continuing a disturbing trend SIGIR first reported on in January 2010.³⁸

FIGURE 1.4
MAJOR SECURITY INCIDENTS, 10/20/2010–1/20/2011



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

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

Judicial Security Remains a Problem

Unknown assailants attacked two Iraqi judges in January, killing one. Since 2003, more than 40 judges have been killed in Iraq. The HJC attempted to secure funding in the 2011 budget for an additional 4,000 judicial security personnel, but the CoM rejected the request, leaving the HJC far short of the number of trained personnel it needs to guard Iraq's 1,260 judges.³⁹

Violence against Christians

In the bloodiest incident of anti-Christian violence since 2003, insurgent gunmen stormed a Syriac Catholic church in Baghdad on October 31, 2010, killing more than 50 people.⁴⁰ The remnant



Aftermath of the October attack on a Syriac Catholic church in Baghdad. (Ankawa photo)

Christian community in Iraq also fell prey to several other violent attacks, as summarized in Table 1.2.

The UN estimates that several thousand Christians fled Ninewa and Baghdad provinces in the wake of the church massacre, seeking refuge in the Kurdistan Region and other areas of northern Iraq.⁴¹

Prime Minister: All U.S. Troops Will Be Out of Iraq by the End of the Year

This quarter, in one of his first public statements since securing a second term in office, Prime Minister al-Maliki declared that he does not intend to alter or extend the U.S.-Iraq Security Agreement (SA). He stated that he expects the United States to adhere to existing deadlines, which require all U.S. military forces to leave Iraq by December 31, 2011. As of early January 2011, USF-I had more than 49,000 troops stationed in Iraq.⁴²

The current SA—which governs the bilateral security relationship between the two countries—expires at the end of the year. Any effort to renegotiate it would likely have to begin soon. The prime minister made no mention of holding a popular referendum on the SA, something he had promised to do by mid-2009, but he did endorse the Strategic Framework Agreement (SFA), which defines the contours of the continuing political, economic, and cultural relationship between the United States and Iraq. Unlike the SA, the SFA will continue in effect beyond 2011, unless either party withdraws from the pact.⁴³

TABLE 1.1

SELECTED ACTS OF APPARENT TARGETED VIOLENCE AGAINST IRAQI OFFICIALS, 10/15/2010–1/17/2011

TARGETS/VICTIMS	LOCATION (PROVINCE)	DATE	CIRCUMSTANCES	RESULT
Police lieutenant colonel	Salah Al-Din	10/19/2010	Bombing	Lieutenant colonel injured; at least 11 killed
Senior police officer	Salah Al-Din	10/19/2010	IED attack on residence	No reported casualties
Ministry of Electricity director general	Baghdad	10/25/2010	Attacked by gunmen using silencers	Director general killed
Ministry of Interior official	Baghdad	10/25/2010	Sticky bomb attached to car	MOI official killed; 3 injured
Ministry of Planning undersecretary	Baghdad	10/26/2010	IED attack	Undersecretary unharmed; 4 injured
Police colonel	Baghdad	10/28/2010	Sticky bomb attached to car	Colonel killed
ISF commander	Baghdad	10/28/2010	IED	Commander injured
Senior police officer	Ninewa	11/1/2010	Sticky bomb attached to car	Officer killed; driver injured
Local government official	Anbar	11/4/2010	Multiple IEDs	Official and driver killed
Senior national security official	Ninewa	11/16/2010	Residence bombed	No reported casualties
CoR members from al-Iraqiya bloc	Ninewa	11/19/2010	IED attack on mortorcade	Members unharmed; 1 bodyguard killed
Senior passport office official	Anbar	11/22/2010	IED	Official killed
Ministry of Municipalities IG officials	Baghdad	11/22/2010	Ambushed by gunmen	2 IG officials killed; 2 injured
Ministry of Higher Education official	Baghdad	11/23/2010	Residence attacked by gunmen	Official killed
Iraqi Army brigadier	Baghdad	11/24/2010	Sticky bomb attached to car	Brigadier killed
Ministry of Interior colonel	Baghdad	11/24/2010	Ambushed by gunmen	Colonel injured
Police brigadier	Baghdad	11/28/2010	Ambushed by gunmen	Brigadier killed
Sunni Endowment official	Baghdad	11/28/2010	IED	Official injured
Ministry of Health official	Baghdad	12/1/2010	Sticky bomb attached to car	Official injured
Ministry of Human Rights official	Baghdad	12/1/2010	Ambushed by gunmen	Official killed
Local government official	Wassit	12/1/2010	Residence attacked by gunmen	Official unharmed; 2 injured
Senior police officer	Tameem	12/1/2010	IEC attack on motorcade	Officer unharmed
Thi-Qar provincial intelligence officer	Baghdad	12/3/2010	Ambushed by gunmen	Officer injured
Commission of Integrity official	Diyala	12/14/2010	Sticky bomb attached to car	Official unharmed
Former Ministry of Electricity official	Baghdad	12/16/2010	Ambushed by gunmen	Former official killed
President of Mosul University	Ninewa	12/20/2010	Ambushed by gunmen	President seriously injured
Intelligence officer	Baghdad	12/20/2010	Ambushed by gunmen	Officer killed
Shia Endowment official	Baghdad	12/21/2010	Ambushed by gunmen	Official injured
Ministry of Health official	Baghdad	12/22/2010	Ambushed by gunmen	Official killed
Iraqi Army brigadier	Baghdad	12/23/2010	Attacked by gunmen using silencers	Brigadier killed; 1 injured
Police colonel	Baghdad	12/23/2010	Ambushed by gunmen	Colonel injured
Ministry of Interior official	Baghdad	12/26/2010	Automobile attacked by gunmen	Official and driver injured
Ministry of Foreign Affairs official	Baghdad	12/28/2010	IED attack on automobile	Official injured
Criminal court judge	Baghdad	12/29/2010	Sticky bomb attached to car	Judge injured
Mosul police commander	Ninewa	12/29/2010	Multiple suicide bombers attacked HQ	Police commander killed
Ministry of Interior lieutenant colonel	Baghdad	1/1/2011	Automobile attacked by gunmen	Lieutenant colonel killed
Sunni Endowment official	Diyala	1/2/2011	Multiple IEDs	Official seriously injured
Ninewa provincial council chairman	Ninewa	1/2/2011	Multiple IEDs	IEDs dismantled prior to detonation; chairman unharmed
Ministry of Interior brigadier	Baghdad	1/3/2011	Ambushed by gunmen	Brigadier injured
Local security official	Tameem	1/5/2011	IED	Official injured
Chief of Police	Anbar	1/10/2011	IED	Chief and several associates killed
Provincial governor	Anbar	1/17/2011	Suicide bomber	Governor unharmed; several injured

Note: This table provides examples of assassinations, attempted assassinations, and other small-scale acts of violence that appear to have been aimed at specific persons or groups this quarter. It does not purport to be all-inclusive, nor presume to imply the attackers' respective motives.

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

TABLE 1.2
SELECTED ATTACKS AGAINST IRAQI CHRISTIANS, 10/20/2010–1/15/2011

DATE	INCIDENT
10/31/2010	Gunmen linked to al-Qaeda in Iraq storm Syriac Catholic church in Baghdad, killing approximately 50.
11/10/2010	Bombs and mortars strike Christian homes in Baghdad, killing at least 3 and wounding more than 20.
11/15/2010	Gunmen in eastern Mosul kill at least 7, including 2 Christians.
11/22/2010	Gunmen in Mosul kill 2 Iraqi Christians, who were brothers.
11/30/2010	Gunmen in eastern Mosul kill 1 Christian.
12/5/2010	Gunmen in Baghdad murder 2 elderly Christians.
12/14/2010	A group of armed men abduct a female Christian student in Mosul.
12/30/2010	At least 10 bombs detonate near the homes of Christian families in Baghdad, killing 2 and wounding about 20.

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

Doubts Surround ISF’s Ability To Meet Minimum Essential Capabilities

One of USF-I’s main goals in 2011 will be working with ISF to help it achieve the “Minimum Essential Capability”(MEC) it needs to effectively provide for Iraq’s internal and external defense. Iraq is making some security investments of its own, but a recent report by DoD’s Office of Inspector General cautioned that the ISF’s logistics system remains beset by myriad challenges.⁴⁴ USF-I echoed these concerns, noting that additional investments will have to be made to ensure that the ISF achieves MEC prior to December 2011.⁴⁵ U.S. assistance in the form of ISFF for 2011 was authorized at \$1.5 billion, instead of the \$2.0 billion level requested by DoD.⁴⁶

Sons of Iraq

This quarter, SOI members continued to be targeted by insurgent forces, with 17 reported killed in October and November. At least 387 SOI personnel have been reported killed since October 2009.⁴⁷

To date, GOI ministries have hired just over 39,000 SOI members, out of approximately 95,000.⁴⁸ As a SIGIR audit released this quarter found, the GOI has long struggled to keep up with paying SOI salaries on a monthly basis.⁴⁹ Recently, however, GOI officials reported some progress in making timely payments.⁵⁰ For more on the SOI program, see Sections 4 and 5 of this Quarterly Report.

Muqtada al-Sadr’s Reemergence

On January 5, 2011, Shia cleric Muqtada al-Sadr’s plane landed in the holy city of Najaf, marking his first official appearance in Iraq since 2007 and his official return to the Iraqi political scene.

Al-Sadr, who rose to prominence as the scion of a well-respected family of Shia religious leaders, leads a political organization that has managed to transform itself from rebellious radicals to influential power brokers, controlling 39 seats in the new CoR. In his first public address after returning to Najaf, al-Sadr urged his followers to resist the United States, although stopping short of more violent rhetoric. He also denounced Iraqi-on-Iraqi violence and expressed conditional support for Prime Minister al-Maliki’s government.⁵¹

ENERGY

Oil: Production and Exports

This quarter, Iraq’s crude oil production averaged 2.40 MBPD, constituting a 3% increase over last quarter, but 1% less than in the final quarter of 2009. Exports averaged 1.95 MBPD this quarter, a 4% increase from the previous quarter and 2% higher than the same quarter in 2009. No oil was officially exported from the Kurdistan Region, continuing a trend that began in 2009.⁵²

International Oil Companies Report Progress

In 2009, the Ministry of Oil awarded 10 service contracts to international firms, giving them the right to develop major oil fields in partnership with Iraq’s state-owned oil companies. The Anglo-Chinese consortium developing the al-Rumaila field reported its highest average daily production level since beginning operations there last year. The GOI is also planning to explore for new fields, announcing in early January that it is beginning preparations for a fourth licensing auction to award oil and gas exploration contracts. For a

full report on Iraq's oil sector, see Section 4 of this Quarterly Report.

Electricity Supply

This quarter, Iraq's electricity supply averaged 6,339 megawatts (MW), a 3% decline from last quarter's record high, but a 7% increase over the last quarter of 2009.⁵³ Iraq is increasingly reliant on power supplied by privately owned power plants. Before 2008, no privately owned power plants operated in Iraq. But by 2010, four privately owned plants accounted for 13% of Iraq's electricity supply. In December, the GOI announced that it will conduct a bidding round for private investors where it will auction the right to build four new power plants that, when completed, would add 2,750 MW of nameplate capacity to the national grid.⁵⁴ For more on Iraq's electricity sector, see Section 4 of this Quarterly Report.

ECONOMY

The IMF estimates that increased economic activity in the hydrocarbon sector will cause the growth rate of Iraq's gross domestic product to surge from a reported 2.6% in 2010 to 11.5% in 2011 and 11% in 2012, placing Iraq among the world's fastest growing economies.⁵⁵ For purposes of comparison, the IMF forecast 2011 growth rates of 9.6% for the People's Republic of China and 8.4% for India.⁵⁶

UN Security Council Votes To End Some Sanctions on Iraq

In mid-December, the UNSC passed three related resolutions, lifting most of the remaining restrictions imposed on Iraq during the 1990s:

- **UNSC Resolution (UNSCR) 1956**—extends protection of Iraqi oil revenues from international creditors until June 30, 2011, giving the GOI more time to develop a mechanism to replace the Development Fund for Iraq (DFI), which has shielded oil revenues since 2003.⁵⁷

The GOI plans to develop a vehicle to succeed the DFI which would be overseen by the Committee of Financial Experts (COFE), led by the President of Iraq's oldest financial oversight institution, the Board of Supreme Audit.⁵⁸ COFE will replace the International Advisory and Monitoring Board for Iraq.

- **UNSCR 1957**—ends remaining trade sanctions limiting the importation of sensitive materials, including certain chemicals and nuclear materials.⁵⁹ As a result, Iraq is now able to engage in civilian nuclear activities, such as the development of nuclear power plants. Iraq's Acting Minister of Electricity greeted the UN's decision with approval, voicing his support for the resumption of a peaceful Iraqi nuclear program. Potential international partners were quick to take notice of opportunities in this area, with French officials already expressing interest in cooperating with Iraq on nuclear energy projects.
- **UNSCR 1958**—terminates all activities relating to the Oil for Food program.⁶⁰

While the passage of these resolutions represents a significant step in Iraq's re-integration into the international community, the GOI must work with the government of Kuwait to resolve disputes stemming from its 1990 invasion. These include compensating Kuwaiti victims of the invasion, accounting for the remains of those killed, and returning Kuwaiti property. All of these matters yet remain subject to the UNSC's supervision under its Chapter VII authority, which permits it to take measures to maintain international security.

Largest U.S.-controlled Detention Center To Become Business Center

On December 29, 2010, USF-I officially transferred Camp Bucca to the GOI. Formerly the largest U.S. detention facility in Iraq, Camp Bucca is currently being converted to civilian use by a U.S.-Iraqi consortium that won the right to build and manage

Minister of Oil Discusses Iraq's Future with SIGIR

On November 8, 2010, the Inspector General met with then-Deputy Minister of Oil for Extraction Affairs Abdul Kareem al-Luaibi at his office in Baghdad. Six weeks after this meeting, al-Luaibi, a long-serving Ministry of Oil technocrat, was chosen to lead the ministry in the new government. In the course of his wide-ranging discussion with the Inspector General, then-Deputy Minister al-Luaibi discussed:⁶¹

- **Future Prospects for Iraq's Oil Sector.**

The Deputy Minister reported that Iraq's dealings with international oil companies (IOCs) have gone better than anticipated. He also reported that Iraq intends to reach average production levels of 3.26 MBPD by December 2011, with exports climbing to 2.3 MBPD. As for the long term, he stated that current projections call for average production to gradually rise to 12 MBPD.

- **Basrah Pipeline and Offshore Oil Terminals.** One of the new government's priorities will be completing the ongoing refurbishment of its pipeline network and the offshore oil terminals off the coast of the southern port of Umm Qasr. Plans call for three new GOI-financed undersea pipelines: al-Faw peninsula to the al-Basrah Oil Terminal (ABOT), ABOT to the Khawr al-Amaya Oil Terminal (KAAOT), and ABOT to offshore single-point mooring stations. The successful completion of the Basrah pipeline projects should increase Basrah's export capacity to 4.5 MBPD. The GOI also plans to conduct extensive repairs to KAAOT, portions of which have collapsed into the Persian Gulf due to disrepair.

- **Oil Storage Capacity.** Fighting on the al-Faw peninsula during the Iran-Iraq War destroyed much of Iraq's capacity to store oil, and efforts to restore this



SIGIR's Inspector General meets with then-Deputy Minister of Oil al-Luaibi.

capacity are only now beginning to take shape. Deputy Minister al-Luaibi reported that the ministry plans to construct 35 new oil-storage tanks in southern Iraq to replace tanks destroyed in combat with the Iranians.

- **Oil Exploration.** Because of the ease with which many of Iraq's existing oil fields could be tapped, it was not economically efficient for previous rulers to devote substantial resources to exploring for oil in remote locations. But the new Minister of Oil intends to change that, explaining that the GOI is embarking on a two-year plan to explore for as-yet-undiscovered oil fields, which, if successful, could increase Iraq's proved reserves to 200 billion barrels. This plan would also involve auctioning off exploration rights in a public bidding round similar to those conducted in 2009.
- **Cooperation with the Ministry of Electricity.** In speaking about the relationship between the Ministries of Oil and Electricity, the Deputy Minister expressed the hope that the problems that have marred this relationship are all in the past, noting that the main challenge going forward will not be finding enough fuel to supply to the electricity plants, but instead providing the infrastructure needed to transport it to the MOE in a timely fashion.
- **Pipeline Security.** Although the security situation is much improved since 2007, Deputy Minister al-Luaibi stated that securing Iraq's far-flung

network of pipelines remains a challenge. He commented that the system of U.S.-funded defensive works known as Pipeline Exclusion Zones work well in remote areas, but noted that attacks still occur in more heavily populated areas.

- **Issues with the Kurdistan Region.**

The Deputy Minister maintained that the Ministry of Oil has neither firm figures on the amount of oil produced in the Kurdistan Region, nor solid information about the capacities of the unauthorized refineries operating there. Deputy Minister al-Luaibi reported that he recently led a delegation to the Kurdistan Region in an effort to resolve some of the lingering problems between it and Baghdad, but remarked that lasting solutions will take time to reach.

- **Oil Smuggling.** Deputy Minister al-Luaibi confidently declared to SIGIR that oil smuggling is no longer a significant problem. He noted that the ministry plans to install a new metering system to monitor the flow of oil and stated that U.S. overhead reconnaissance assets, such as satellites and unmanned drones, have not recently observed any suspicious convoys of tanker trucks leaving Iraq. But the Deputy Minister cautioned that he did not have any information on the level of smuggling activity in the Kurdistan Region.

- **International Relations.** Iraq shares several oil and gas fields with neighboring states, making the exploitation of these fields a matter of international concern. Ministry of Oil officials are meeting with their counterparts in Saudi Arabia, Syria, and Iran to discuss these issues. Deputy Minister al-Luaibi also reported that he also speaks about these matters on a regular basis with U.S. Embassy officials.



This quarter, Iraq exported dates for the first time in two decades. The initial shipment was sent to London, marking the reemergence of Iraqi farmers in the international market. (USAID photo)

a business park there via a transparent bidding process. Scheduled to be completed by 2012, this \$236 million project, dubbed “Basrah Logistics City,” will provide a secure hub for international investors doing business in southern Iraq.⁶² For more information, see the special section on Basrah Province, featured in this Quarterly Report.

SIGIR OVERSIGHT

Audits

This quarter, SIGIR’s Audits Directorate issued five reports. Since 2004, SIGIR has published 182 audit reports on the U.S. reconstruction program in Iraq. SIGIR’s audits this quarter reviewed:

- **U.S. Military’s Management of the SOI Program.** In June 2007, the Multi-National Corps-Iraq (MNC-I) began using CERP funds to hire former insurgents to guard checkpoints, buildings, and key parts of neighborhoods in Iraq—a \$370 million program the U.S. military credits with helping reduce the overall levels of violence in Iraq. However, insufficient quantifiable program data coupled with the inability to segregate possible SOI effects from other factors precluded SIGIR from drawing empirically reliable conclusions about the program’s contribution to the reduction in violence in Iraq that began in the late summer of 2007. Additionally, SIGIR found the U.S. military exercised weak financial controls

over its cash payments to the SOI. Since assuming full control of the SOI program in April 2009, the GOI has faced difficulties in managing the program, properly paying the SOI, and integrating SOI members into Iraqi ministries.

- **GOI Support for the Iraq International Academy (IIA).** The purpose of this \$26 million ISFF-funded project is to develop an executive-level educational facility—the IIA—for GOI civilian and military officials. Located in the International Zone, this ongoing project is being managed by USF-I’s Iraq Training and Advisory Mission assigned to assist the Ministry of Defense (ITAM-MOD). After reviewing the relevant correspondence and interviewing MOD officials, SIGIR determined that although ITAM-MOD worked with its MOD counterparts to obtain host-country buy-in for the IIA, no bilateral agreements were negotiated or signed, and it remains unclear whether the GOI will budget for operating and maintaining the IIA upon completion. Without such agreements, U.S. funds spent on the IIA’s construction (\$13.4 million) are at risk of being wasted, as are the funds planned to equip and furnish the facility (\$12 million). Therefore, SIGIR recommended that USF-I take no further action to purchase furniture and equipment for the IIA and inform the GOI that it is the GOI’s responsibility to do so.
- **DoD’s Deployable Disbursing System (DDS).** The Defense Finance and Accounting Service developed the DDS to enable DoD personnel to maintain accountability of appropriated funds while in the field. In the course of collecting data to perform its congressionally mandated forensic review of all reconstruction expenditures, SIGIR determined that some DDS data from Iraq was missing. SIGIR’s review suggested that the missing data contained a substantial amount of payment activity, potentially including classified information and personally identifiable information (PII) about members of the military. Because the missing data prevents SIGIR from meeting its forensic audit mandate, SIGIR recommended



Artist's conception of the completed IIA. (USF-I/ITAM/MOD photo)

that the Army Financial Management Command reconstruct all missing transactions and review them to determine whether they include any PII and classified information.

- Iraq Relief and Reconstruction Fund 1 (IRRF 1).** IRRF 1 funds were used to finance a diverse array of reconstruction programs, including projects aimed at rehabilitating Iraq's water and sanitation infrastructure, refurbishing its electricity sector, and developing its rule-of-law institutions. During fiscal years 2003 and 2004, the Office of Management and Budget apportioned virtually all of the \$2.48 billion appropriated by the Congress for IRRF 1. Most of these funds went to three agencies, with USAID receiving \$1.62 billion, DoD/U.S. Army receiving \$518 million, and DoS receiving \$101 million. As of September 30, 2004, these agencies' reports showed that virtually all of the \$2.48 billion had been obligated, and SIGIR's review did not identify any significant issues related to IRRF 1 apportionments, obligations, expenditures, or cancellations.
- Accountability of CERP Allocations to Iraq.** SIGIR found that the total CERP fund allocations that USF-I reports it has received do not agree with the amount that the Army Budget Office (ABO) reports it provided. According to USF-I, it has received CERP allocations totaling \$4,558,000,000, while the ABO reports allocations of \$3,890,709,829. SIGIR also found that the amount of obligations is uncertain. As of September 30, 2010, both the ABO and USF-I report CERP obligations of \$3,675,323,152.

However, both obtained their obligation data from the Army Standard Financial System (STANFINS), and several prior SIGIR reports have raised questions about whether STANFINS contains all CERP obligations.

For details on SIGIR's audits this quarter, see Section 5 of this Quarterly Report.

Investigations

As of January 15, 2011, SIGIR investigators were working at least 104 open cases. SIGIR's investigative work has resulted in 54 indictments, 44 convictions, and more than \$140.9 million in judicially mandated fines, forfeitures, and restitution payments. A settlement reached in one case this quarter resulted in the levying of \$70 million in financial penalties.

Highlights of this quarter's investigative accomplishments included:

- On October 27, U.S. Army Major Roderick D. Sanchez pled guilty to one count of bribery. According to court documents, Sanchez admitted that he accepted bribes from foreign companies seeking to secure Army contracts while he was serving as a contracting officer in Iraq, Afghanistan, and Kuwait between 2004 and 2007. During this time, Sanchez accepted Rolex watches and illicit cash payments worth more than \$200,000. On January 19, 2011, Sanchez was sentenced to five years in prison and ordered to forfeit all property purchased with the proceeds of his scheme.
- On November 5, Louis Berger Group, Inc. (LBG), agreed to pay more than \$69 million in criminal and civil penalties to settle fraud charges related to its international work on behalf of DoD and USAID. On the criminal side, LBG entered into a Deferred Prosecution Agreement (DPA) with DoJ, which requires it to pay \$18.7 million in penalties, adopt more robust internal controls, and retain an independent monitor to evaluate its compliance with the DPA for a two-year period. LBG also reached a \$50.6 million civil settlement with the U.S.

government, resolving allegations that it violated the False Claims Act by charging inflated rates on government contracts.

- In a related matter, LBG's former Chief Financial Officer Salvatore Pepe and former Controller Precy Pellettieri pled guilty and admitted to conspiring to defraud USAID by obtaining contract payments billed at falsely inflated overhead rates from September 2001 through August 2007.
- On November 10, a U.S. Army lieutenant colonel was charged with conspiracy, accepting illegal gratuities, and abusing his official capacity to convert the property of another to his own use. According to the indictment, the defendant used his status as "mayor" of a Forward Operating Base in Iraq to enrich himself by accepting cash and gifts from contractors in exchange for favored treatment, including improperly issuing weapons permits to certain contractors.
- On January 10, 2011, Major Mark Fuller, a U.S. Marine Corps fighter pilot, was sentenced to serve one year and one day in prison and pay a fine of \$198,510. The sentencing was the result of Fuller's August 2010 guilty plea to two felony counts of structuring financial transactions. Fuller had been charged in a 22-count indictment with illegally depositing more than \$440,000 into U.S. bank accounts following a 2005 deployment to Iraq, where he served as a contracting officer.
- On January 11, 2011, U.S. Army Reserves Lieutenant Colonel Bruce Gillette was sentenced to one year probation and fined \$2,000 for improperly exploiting his position as the U.S. military's liaison to the Independent Electoral Commission of Iraq for personal financial gain while stationed in Iraq in 2004 and 2005.

For a full report on SIGIR's recent investigations, see Section 5 of this Quarterly Report.

HUMAN TOLL

U.S. Civilian Deaths

DoS reported that three U.S. civilians died in Iraq this quarter. Two died from natural causes; the third death remains under investigation. Since 2003, at least 313 U.S. civilians have died in Iraq.⁶³

Contractors

The Department of Labor (DoL) received reports of 13 deaths of contractors working on U.S.-funded reconstruction programs in Iraq this quarter. DoL also received reports of 522 injuries this quarter that resulted in the injured contractor missing at least four days of work. Since DoL began compiling data on contractor deaths and injuries in March 2003, it has received reports of at least 1,520 contractor deaths in Iraq.⁶⁴

Journalists

For the second consecutive quarter, multiple journalists fell victim to violent attacks in Iraq. On October 4, cameraman Tahrir Kadhim Jawad was killed in a bombing in Anbar province. A little more than six weeks later, 18-year-old Mazen Mardan al-Baghdadi, a junior reporter for al-Mosuliya television station, was gunned down in Mosul. According to his father, the killers gained entry to the family home by claiming that they were with an Iraqi military intelligence unit and then opened fire on al-Baghdadi once he came to speak with them. He is the second journalist from al-Mosuliya to have been killed in recent months.⁶⁵

On December 12, a car bomb in Ramadi killed Omar Rasim al-Qaysi, an anchorman at al-Anbar television station, and injured one of his colleagues. Nine days later, a journalist working for al-Anwar satellite television station was seriously injured when an improvised explosive device exploded near his car.⁶⁶ ♦

FUNDING FOR IRAQ RECONSTRUCTION

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SECTION

2

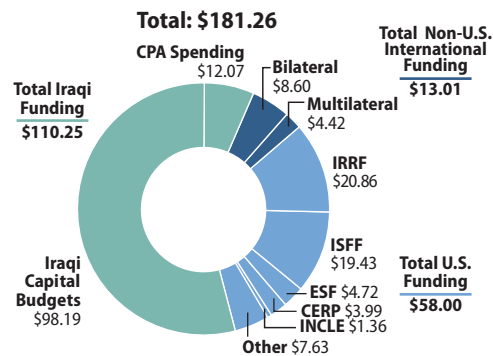
FUNDING OVERVIEW

As of December 31, 2010, \$181.26 billion had been made available for the relief and reconstruction of Iraq through three main sources:⁶⁷

- U.S. appropriations—\$58.00 billion
- Iraqi funds overseen by the Coalition Provisional Authority (CPA) and expenditures of the Iraqi capital budget—\$110.25 billion
- International commitments of assistance and loans from non-U.S. sources—\$13.01 billion

See Figure 2.1 for an overview of these funding sources. See Figure 2.2 for a historical comparison of U.S. and Iraqi support for reconstruction. ♦

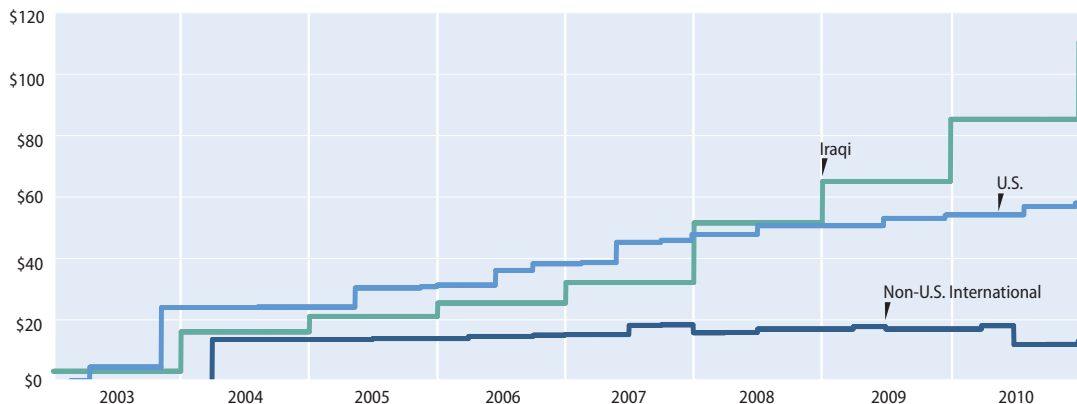
FIGURE 2.1
FUNDING SOURCES, 2003–2010
\$ Billions



Note: Data not audited. Numbers affected by rounding.

Sources: See Figure 2.2.

FIGURE 2.2
IRAQI, U.S., AND NON-U.S. INTERNATIONAL SUPPORT FOR RECONSTRUCTION, 2003–2010
\$ Billions



Note: Data not audited. Numbers affected by rounding. In the fiscal-year quarter ending on June 30, 2010, SIGIR switched its metric for tracking International support from pledged dollars to committed dollars, which accounts for the apparent drop in the International contribution on that date in this chart.

Sources: 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; P.L. 111-212; P.L. 111-242; P.L. 111-290; P.L. 111-317; P.L. 111-322; OSD, response to SIGIR data call, 10/15/2010; USACE, response to SIGIR data call, 10/6/2008; USAID, responses to SIGIR data calls, 1/12/2009 and 4/8/2009; NEA-I, responses to SIGIR data call, 9/27/2010, 10/4/2010, 10/6/2010, 1/5/2011, and 1/13/2011; DoS, DRL, response to SIGIR data call, 9/22/2010; TFBSO, response to SIGIR data call, 10/4/2010; DoJ, Justice Management Division, response to SIGIR data call, 10/5/2010; DoS, ECA, response to SIGIR data call, 4/14/2010; OMB, response to SIGIR data call, 6/21/2010; OUSD(C), response to SIGIR data call, 10/14/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009; DoJ, U.S. Marshals Service, response to SIGIR data call, 10/5/2010; DoS, PM, response to SIGIR data call, 9/21/2010; BBG, response to SIGIR data call, 10/5/2010; GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2010," 1/27/2010; GOI, MOF, "Evaluation of the Iraqi Budget, 2006–2010," 8/2010; GOI, Presidency of the Iraqi Interim National Assembly, "The State General Budget for 2005," 2005; GOI, "Budget Revenues and Expenses 2003, July–December," 2003; GOI, CoM, "Draft Law of the Republic of Iraq (GOI) Federal Budget for the 2011 Financial Year," 11/30/2010; SIGIR, Quarterly and Semiannual Reports to the United States Congress, 3/2004–10/2010.

U.S. FUNDING

Since 2003, the United States has appropriated or otherwise made available \$58.00 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.⁶⁸

As of December 31, 2010, \$50.37 billion had been made available through five major funds.⁶⁹

- Iraq Relief and Reconstruction Fund (IRRF)—\$20.86 billion
- Iraq Security Forces Fund (ISFF)—\$19.43 billion
- Economic Support Fund (ESF)—\$4.72 billion
- Commander's Emergency Response Program (CERP)—\$3.99 billion

- International Narcotics Control and Law Enforcement (INCLE)—\$1.36 billion

Of this amount, \$46.67 billion had been obligated, and \$44.40 billion had been expended.⁷⁰

Of the \$46.67 billion obligated from the major funds, \$2.27 billion had not been expended as of December 31, 2010. An additional \$3.70 billion had not been obligated, but \$1.55 billion of these funds had expired. Only funds that have not yet expired—\$2.15 billion as of December 31, 2010—may be obligated for new projects.⁷¹

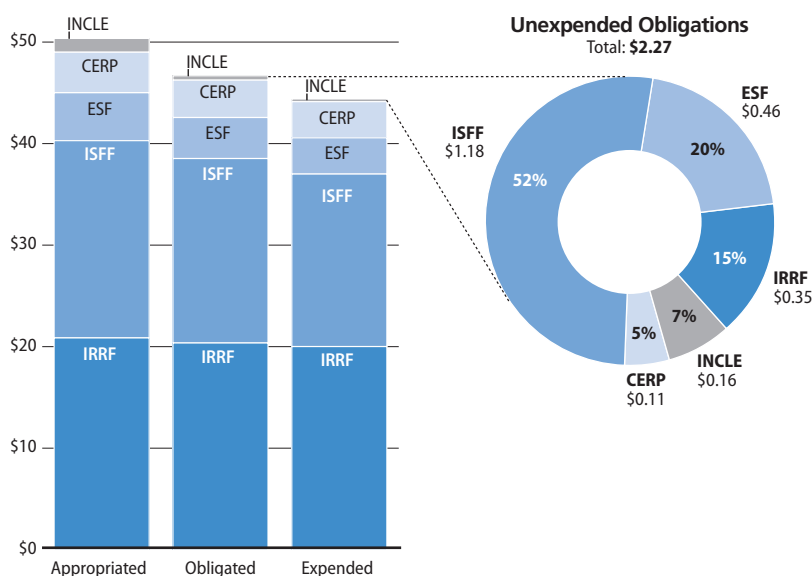
The Congress also made \$7.63 billion available through several smaller funding streams.⁷²

For an overview of U.S. appropriations, obligations, and expenditures from the five major funds, as of December 31, 2010, see Figure 2.3. For details on appropriations and the status of all funds as of December 31, 2010, see Table 2.1.

FIGURE 2.3

STATUS OF MAJOR U.S. FUNDS

\$ Billions



Note: Data not audited. Numbers affected by rounding.

Sources: 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; P.L. 111-212; P.L. 111-322; P.L. 111-242, Sec. 101(8); USAID, response to SIGIR data call, 1/10/2011; USACE, response to SIGIR data call, 1/4/2011; NEA-I, responses to SIGIR data calls, 12/20/2010, 12/21/2010, 1/7/2011, and 1/10/2011; INL, response to SIGIR data call, 1/10/2011; OSD, response to SIGIR data call, 1/13/2011; ABO, response to SIGIR data call, 12/6/2011.

Congressional Action

The Congress has not yet completed its consideration of the Administration's FY 2011 appropriations request. Instead, to fund FY 2011 government operations, the Congress has passed four continuing appropriations acts.⁷³ On December 22, 2010, the President signed into law the most recent of those acts (P.L. 111-322), which generally provides funding at FY 2010 rates through March 4, 2011.⁷⁴ Appropriated totals for the five major funds discussed below incorporate the projected budget authority through that date.⁷⁵

On January 7, 2011, the President signed into law the National Defense Authorization Act for FY 2011, P.L. 111-383. In addition to extending the ISFF and CERP for another year, the NDAA authorizes \$1.5 billion in FY 2011 appropriations for the ISFF and \$100 million for the CERP in Iraq.⁷⁶

FUNDING FOR IRAQ RECONSTRUCTION

TABLE 2.1

U.S. APPROPRIATED FUNDS

\$ Millions

	APPROPRIATIONS BY FISCAL YEAR, FY 2003–FY 2009						
	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	P.L. 110-252, P.L. 111-32
	2003	2004	2005	2006	2007	2008	2009
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	1,000
Economic Support Fund (ESF) ^b	50			1,545	1,478	664	439
Commander's Emergency Response Program (CERP) ^c		140	718	708	750	996	339
International Narcotics Control and Law Enforcement (INCLE)				91	170	85	20
Subtotal	2,525	18,529	6,208	5,351	7,941	4,745	1,798
OTHER ASSISTANCE PROGRAMS							
Migration and Refugee Assistance (MRA) and Emergency Refugee & Migration Assistance (ERMA)	40				78	278	260
Natural Resources Risk Remediation Fund (NRRRF) ^d	801						
Iraq Freedom Fund (Other Reconstruction Activities) ^e	700						
P.L. 480 Food Aid (Title II and Non-Title II)	368		3			24	
Democracy Fund (Democracy)					190	75	
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	24		7		45	85	51
Iraq Freedom Fund (TFBSO)					50	50	74
Department of Justice (DoJ)	37		2	10	23	25	7
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)					19	16	36
Child Survival and Health Programs Fund (CSH)	90						
Education and Cultural Exchange Programs (ECA)				7	5	7	7
Overseas Humanitarian, Disaster and Civic Aid (OHDACA)	9	15	3				
International Affairs Technical Assistance				13	3		
U.S. Marshals Service		2		3	2	2	1
International Military Education and Training (IMET)					1	2	2
Alhurra-Iraq Broadcasting		5					
Subtotal	2,069	22	15	33	416	563	438
RECONSTRUCTION-RELATED OPERATING EXPENSES							
Diplomatic and Consular Programs ^f							
Coalition Provisional Authority (CPA) ^g		908					
Project and Contracting Office (PCO) ^h				200	630		
USAID Operating Expenses (USAID OE)	21		24	79		46	52
U.S. Contributions to International Organizations (IO Contributions)						38	30
Iraq Freedom Fund (PRT Administrative Costs)					100		
Subtotal	21	908	24	279	730	84	82
RECONSTRUCTION OVERSIGHT							
Special Inspector General for Iraq Reconstruction (SIGIR)		75		24	35	3	44
USAID Office of Inspector General (USAID OIG)	4	2	3		3	7	4
DoD Office of Inspector General (DoD OIG)				5		21	
DoS Office of Inspector General (DoS OIG)				1	3	4	6
Defense Contract Audit Agency (DCAA)					16		
Subtotal	4	77	3	30	57	34	54
Total	4,619	19,536	6,250	5,694	9,144	5,426	2,371

^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. In FY 2006, the Congress transferred approximately \$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.

^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 Diplomatic and Consular Programs comprises FY 2010 supplemental funding to support U.S. Embassy-Baghdad in establishing an enduring provincial presence.

^g Excludes \$75 million for the Special Inspector General for Iraq Reconstruction under P.L. 108-106.

^h 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 2010			FY 2011		STATUS OF FUNDS		
	P.L. 111-117	P.L. 111-118	P.L. 111-212	P.L. 111-322	TOTAL APPROPRIATED	OBLIGATED	EXPENDED	EXPIRED
	12/16/09	12/19/09	7/29/10	12/22/10				
MAJOR FUNDS								
Iraq Relief and Reconstruction Fund (IRRF 1 and IRRF 2)					20,864	20,356	20,010	508
Iraq Security Forces Fund (ISFF)			1,000	388	19,427	18,167	16,988	435
Economic Support Fund (ESF)	383			161	4,720	4,037	3,574	289
Commander's Emergency Response Program (CERP)		240		101	3,992	3,675	3,560	317
International Narcotics Control and Law Enforcement (INCLE)	52		650	296	1,365	434	269	2
Subtotal	435	240	1,650	947	50,368	46,669	44,402	1,551
OTHER ASSISTANCE PROGRAMS								
Migration and Refugee Assistance (MRA) and Emergency Refugee & Migration Assistance (ERMA)	300			48	1,004	962	888	
Natural Resources Risk Remediation Fund (NRRRF)					801	801	801	
Iraq Freedom Fund (Other Reconstruction Activities)					700	680	654	
P.L. 480 Food Aid (Title II and Non-Title II)					395	395	395	
Democracy Fund (Democracy)					265	265	222	
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	33		9	18	272	254	202	
Iraq Freedom Fund (TFBSO)					174	86	65	
Department of Justice (DoJ)	8			3	116	89	82	
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)	30			13	114	62	62	
Child Survival and Health Programs Fund (CSH)					90	90	90	
Education and Cultural Exchange Programs (ECA)	7			3	36			
Overseas Humanitarian, Disaster and Civic Aid (OHDACA)					27	27	10	
International Affairs Technical Assistance					16	16	14	
U.S. Marshals Service					9	9	9	
International Military Education and Training (IMET)	2			1	8	8	5	
Alhurra-Iraq Broadcasting					5	5	5	
Subtotal	380		9	86	4,032	3,748	3,504	
RECONSTRUCTION-RELATED OPERATING EXPENSES								
Diplomatic and Consular Programs			1,030		1,030			
Coalition Provisional Authority (CPA)					908	832	799	
Project and Contracting Office (PCO)					830			
USAID Operating Expenses (USAID OE)	57			24	303			
U.S. Contributions to International Organizations (IO Contributions)	33			14	115			
Iraq Freedom Fund (PRT Administrative Costs)					100			
Subtotal	90		1,030	38	3,286	832	799	
RECONSTRUCTION OVERSIGHT								
Special Inspector General for Iraq Reconstruction (SIGIR)	23			10	213	201	192	
USAID Office of Inspector General (USAID OIG)	7			3	32			
DoD Office of Inspector General (DoD OIG)					26			
DoS Office of Inspector General (DoS OIG)	7			3	24			
Defense Contract Audit Agency (DCAA)					16			
Subtotal	37			16	310	201	192	
Total	941	240	2,689	1,086	57,997	51,450	48,897	1,551

Sources: U.S. Treasury, OTA, "Office of Technical Assistance Overview," 12/30/2005, ustreas.gov/offices/international-affairs/assistance/, accessed 10/16/2009 and response to SIGIR data call, 4/2/2009; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009; U.S. Marshals Service, response to SIGIR data call, 10/5/2010; DoS, PM, response to SIGIR data call, 9/21/2010; BBG, response to SIGIR data call, 10/5/2010; OUSD(C), response to SIGIR data call, 10/14/2010; DoS, ECA, response to SIGIR data call, 4/14/2010; OMB, response to SIGIR data call, 6/21/2010; 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 and responses to SIGIR data calls, 1/12/2009, 4/8/2009, 7/8/2010, and 1/10/2011; DoJ, Justice Management Division, response to SIGIR data call, 10/5/2010; TFBSO, response to SIGIR data call, 1/4/2011; DoS, DRL, response to SIGIR data call, 9/22/2010; ABO, response to SIGIR data call, 12/6/2010; INL, response to SIGIR data call, 1/10/2011; USTDA, response to SIGIR data call, 4/2/2009; SIGIR Audit 11-007, "Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Cancelled Funds," 12/28/2010; DoS, response to SIGIR data call, 4/5/2007; OSD, responses to SIGIR data calls, 4/10/2009 and 1/13/2011; USACE, responses to SIGIR data calls, 10/6/2008 and 1/4/2011; NEA-I, responses to SIGIR data calls, 9/27/2010, 10/4/2010, 10/6/2010, 12/20/2010, 12/21/2010, 12/28/2010, 1/7/2011, and 1/10/2011.

SIGIR Forensic Audit

SIGIR has completed its initial forensic testing of Department of Defense (DoD), Department of State (DoS), and U.S. Agency for International Development (USAID) expenditures of funds appropriated for the reconstruction of Iraq. This testing involved nearly 180,000 transactions valued at approximately \$40 billion. SIGIR has reported on specific issues related to this work, such as questionable CERP transactions.⁷⁷

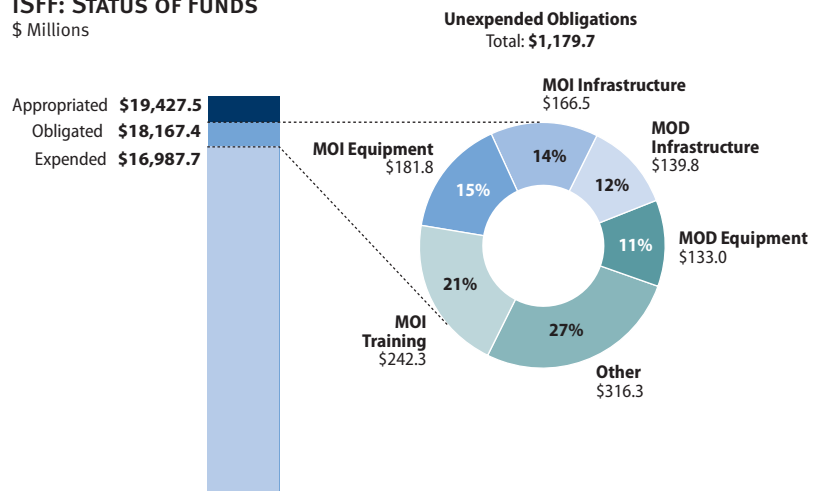
SIGIR's current objective is to identify possible cases of fraud in invoice preparation prior to voucher payment. Additionally, a SIGIR initiative involving auditors, analysts, and investigators reviewed programs that afforded easy access to cash, resulting in the opening of 54 criminal investigations. This quarter, SIGIR issued a report expressing concerns about data missing from the DoD Deployable Disbursing System. Because data is missing, SIGIR is prevented from fully completing its forensic audit mandate. Also, SIGIR is concerned that the missing data may contain Personally Identifiable Information and classified information.⁷⁸

Iraq Security Forces Fund

Since 2005, the Congress has appropriated \$19.43 billion to the ISFF to support Iraq's Ministry of Defense (MOD) and Ministry of Interior (MOI) in developing the Iraqi Security Forces (ISF) and increasing ministerial capacity.⁷⁹ This includes approximately \$388 million provided by the latest continuing appropriation for FY 2011.⁸⁰ The Congress has not completed its consideration of the Administration's request for \$2.00 billion in ISFF funding for FY 2011, but the FY 2011 NDAA authorizes appropriations to the ISFF of up to \$1.50 billion.⁸¹

As of December 31, 2010, \$1.18 billion of obligated ISFF funds had not been expended. An additional \$1.26 billion had not been obligated, but \$435 million of this amount has expired.

FIGURE 2.4
ISFF: STATUS OF FUNDS
\$ Millions



Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 109-13; 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; P.L. 111-212; P.L. 111-290; P.L. 111-317; P.L. 111-322; P.L. 111-242, Sec. 101(8); OSD, response to SIGIR data call, 1/13/2011.

This leaves \$823 million available for obligation to new projects.⁸²

For the status of the ISFF, including a breakdown of unexpended obligations, as of December 31, 2010, see Figure 2.4.

ISFF Quarterly Obligations and Expenditures

As of December 31, 2010, \$18.29 billion (94%) of the \$19.43 billion appropriated to the ISFF had been allocated to four major sub-activity groups: Equipment, Infrastructure, Sustainment, and Training. The remaining \$908 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, among other programs.⁸³

For the status and quarterly change of the ISFF, by ministry and sub-activity group, as of December 31, 2010, see Table 2.2.

TABLE 2.2

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	4,792.5	4,659.5	49.1 (1%)	100.3 (2%)
	Infrastructure	3,074.9	2,935.1	-0.9 (0%)	50.6 (2%)
	Sustainment	2,234.9	2,117.2	212.8 (11%)	226.9 (12%)
	Training	595.5	503.9	34.5 (6%)	31.8 (7%)
	Subtotal	10,697.8	10,215.6	295.5 (3%)	409.6 (4%)
Interior	Training	2,651.4	2,409.2	182.9 (7%)	11.5 (0%)
	Equipment	1,948.8	1,767.0	62.1 (3%)	56.2 (3%)
	Infrastructure	1,377.7	1,211.2	-22.6 (-2%)	31.2 (3%)
	Sustainment	629.2	562.3	5.9 (1%)	2.5 (0%)
	Subtotal	6,607.1	5,949.7	228.3 (4%)	101.4 (2%)
Varies	Related Activities	862.6	822.4	-11.2 (-1%)	6.5 (1%)
Total		18,167.4	16,987.7	512.6 (3%)	517.5 (3%)

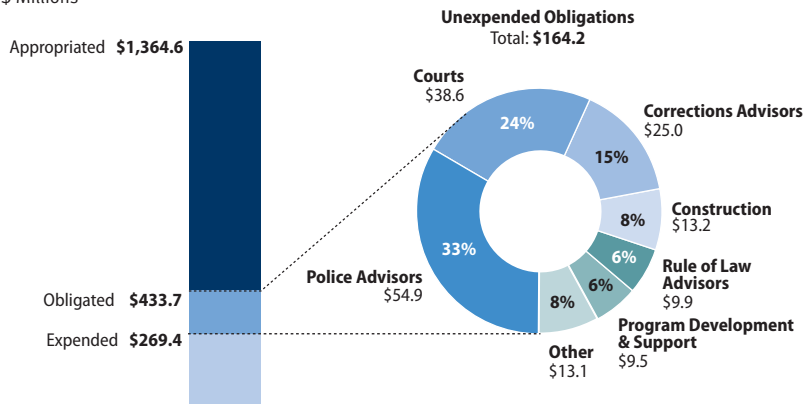
Note: Data not audited. Numbers affected by rounding.

Sources: OSD, responses to SIGIR data calls, 10/14/2010 and 1/13/2011.

FIGURE 2.5

INCLE: STATUS OF FUNDS

\$ Millions



Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 109-234; P.L. 110-5; P.L. 110-28; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-212; P.L. 111-242; P.L. 111-290; P.L. 111-317; P.L. 111-322; INL, response to SIGIR data call, 1/10/2011.

International Narcotics Control and Law Enforcement

Since 2006, the Congress has appropriated \$1.36 billion to the INCLE in Iraq to support rule-of-law activities.⁸⁴ This includes approximately \$296 million provided by the latest continuing appropriation for FY 2011.⁸⁵ The Congress has not yet completed its consideration of the Administration's request for \$315 million in INCLE funding for FY 2011.⁸⁶

As of December 31, 2010, \$164 million of obligated INCLE funds had not been expended. An additional \$929 million remains available for obligation to new projects.⁸⁷

For the status of the INCLE, including a breakdown of unexpended obligations, as of December 31, 2010, see Figure 2.5.

INCLE Quarterly Obligations and Expenditures

The INCLE has been allocated to 11 programs in four sectors: criminal justice, corrections, counter-narcotics, and other (which includes funding for program development and support). The majority

TABLE 2.3

INCLE: STATUS OF FUNDS, BY SECTOR AND PROGRAM

\$ Millions

SECTOR	PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Criminal Justice	Courts	101.5	62.8		6.5 (12%)
	Police Advisors	56.6	1.6	47.6 (534%)	0.7 (84%)
	Public Integrity	33.7	26.8	4.0 (13%)	4.5 (20%)
	Rule of Law Advisors	22.3	12.4	0.3 (1%)	0.2 (1%)
	Major Crimes Task Force	13.1	8.3		2.9 (53%)
	Justice Integration	6.8	5.5		0.4 (9%)
	Legal Framework	2.5	2.5		
	Subtotal	236.5	119.9	51.9 (28%)	15.3 (15%)
Corrections	Advisors	86.5	61.5		3.7 (6%)
	Construction	83.7	70.5		0.8 (1%)
	Subtotal	170.2	132.0		4.5 (4%)
Other	Program Development & Support	27.0	17.5	1.4 (5%)	0.4 (2%)
Total		433.7	269.4	53.3 (14%)	20.1 (8%)

Note: Data not audited. Numbers affected by rounding.

Sources: INL, responses to SIGIR data calls, 9/30/2010 and 1/10/2011.

of INCLE obligations to date have been made to programs in the criminal justice sector.⁸⁸

For the status and quarterly change of the INCLE, by program, as of December 31, 2010, see Table 2.3.

Economic Support Fund

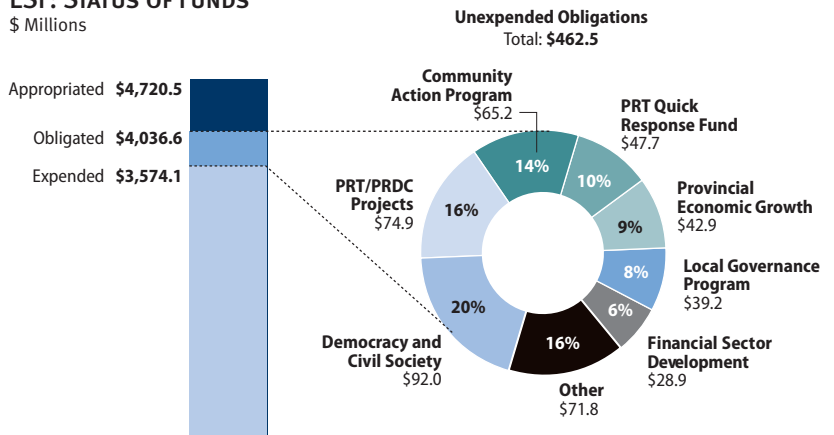
Since 2003, the Congress has appropriated \$4.72 billion to the ESF to improve infrastructure and community security, promote democracy and civil society, and support capacity building and economic development.⁸⁹ This includes approximately \$161 million provided by the latest continuing appropriation for FY 2011.⁹⁰ The Congress has not completed its consideration of the Administration's request for \$383 million in ESF funding for FY 2011.⁹¹

As of December 31, 2010, \$463 million of obligated ESF funds had not been expended. An additional \$684 million had not been obligated, but \$289 million of this amount has expired. This

FIGURE 2.6

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; P.L. 111-242; P.L. 111-290; P.L. 111-317, P.L. 111-322; USAID, response to SIGIR data call, 1/10/2011; USACE, response to SIGIR data call, 1/4/2011; NEA-I, responses to SIGIR data call, 12/20/2010, 12/21/2010, 1/7/2011, and 1/10/2011.

leaves \$395 million, appropriated by P.L. 111-117, available for obligation to new projects.⁹²

For the status of the ESF, including a breakdown of unexpended obligations, as of December 31, 2010, see Figure 2.6.

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.⁹³

For the status and quarterly change of the ESF, by track and program, as of December 31, 2010, see Table 2.4.

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).⁹⁴ As of December 31, 2010, \$346 million of obligated funds had not been expended from the IRRF 2.⁹⁵

TABLE 2.4
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		10.3 (2%)
	PRT/PRDC Projects	580.4	505.5	16.4 (3%)	19.3 (4%)
	Local Governance Program	435.5	396.3		48.2 (14%)
	Community Action Program	384.3	319.1		27.7 (10%)
	PRT Quick Response Fund	270.7	223.0	32.3 (14%)	37.9 (20%)
	Infrastructure Security Protection	194.7	188.1		1.4 (1%)
	Subtotal	2,485.0	2,251.0	48.7 (2%)	144.8 (7%)
Political	Tatweer National Capacity Development	309.4	296.8		32.1 (12%)
	Democracy and Civil Society	260.6	168.6	15.1 (6%)	24.7 (17%)
	Iraqi Refugees	95.0	93.2		2.7 (3%)
	Economic Governance II, Policy and Regulatory Reforms	85.0	85.0		1.1 (1%)
	Ministerial Capacity Development	37.7	34.5	-0.1 (0%)	0.1 (0%)
	Regime Crimes Liaison Office	28.5	28.0		
	Elections Support	13.9	13.8		
	Monitoring and Evaluation	8.5	5.1		1.3 (36%)
	Subtotal	838.7	725.1	15.1 (2%)	61.9 (9%)
Economic	O&M Sustainment	275.2	273.4	0.7 (0%)	0.1 (0%)
	Inma Agribusiness Development	144.8	124.0		15.4 (14%)
	Tijara Provincial Economic Growth	117.8	74.9	20.0 (20%)	15.8 (27%)
	Targeted Development Program	60.4	41.1		-2.1 (-5%)
	Plant-Level Capacity Development & Technical Training	50.4	50.1	0.3 (1%)	
	Izdiyar Private Sector Development	32.8	31.8		0.5 (1%)
	Financial Sector Development	31.6	2.7		2.7
	Subtotal	713.0	598.0	21.0 (3%)	32.3 (6%)
Total		4,036.6	3,574.1	84.8 (2%)	239.1 (7%)

Note: Data not audited. Numbers affected by rounding.

Sources: U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; USAID, responses to SIGIR data calls, 7/13/2010, 1/10/2011, and 1/11/2011; USACE, responses to SIGIR data calls, 10/6/2010 and 1/4/2011; NEA-I, responses to SIGIR data calls, 4/12/2010, 4/14/2010, 9/23/2010, 10/4/2010, 10/7/2010, 12/20/2010, 12/21/2010, 1/7/2011, and 1/10/2011.

TABLE 2.5

IRRF: STATUS OF FUNDS, BY APPROPRIATION AND SECTOR

\$ Millions

APPROPRIATION	SECTOR	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
IRRF 1	Subtotal	2,227.7	2,227.7	-31.0 (-1%)	-20.9 (-1%)
IRRF 2	Security & Law Enforcement	4,929.0	4,892.8	0.2 (0%)	
	Electric Sector	4,108.1	4,062.1	5.2 (0%)	3.4 (0%)
	Justice, Public Safety Infrastructure, & Civil Society	2,309.3	2,209.4	-3.3 (0%)	0.3 (0%)
	Water Resources & Sanitation	1,968.0	1,956.1	-0.2 (0%)	5.5 (0%)
	Oil Infrastructure	1,604.2	1,593.1	-0.1 (0%)	0.1 (0%)
	Private Sector Development	860.0	830.0		
	Health Care	816.7	802.4	0.1 (0%)	0.3 (0%)
	Education, Refugees, Human Rights, Democracy, & Governance	519.5	447.6		
	Transportation & Telecommunications Projects	468.8	461.4	2.1 (0%)	6.1 (1%)
	Roads, Bridges, & Construction	280.5	274.5	1.2 (0%)	3.1 (1%)
	Administrative Expenses	219.5	217.9		
	ISPO Capacity Development	44.9	35.2	-0.6 (-1%)	3.0 (9%)
	Subtotal	18,128.4	17,782.4	4.8 (0%)	21.7 (0%)
Total		20,356.0	20,010.0	-26.2 (0%)	0.8 (0%)

Note: Data not audited. Numbers affected by rounding.

Sources: NEA-I, response to SIGIR data call, 12/28/2010; USAID, response to SIGIR data call, 7/8/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USTDA, response to SIGIR data call, 4/2/2009; DoS, response to SIGIR data call, 4/5/2007; OSD, response to SIGIR data call, 4/10/2009; SIGIR Audit 11-007, "Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Cancelled Funds," 12/28/2010.

The 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 the IRRF 1.⁹⁶ For a summary of SIGIR's audit of the IRRF 1, released this quarter, see Section 5.

P.L. 109-234 and P.L. 110-28 extended the period of obligation for some of the IRRF 2 until September 30, 2008. Consequently, some IRRF 2 funds will remain available for expenditure until September 30, 2013.⁹⁷

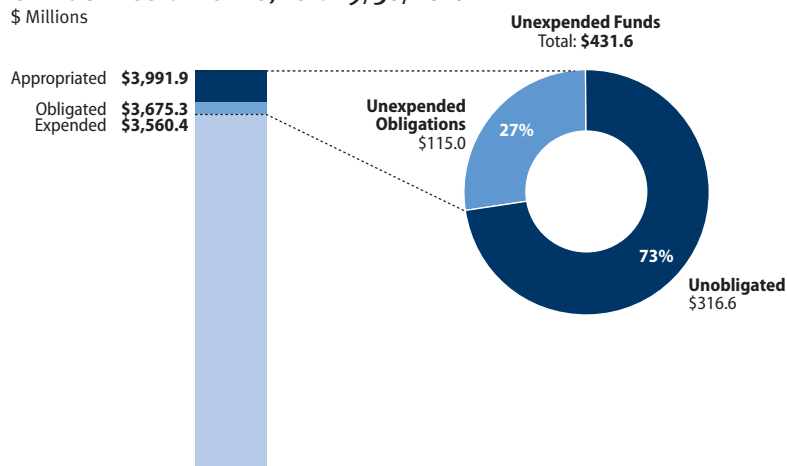
For the status of the IRRF, as of December 31, 2010, see Table 2.5.

Commander's Emergency Response Program

Since 2004, the Congress has provided \$3.99 billion to the CERP in Iraq for the purpose of enabling military commanders to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility.⁹⁸ This includes approximately \$101 million provided by the latest continuing appropriation for FY 2011.⁹⁹ The Congress has not completed its consideration of the Administration's request for \$200 million in CERP funding for FY 2011, but the FY 2011 NDAA authorizes FY 2011 appropriations to the CERP in Iraq of up to \$100 million.¹⁰⁰

For the second consecutive quarter, the Office of the Under Secretary of Defense (Comptroller) OUSD(C) has not provided aggregate, "top-line" CERP allocation, obligation, and expenditure data as of the end of the current fiscal-year quarter.

FIGURE 2.7
CERP: STATUS OF FUNDS, AS OF 9/30/2010
\$ Millions



Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 111-242; P.L. 111-290; P.L. 111-317; ABO, response to SIGIR data call, 12/6/2010.

SIGIR cannot provide the top-line status of funds for the CERP as of December 31, 2010.

Consequently, SIGIR cannot provide the top-line status of funds for the CERP as of December 31, 2010, as it can with all other major U.S. funds.

As of September 30, 2010, \$115 million of obligated CERP funds had not been expended. An additional \$215 million had not been obligated from the FY 2004–FY 2010 appropriations, but this entire amount has expired. The only CERP funding available for obligation is the approximately \$101 million provided by the latest continuing appropriation for FY 2011.¹⁰¹

For the status of the CERP, including a breakdown of unexpended obligations, as of September 30, 2010, see Figure 2.7. For a summary of SIGIR’s audit of the CERP status of funds, released this quarter, see Section 5.

CERP Quarterly Obligations and Expenditures

The most current project- and category-level CERP data available from USF-I is one quarter old because USF-I and OUSD(C) do not provide information in time to meet SIGIR’s deadline to report to the Congress within 30 days of the end of the quarter. OUSD(C) submitted its quarterly CERP report to the Congress for the fourth quarter of FY 2010 on

December 30, 2010—91 days after the end of the fiscal quarter.¹⁰² For details on the availability of CERP data, see the discussion below.

SIGIR is unable to provide a complete “project-by-project” or “category-by-category” accounting of all CERP obligations and expenditures because USF-I only provides updates on the status of funds at a project- and category-level for the current fiscal-year appropriation. USF-I does not provide updates on the status of funds to SIGIR or to the Congress during the CERP’s reporting and outlay phase (the five-year period after an appropriation expires for new obligations).¹⁰³

For the status of the CERP, by project category, as of September 30, 2010, see Table 2.6. The table compares aggregate category-level data provided by USF-I through its quarterly CERP reports to the Congress with the accurate top-line financial data provided by the Army Budget Office (ABO). Because USF-I does not track CERP appropriations through their entire reporting and outlay phase, its reports overstate or understate actual obligations and expenditures for each fiscal-year appropriation.

Incomplete CERP Program Management Data

There are three primary sources of CERP data, each with a weakness that makes it insufficient for enabling SIGIR to provide a complete and accurate “project-by-project” or “category-by-category” accounting of the CERP:

- The Army Budget Office provides top-line data that aggregates financial data from every CERP fiscal-year appropriation. At the aggregate level, it is the most complete and accurate source of CERP data. However, it does not provide project- or category-level data.
- The Iraq Reconstruction Management System (IRMS) provided current data on a project-level from all fiscal-year appropriations (until it was shut down in September 2010). Its usefulness was limited because USF-I did not update all projects; but among the available sources, it came closest to providing complete data.

FUNDING FOR IRAQ RECONSTRUCTION

TABLE 2.6

CERP: STATUS OF FUNDS, BY PROJECT CATEGORY, AS OF 9/30/2010

\$ Millions

	PROJECT CATEGORY/FISCAL YEAR	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Status of Funds, by Project Category, According to the USF-I CERP Project Tracker	Water & Sanitation	661.9	216.0	13.8 (2%)	8.4 (4%)
	Protective Measures	489.1	266.8	1.1 (0%)	0.8 (0%)
	Electricity	441.3	131.1	8.1 (2%)	5.5 (4%)
	Education	424.6	175.8	8.6 (2%)	6.8 (4%)
	Transportation	383.8	147.6	3.6 (1%)	2.5 (2%)
	Civic Cleanup Activities	239.2	115.8	1.6 (1%)	1.5 (1%)
	Other Urgent Humanitarian or Reconstruction Projects	216.8	81.2	3.6 (2%)	3.0 (4%)
	Agriculture	206.4	74.0	6.8 (3%)	5.3 (8%)
	Economic, Financial, and Management Improvements	181.3	75.4	14.8 (9%)	6.7 (10%)
	Health Care	149.5	58.7	3.8 (3%)	3.5 (6%)
	Rule of Law & Governance	93.0	43.6	1.3 (1%)	1.7 (4%)
	Civic Infrastructure Repair	67.5	23.9		
	Repair of Civic & Cultural Facilities	62.6	27.1	2.9 (5%)	0.3 (1%)
	Civic Support Vehicles	54.0	29.2	5.8 (12%)	3.1 (12%)
	Condolence Payments	50.7	35.4	0.1 (0%)	0.1 (0%)
	Telecommunications	39.6	10.1		
	Temporary Contract Guards for Critical Infrastructure	35.6	35.3		0.1 (0%)
	Non-FMR	27.5	0.0		
	Battle Damage Repair	23.7	17.8	0.1 (0%)	0.1 (1%)
	TFBSO	22.5	13.9	22.5	13.9
	Food Production & Distribution	20.8	7.8	0.2 (1%)	0.6 (9%)
	Detainee Payments	1.0	0.6		
	Iraqi Hero Payments	0.7	0.7	0.0 (4%)	0.0 (5%)
	Subtotal	3,893.0	1,587.7	98.7 (3%)	63.9 (4%)
Difference between ABO Financial Data and USF-I CERP Project Tracker, by Fiscal Year	FY 2004	-5.8	133.6		
	FY 2005	-49.2	404.4	0.1 (0%)	0.2 (0%)
	FY 2006	136.6	498.6	-0.5 (0%)	0.3 (0%)
	FY 2007	-180.5	324.0	-0.4 (0%)	
	FY 2008	-88.5	512.4	-0.3 (0%)	1.1 (0%)
	FY 2009	-7.7	113.6	-1.2 (18%)	6.9 (6%)
	FY 2010	-22.5	-13.9	-22.5	-13.9
	Subtotal	-217.6	1,972.7	-24.8 (13%)	-5.4 (0%)
Total, According to ABO Financial Data		3,675.3	3,560.4	73.9 (2%)	58.5 (2%)

Note: Data not audited. Numbers affected by rounding. Table compares project category totals from the USF-I CERP Project Tracker with financial data from ABO, by fiscal year. Project Categories reported in the USF-I CERP Project Tracker were inconsistent across fiscal years, but most aberrations could be matched with a Project Category provided for in the DoD FMR. Project Categories reported by USF-I that could not be matched to a Project Category provided for in the DoD FMR were classified as "Non-FMR" in this table. "TFBSO" is not a Project Category provided for in the DoD FMR, but DoD reported significant obligations under this heading this quarter.

Sources: ABO, responses to SIGIR data calls, 10/4/2010, 10/8/2010, 12/6/2010, and 12/22/2010.

- The CERP Project Tracker is a spreadsheet-based system used by USF-I for congressional reporting. According to USF-I, it includes complete project- and category-level data, but only for the current fiscal-year appropriation.

For details on the respective coverage of the three CERP data sources, see Figure 2.8.

DoD has acknowledged SIGIR's concerns about incomplete project- and category-level data, and has reportedly taken steps to overcome these limitations in Afghanistan through use of the Combined Information Data Network Exchange (CIDNE) for CERP data management. According to DoD, CIDNE provides program-management data for the current and prior-year CERP appropriations as well as existing financial data systems—specifically, the Army Standard Financial System (STANFINS) and Resource Management Tool (RMT). However, CIDNE also contains sensitive data and is therefore classified as secret. According to DoD, the data management solution in Afghanistan will, therefore, also involve a database system called INDURE, which will contain unclassified data from CIDNE, thereby avoiding obstacles to oversight caused by data inaccessibility.¹⁰⁴

SIGIR has used the IRMS to provide CERP project-level and category-level data for its Quarterly Reports, including the Insert of this Report. However, because the IRMS was shut down in September 2010, it can no longer serve this function. Over the past two quarters, ABO has worked cooperatively with SIGIR to match the complete financial data it provides to the abbreviated program-management data that USF-I provides. This could conceivably yield a complete data set that is both accurate at the aggregate level and detailed at the project- and category-level.

Building an accurate and complete CERP database necessitates matching financial records provided by ABO—which contain only obligations or expenditures denoted by a unique Document Reference Number (DRN)—to the CERP Project Tracker, which includes such details as a project

description, start and completion dates, location, and project category. However, SIGIR has discovered two potentially unresolvable obstacles while trying to create a new database:¹⁰⁵

- Prior to FY 2008, USF-I did not consistently include the DRN in its CERP Project Tracker, making it impossible to use ABO data to track individual projects to completion for FY 2004–FY 2007 CERP appropriations.
- For FY 2008–FY 2010 CERP appropriations, some projects (mostly CERP microgrants) are bundled under a single DRN, making it impossible to distinguish which specific projects or grants under that DRN have been paid out or canceled.

As of now, the ABO financial data cannot be readily or completely matched to individual project data provided by USF-I or, therefore, to project categories defined by DoD's Financial Management Regulation (FMR). SIGIR will continue working with ABO to resolve these problems. If successful, SIGIR will use this new database to replace the IRMS as SIGIR's data set of record for the CERP at a project and category level.

CERP Used To Support TFBSO Projects

On September 29, 2010, one day before the end of the fiscal year, the Deputy Secretary of Defense notified the Congress of waivers he issued to use the CERP to fund three DoD Task Force for Business and Stability Operations (TFBSO) projects in excess of \$2 million each. The projects had originally been funded by U.S. Army Operation and Maintenance funds, but DoD determined it was improper to do so and adjusted its accounts to charge these contracts to the CERP.¹⁰⁶

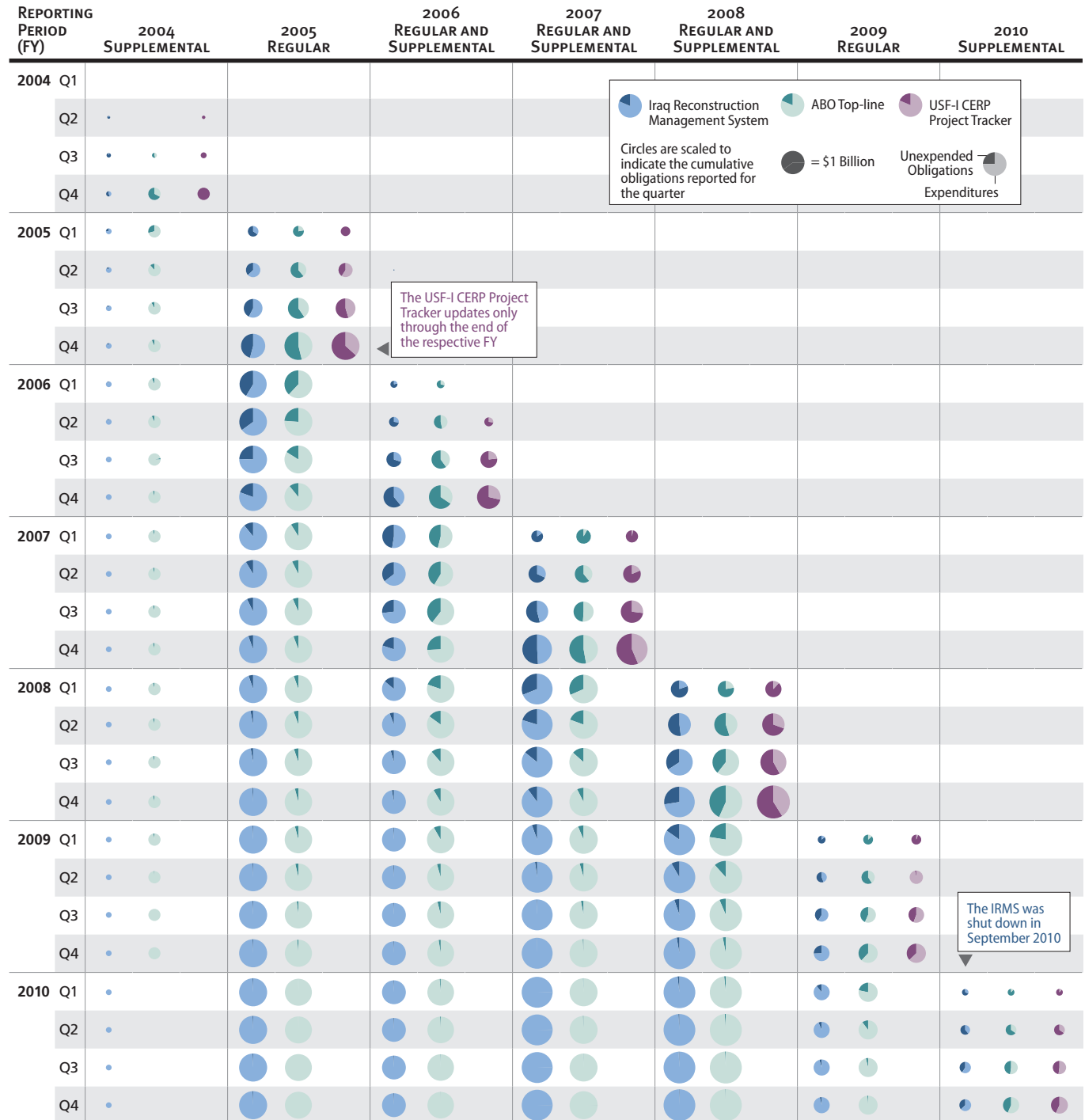
This is the first time that TFBSO has received CERP funding to support its activities. As recently as July 2010, TFBSO reported to SIGIR that it had no intention of using the CERP. According to USF-I, TFBSO projects funded by the CERP were coordinated directly between TFBSO and OSD. USF-I did not manage or account for any CERP funds used for TFBSO projects in Iraq. As a result,

DoD has acknowledged SIGIR's concerns about incomplete project- and category-level data, and has reportedly taken steps to overcome these limitations in Afghanistan.

FUNDING FOR IRAQ RECONSTRUCTION

FIGURE 2.8

COMPARISON OF THE REPORTING OF CERP OBLIGATIONS AND EXPENDITURES BY IRMS, ABO, AND THE USF-I CERP PROJECT TRACKER, BY FISCAL-YEAR APPROPRIATION AND QUARTER



Note: Data not audited.

Sources: IRMS, Global Benchmark, 9/3/2010; ABO, responses to SIGIR data calls, 10/4/2010, 10/8/2010, 12/6/2010, and 12/22/2010.

TABLE 2.7

CERP-FUNDED TFBSO PROJECTS IN IRAQ, AS REPORTED IN THE USF-I CERP PROJECT TRACKER

\$ Millions

DATE OBLIGATED	DESCRIPTION	LOCATION	OBLIGATED	EXPENDED
11/6/2009	The USGS has conducted a series of multidisciplinary activities to develop information and tools that can be used to promote opportunities for business development in the natural resource sectors of Iraq. The work focused on assessing the nonfuel mineral and water resources of Iraq, on developing an agrometeorological network (Agromet) and on establishing a national spatial data infrastructure (NSDI).	Nationwide	9.84	3.24
12/22/2009	Grant Thornton—provides support services to the Government of Iraq Ministry of Industry and Minerals to assist in the restructuring of its legal directorate and policies IAW international best practice laws and advises the government on the revitalization effort.	Nationwide	9.12	8.37
1/26/2010	The purpose of the Iraq Graduate Studies Program is to provide graduate level training to future leaders in Iraq's agricultural industry—in science, management, extension, and policy. These leaders will return to Iraq to ensure sustainability and long-term success of MNF-I, TFBSO, PRT and other agricultural development and sustainability initiatives. Students were selected from multiple provinces.	Baghdad, Erbil, Babylon, Tameem, Anbar, Najaf, Kerbala	1.00	0.00
3/1/2010	Price, Waterhouse, Coopers—investment support to the Iraqi National Investment Commission to assist in the development of the economy by partnering American and International businesses with Iraqi business officials.	Baghdad	2.49	2.26
9/30/2010	Estimated totals, corrected after 9/30/2010	Baghdad	0.05	0.00
Total			22.45	13.87

Note: Data not audited. Numbers affected by rounding.**Sources:** USF-I, response to SIGIR data call, 1/7/2011; DoD, CMC, response to SIGIR data call, 1/13/2011.

no TFBSO projects funded by the CERP are referenced in the USF-I Commanders' CERP Narratives that are reported to the Congress.¹⁰⁷

Two of the TFBSO projects, worth \$9.8 million and \$9.1 million, are among the ten largest projects ever funded by the CERP in Iraq. In total, \$22.45 million (9%) of the FY 2010 CERP appropriation was used to support TFBSO activities in Iraq.¹⁰⁸ For details on each of these projects, see Table 2.7.

According to the notification letter, DoD “should have requested specific authorization for TFBSO projects in FY 2010.” Although the DoD “would strongly prefer not to use CERP funds to pay for TFBSO activities,” the notification letter asserts that CERP was the only available source of funding for those projects. The notification letter also notes that DoD has sought the appropriate authorities for FY 2011 and stopgap authority in the Continuing Resolution, and “if [DoD] does not receive the authority, [it] will be forced to select one of two options, both undesirable: shut down the operations of the TFBSO or continue to fund portions of the Task Force using CERP.”¹⁰⁹ However,

the FY 2011 NDAA repeals the language cited by the DoD to permit CERP to be used for TFBSO. TFBSO reported that its operations will cease on January 31, 2011, but did not provide information regarding what agency will manage these large CERP-funded projects at that time.¹¹⁰

Smaller Funds

The Congress has appropriated or otherwise made available nearly \$7.63 billion in smaller funding streams for Iraq reconstruction. SIGIR has classified them into three categories:¹¹¹

- Other Assistance Programs—\$4.03 billion
- Reconstruction-related Operating Expenses—\$3.29 billion
- Reconstruction Oversight—\$310 million

As of December 31, 2010, at least \$4.78 billion (63%) of these funds had been obligated, and at least \$4.50 billion (59%) had been expended.¹¹² For details on the status of funds, see Table 2.1. ♦

The notification letter asserts that CERP was the only available source of funding for those projects.

IRAQI FUNDING

As of December 31, 2010, Iraq had provided \$110.25 billion for relief and reconstruction through Iraqi funding from the CPA era and its annual capital budgets.¹¹³

2011 Iraqi Budget

On November 30, 2010, the Iraqi Council of Ministers (CoM) approved the draft 2011 GOI budget. The draft budget projects \$67.27 billion in revenue, based mostly on an estimated oil price of \$73.00 per barrel and an estimated export rate of 2.25 million barrels per day (MBPD).¹¹⁴ This is an increase of \$10.50 (17%) per barrel in price and 0.15 MBPD (7%) in export volume over the estimates used to project the 2010 GOI budget.¹¹⁵

The draft budget projects \$79.47 billion in expenditures, leaving a projected deficit of \$12.20 billion. According to the draft budget, this deficit will be covered by unspent 2010 budget allocations and from internal and external borrowing. Accordingly, the draft budget authorizes the Minister of Finance to borrow \$4.5 billion from the International Monetary Fund (IMF), \$2.0 billion from the World Bank, \$1.8 billion in Special Drawing Rights (SDR) from the IMF, and an undefined amount of domestic treasury transfers. In addition, the draft budget notes that a \$500 million loan from the “British Oil Company” will also be used to help cover the deficit.¹¹⁶

The GOI’s draft budget broadly categorizes expenditures as those related to operations (\$54.72 billion) and capital investment (\$24.75 billion).¹¹⁷ For details on GOI budget allocations, see Table 2.8.

GOI Revenue for 2010

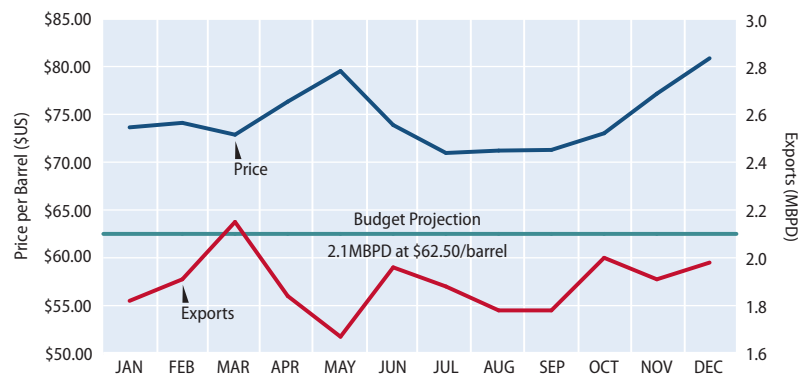
In 2010, the GOI received \$48.83 billion in oil receipts, 32% more than the \$37.02 billion in

2009 oil receipts,¹¹⁸ and just over the \$47.91 billion projected in the 2010 GOI budget.¹¹⁹

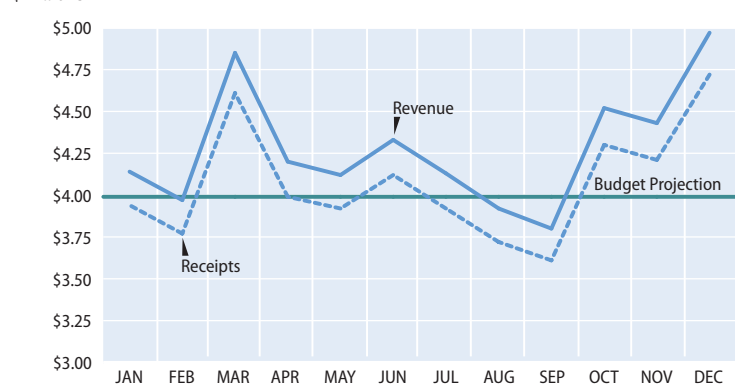
Over the course of 2010, Iraq has received an average of \$74.57 per barrel of oil exported,¹²⁰ well above the price of \$62.50 per barrel used to project Iraqi oil revenues for 2010.¹²¹ However, during 2010, Iraq’s export volume was 10% less than projected.¹²² For details, see Figure 2.9. ♦

FIGURE 2.9
MONTHLY OIL PRICE, EXPORTS, AND REVENUE VS. 2010 GOI BUDGET PROJECTIONS

Monthly Oil Price and Exports vs. Budget Projection



Monthly Oil Receipts vs. Budget Projection



Note: Data not audited. Numbers affected by rounding. Not all oil export revenue accrues to the GOI; 5% is paid in war reparations to Kuwait, which accounts for the difference between the Receipts and Revenue lines in this chart.

Sources: U.S. Treasury, response to SIGIR data call, 1/4/2011; GOI, CoR, “Federal Public Budget Law for the Fiscal Year 2010,” 1/27/2010.

TABLE 2.8

2011 IRAQI BUDGET ALLOCATIONS, WITH CHANGES FROM 2010 AND 2009

\$ Millions

Category	Ministry	2011 Budget Allocations			Total Allocation, Change From:									
		Operating	Capital	Total	-60%	-40%	-20%	0%	20%	40%	60%	80%	100%	
Republic Presidency	Subtotal	69.6	10.1	79.7										
Council of Representatives	Council of Representatives	247.7		247.7										
	Board of Supreme Audit	57.1	3.0	60.1										
	Commission on Integrity	28.9	0.5	29.3										
	Other	117.4		117.4										
	Subtotal	451.0	3.5	454.5										
Council of Ministries	Prime Minister and Secretariat	389.2	56.3	445.6										
	Institution of the Martyrs	276.8	196.2	472.9										
	Endowments	404.3	76.1	480.3										
	Iraqi National Intelligence Service	140.8	34.3	175.1										
	Joint Staff and National Security Council	66.7	1.3	68.0										
	Militia Disarm./Integration Directorate	195.5		195.5									447%	
	Other	47.5	1.8	49.4										
	Subtotal	1,520.8	366.0	1,886.8										
Ministries	Finance	11,887.2	1,003.8	12,891.0										
	Oil	2,047.4	5,940.2	7,987.6									148%	
	Interior	6,146.0	167.4	6,313.4										
	Electricity	2,400.1	3,197.9	5,598.1										
	Defense	5,348.8	170.9	5,519.7										
	Education	5,033.5	341.9	5,375.3										
	Health	3,993.5	854.7	4,848.2										
	Commerce	3,028.8	34.2	3,063.0										
	Higher Education and Scientific Research	1,700.8	299.3	2,000.1										
	Municipalities and Public Works	727.3	957.9	1,685.3										
	Water Resources	199.9	1,137.9	1,337.8										
	Agriculture	766.6	192.1	958.7										
	Housing and Construction	233.6	658.1	891.7									101%	
	Labor and Social Affairs	867.9	15.4	883.2									285%	
	Youth and Sports	77.8	652.5	730.3										
	Industry and Minerals	99.1	551.0	650.1									405%	
	Foreign Affairs	309.0	232.4	541.4										
	Transportation	252.8	285.2	538.0										
	Justice	382.5	11.5	394.0										
	Other	695.0	312.0	1,007.0										
	Subtotal	46,197.7	17,016.2	63,213.9										
Independent Offices	Local Councils in the Provinces	113.8		113.8										
	General Management in the Provinces	325.8	3,691.1	4,016.9										
	Investment Commissions in the Provinces	22.1		22.1										
	Independent High Electoral Commission	159.1	5.8	164.9										
	Iraqi Criminal Court	25.2		25.2										
	Securities Commission	3.2		3.2										
	Subtotal	649.1	3,696.9	4,346.0										
Higher Judicial Council	Subtotal	263.1	14.7	277.8										
Kurdistan Region	Subtotal	5,568.9	3,643.0	9,211.9										
Total		54,720.2	24,750.4	79,470.6										

Note: Data not audited. Numbers affected by rounding.

Sources: GOI, CoM, "Draft Law of the Republic of Iraq (GOI) Federal Budget for the 2011 Financial Year," 11/30/2010; GOI, Presidential Council, "Federal Public Budget Law for the Fiscal Year 2010," 2/10/2010; U.S. Treasury, response to SIGIR data call, 4/9/2009.

INTERNATIONAL SUPPORT

As of December 31, 2010, international donors other than the United States had committed \$13.01 billion for the relief and reconstruction of Iraq: \$6.51 billion in grant assistance and \$6.50 billion in loans.

This quarter, total commitments increased approximately \$1.00 billion (8%).¹²³ On October 1, 2010, the IMF completed the first review of Iraq's economic performance under the IMF's 24-month Stand-By Arrangement with Iraq, making an additional \$741 million available for disbursement.¹²⁴ Also contributing to the increase were the announcement of the European Commission's Iraq assistance budget of \$124 million as well as upward revisions of assistance

amounts from both Sweden (\$102 million) and Italy (\$133 million). Iran increased its commitments by \$50 million during the quarter.¹²⁵

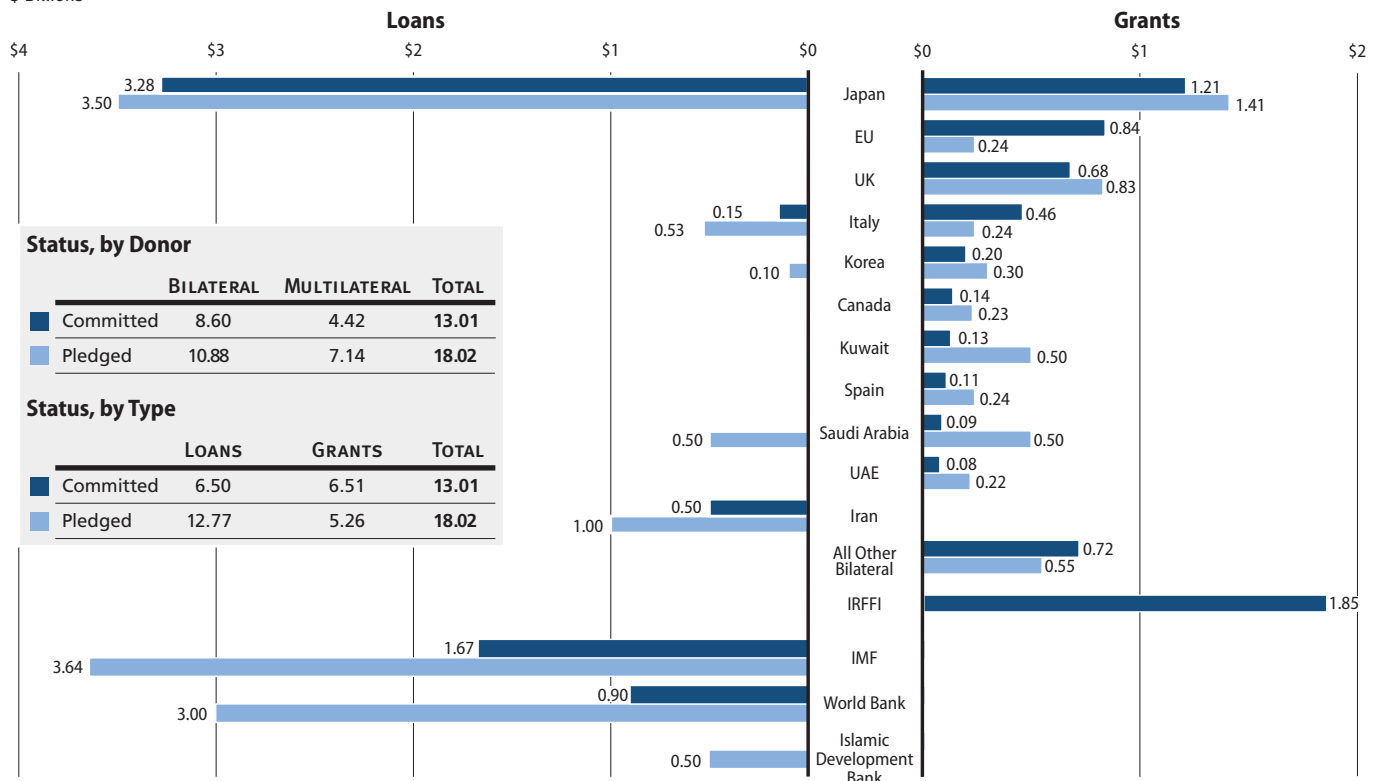
As of December 31, 2010, international donors had pledged \$18.02 billion: \$5.26 billion in grant assistance and \$12.77 billion in loans.¹²⁶ As of December 31, 2010, commitments totaled 72% of pledges, up from 66% of pledges last quarter, but the percentage varied considerably among donors. Some donors, notably in the Middle East, have committed far less than they pledged.¹²⁷

For a breakdown of pledges and commitments, by type of assistance and donor, see Figure 2.10. ♦

FIGURE 2.10

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

\$ Billions



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.

Sources: NEA-I, responses to SIGIR data call, 1/5/2011 and 1/13/2011.

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SECTION

3

THE U.S. PRESENCE IN 2011

This quarter, Ambassador James Jeffrey continued to lead U.S. reconstruction and diplomatic efforts as the U.S. Chief of Mission in Iraq. As of December 31, 2010, there were approximately 910 civilian employees and 5,273 contractors supporting U.S. Embassy activities in Iraq.¹²⁸ An additional 3,934 contractors supported U.S. Agency for International Development (USAID) activities.¹²⁹ For details on U.S. Embassy-Baghdad activities, staffing, and life support, see the Embassy and Contracting subsections below.

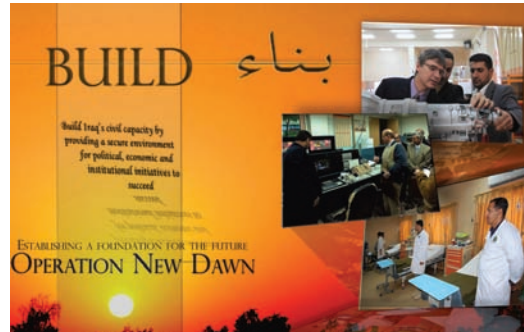
As of January 1, 2011, there were 49,712 U.S. troops in Iraq under the command of General Lloyd Austin.¹³⁰ As of November 30, 2010, 72,663 contractors supported Department of Defense (DoD) activities in Iraq.¹³¹

Troop levels are virtually unchanged from last quarter, and the Administration anticipates a comparable force strength for most of the duration of Operation New Dawn—the United States’ post-combat mission that began on August 31, 2010—until it declines before the deadline for withdrawal of all U.S. troops on December 31, 2011.¹³²

U.S. Embassy-Baghdad: Building Capacity To Sustain the Assistance Program

U.S. Embassy-Baghdad continues to consolidate reconstruction activities and attempt to “normalize” operations in Iraq. According to U.S. Embassy-Baghdad, administration of the Economic Support Fund (ESF) and other reconstruction assistance will be performed at U.S. Embassy-Baghdad and its Embassy Branch Offices (EBOs) and Consulates General, as well as in Washington, D.C., after the Provincial Reconstruction Teams (PRTs) shut down in September 2011.¹³³

According to U.S. Embassy-Baghdad, each of the EBOs and Consulates General will have a



“Build” is one of the four USF-I priorities under Operation New Dawn. (USF-I photo)

substantive staff—including political, economic, public affairs, consular, and management officers—to support ongoing activities. In addition, the Department of State (DoS) Bureau of International Narcotics and Law Enforcement Affairs (INL) will implement its planned Police Development Program (PDP), and the planned Office of Security Cooperation-Iraq (OSC-I) will implement a Foreign Military Sales (FMS) program.¹³⁴

Of the 910 total U.S. government civilian employees at U.S. Embassy-Baghdad, it is unclear how many support reconstruction activities. According to U.S. Embassy-Baghdad, there were only 10 such employees supporting reconstruction efforts as of December 31, 2010—all of whom worked in the Iraq Strategic Partnership Office (ISPO). The Embassy’s newly restrictive definition of “reconstruction” excludes programs implemented by the PRTs, INL, USAID, and other offices, agencies, and bureaus that use foreign assistance funds under the oversight jurisdiction of SIGIR. However, the Embassy said that there were “many other” U.S. government civilian employees supporting “traditional” assistance programs.¹³⁵

Other elements of the U.S. Mission will provide to the EBOs and Consulates General overarching and essential direct support in the areas of life support/medical, security, communications,

The Embassy’s newly restrictive definition of “reconstruction” excludes programs implemented by the PRTs, INL, USAID, and other offices, agencies, and bureaus that use foreign assistance funds under the oversight jurisdiction of SIGIR.

and aviation.¹³⁶ For example, according to INL, armored, diplomatic-licensed vehicles will be provided under the latest iteration of the U.S. Army's Logistics Civil Augmentation Program contract (LOGCAP IV) to support its PDP. Currently, INL has 72 vehicles, but expects this number to grow to more than 150 by July 2011. Each will have digital communications capability, tracking devices, and electronic countermeasures equipment.¹³⁷

Office of Security Cooperation-Iraq

This quarter, USF-I continued preparations for the establishment of OSC-I with the assistance of the Political-Military section at U.S. Embassy-Baghdad. OSC-I is scheduled to assume responsibility for security assistance oversight from USF-I on October 1, 2011, and become a section within U.S. Embassy-Baghdad under Chief of Mission authority.¹³⁸

The overall purpose of OSC-I is to carry out the security assistance mission in Iraq as authorized by the Foreign Assistance Act and the Arms Export Control Act. According to U.S. Embassy-Baghdad, these activities include:¹³⁹

- providing interface for exchange of information and advice between the Iraqi military, the U.S. Embassy, and DoD components responsible for security-assistance programs, including promotion of standardization, interoperability, and other cooperative measures
- evaluating Iraqi ability to employ and maintain security-related equipment and assistance
- performing programming, planning, management, and implementation functions related to FMS, the Foreign Military Finance (FMF) program, the International Military Education and Training (IMET) program, joint exercise planning, and other forms of bilateral military engagement

Current plans call for a core staff of 157 full-time personnel to provide overall management at OSC-I: 118 military personnel, 9 U.S. government civilians, and 30 locally employed staff. Security Assistance Teams (SATs) will supplement the core staff as required to provide advice, training, technical assistance, and support. U.S. military, DoD civilian, and contractor personnel will be deployed in SATs on a temporary basis to support specific FMS agreements to acquire defense articles and services that the U.S. government proposes to sell or provide. U.S. Embassy-Baghdad anticipates that there could be approximately 750 SAT members in Iraq at the beginning of 2012, depending on the status of current and future FMS cases.¹⁴⁰

Current plans also call for OSC-I to base security assistance activities at five locations near Iraqi military sites: Baghdad, Tikrit, Umm Qasr (Iraqi Navy), Taji (Iraqi National Logistics Center and Iraqi Army), and Besmaya (Iraqi Army Training Center). SAT personnel may be stationed at other locations according to FMS case-implementation requirements.¹⁴¹

ISPO

According to U.S. Embassy-Baghdad, ISPO continued regular project monitoring, dialogue, and assistance efforts this quarter. As of December 31, 2010, ISPO was staffed by 10 U.S. civilian employees and 2 embedded U.S. military officers.¹⁴²

This quarter, ISPO conducted site visits to two construction projects that are well behind their original schedules: the ESF-funded Missan Surgical Hospital, and the al-Mamoon Exchange and Telecommunications Center, funded by the Iraq Relief and Reconstruction Fund (IRRF). Re-awards were made for the Missan Carriageway and the Wazareah National Electrical Training Center. No projects were de-scoped or canceled.¹⁴³ Also this quarter, 22 projects managed by ISPO, worth nearly \$75 million, were completed.¹⁴⁴ For details, see Table 3.1.

OSC-I is scheduled to assume responsibility for security assistance oversight from USF-I on October 1, 2011.

U.S. PRESENCE AND RECONSTRUCTION MANAGEMENT

TABLE 3.1

ISPO-MANAGED PROJECTS COMPLETED THIS QUARTER

FUND	PROJECT	LOCATION	START DATE	COMPLETION DATE	CONTRACT AMOUNT (\$)
ESF	ESF Establish Sanitation Network Alabbas	Basrah	5/2/2009	11/30/2010	11,152,324
	Intgrtd O&M Program Dokan-Sul H ₂ O Ntwrk	Sulaymaniyah	12/26/2008	9/8/2010	4,710,000
	ESF PRDC Babil Water & Sewer Master Plan	Babylon	3/31/2009	9/19/2010	4,113,287
	ESF Elec Engineering College Bldg, Kufa	Najaf	11/12/2008	10/30/2010	3,455,250
	ESF MAK 33/11kV Substation	Missan	11/9/2009	10/4/2010	2,898,000
	Procure Equip-Mussaib PP Fuel	Babylon	5/3/2010	9/20/2010	2,714,190
	Nasiriyah Slaughterhouse Rehab	Thi-Qar	2/13/2009	10/15/2010	2,646,015
	ESF Al Semood 12 CR Secondary School	Kerbala	4/2/2009	11/27/2010	1,296,500
	ESF Ali Ben Al-Swaïd 12CR Primary School	Thi-Qar	8/9/2009	10/15/2010	1,095,500
	Soran School Two (AR)	Erbil	4/15/2009	9/22/2010	963,000
	Soran School One (AR)	Erbil	4/15/2009	9/22/2010	963,000
	ESF Al Jahel-Al Shatray Water Supply	Thi-Qar	6/14/2008	11/27/2010	749,100
	ESF Al Ei Shan 50m ³ /hr WCU	Thi-Qar	11/25/2008	11/27/2010	521,375
	ESF Al Ayya Al Garraf Water Supply	Thi-Qar	10/15/2008	11/27/2010	464,875
	ESF Al Nikhalia & Al Nasir Water Project	Thi-Qar	10/22/2008	11/27/2010	464,875
	Subtotal				38,207,291
IRRF	Al Mamoon Exchange & TC Center	Baghdad	12/26/2005	10/28/2010	14,102,957
	Al Sharqat Bridge	Salah Al-Din	6/16/2005	9/30/2010	7,953,796
	Baghdad-Kirkuk Carriageway South	Diyala	10/25/2005	9/30/2010	7,845,611
	Replace 26 Elevators and Repair	Nationwide	10/1/2006	10/17/2010	2,983,000
	Fallujah Sewer Project Re-Award	Anbar	3/12/2010	9/22/2010	1,877,200
	Replace 13 Elevators Repair 11	Nationwide	10/1/2006	10/17/2010	1,792,600
	Fallujah WWTP Facilities	Anbar	12/13/2008	9/11/2010	108,308
	Subtotal				36,663,473
Total					74,870,764

Note: Data not audited. Project costs and completion dates are not entirely consistent with data reported directly by USACE and used in the Public Services subsection of this Quarterly Report.

Source: U.S. Embassy-Baghdad, ISPO, response to SIGIR data call, 1/4/2011.

As of December 31, 2010, there were 89 ongoing ISPO-managed projects valued at \$416 million. Of those ongoing projects, 25 projects with a combined cost of \$236 million had previously been scheduled for completion on or before December 31, 2010.¹⁴⁵

USACE

This quarter, the U.S. Army Corps of Engineers (USACE) completed 63 projects at a cost of nearly \$227 million (some of which were managed by

ISPO and are included in Table 3.1). As of December 31, 2010, there were 152 ongoing USACE-implemented projects, valued at \$535 million. Of those projects, 110 projects with a combined cost of \$419 million had been originally scheduled for completion on or before December 31, 2010.¹⁴⁶

As USACE prepares to close down its operations in Iraq, it has continued to manage two nationwide sustainment programs designed to train Iraqis to operate and manage U.S.-funded water, sanitation, and other projects: a \$2.6 million ESF-funded segment of a \$4.8 million project to train professional

Iraqi engineers and a \$245,000 ESF-funded segment of a \$5.6 million nationwide project to provide one-on-one mentoring to Iraqi engineers. The goal is to train Iraqis so that the GOI is able to benefit from U.S. government projects following their completion and transfer to GOI control. Both sustainment programs are scheduled for completion in March 2011.

Despite the program being smaller than originally envisioned, INL maintains that the program will continue to have a broad geographic and functional reach.

Transitioning to the INL Police Development Program

According to U.S. Embassy-Baghdad, planning is underway for the INL's Police Development Program. Once up and running, the PDP will be the primary means by which the United States provides assistance to the Iraqi police. According to INL, the program will seek to develop the capabilities of the Iraqi Ministry of Interior (MOI) to manage and sustain a full range of internal security operations, including:¹⁴⁷

- continued development of law enforcement institutions and personnel by developing leadership and management capacity
- enhancing community policing and specialized skills
- strengthening border enforcement and cultivating sustainable training systems

Currently, PDP planning calls for reduced numbers of advisors and more limited geographic reach than originally envisioned, due to refined requirements and costs as well as limited availability of funds. INL reported that these cuts will not affect the overall mission or goals of its program, but progress may be slowed. For the PDP implementation time line, see Figure 3.1.

Basing, Staffing, and Life Support

According to INL, the PDP will include an estimated 190 police and subject-matter expert advisors based in three cities:¹⁴⁸

- Baghdad, at a stand-alone facility on the grounds of Joint Security Station (JSS) Shield
- Basrah, co-located with the proposed Consulate
- Erbil, co-located with U.S. Embassy-Baghdad's aviation personnel

U.S. Embassy-Baghdad will manage all security, logistics, and life-support contracts at all locations, with INL paying for its share of services. Currently, INL does not plan to base any PDP personnel at the EBOs, but may use the EBOs in Kirkuk and Mosul as potential rotary-wing landing areas. The PDP may also be supported by Quick Reaction Forces out of the EBOs if needed.¹⁴⁹

Despite the program being smaller than originally envisioned, INL maintains that the program will continue to have a broad geographic and functional reach. According to INL, advisors will implement the program at 28 proposed sites located in 10 of Iraq's 18 provinces. Most site visits will be conducted by ground travel, but INL plans to have 12 helicopters—nine UH-1Ns in Erbil and three S-61s in Baghdad—to provide aviation service to those sites that are most effectively and safely reached by air from the hub locations.¹⁵⁰

Coordination between USF-I and INL

In anticipation of the complete withdrawal of U.S. forces in December 2011, USF-I and INL regularly meet to coordinate implementation of the ongoing USF-I police training program and to plan for the

FIGURE 3.1
POLICE DEVELOPMENT PROGRAM: IMPLEMENTATION TIME LINE



Source: DoS, INL, response to SIGIR data call, 1/5/2011.

follow-on INL program. In addition, USF-I has a full-time military liaison officer in INL's Baghdad office, and INL has deployed five personnel to serve as representatives on USF-I's ITAM staff.

Indications of Iraqi Buy-In

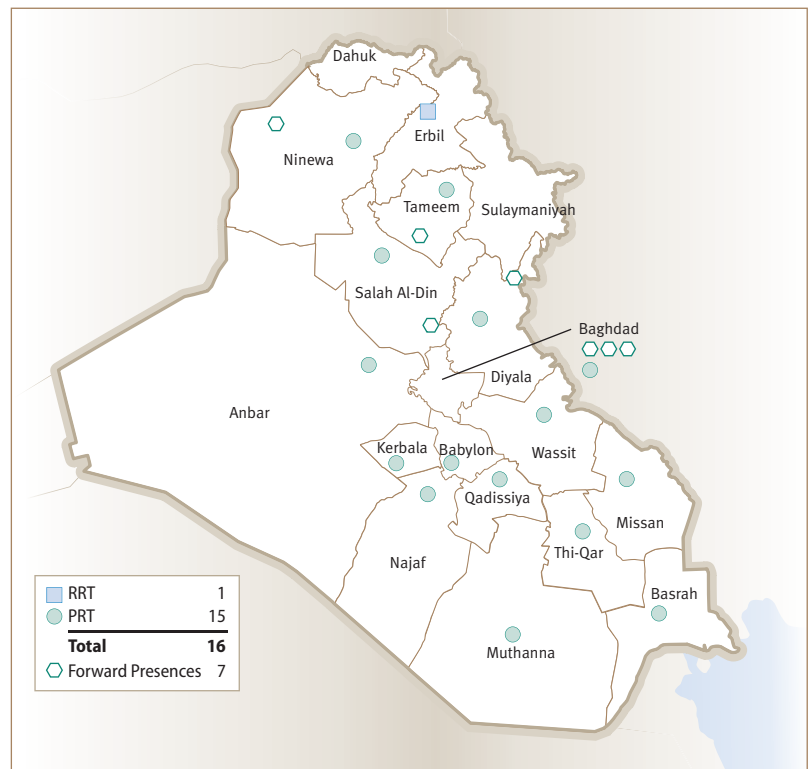
According to INL, the MOI's current training curriculum meets international policing standards. It includes more than 400 courses conducted by Iraqi police professionals throughout the country at Police Colleges and Regional Training Centers.¹⁵¹ According to U.S. Embassy-Baghdad, the PDP will complement the MOI's training program by emphasizing "train-the-trainer" activities so that the MOI can maintain its own specialized training capability when the PDP ends.¹⁵²

U.S. Embassy-Baghdad reports that MOI officials are "in accord" with the PDP's mission to move beyond basic-level training and force generation—the focus of U.S. efforts to date—to a program that helps produce a "broad upper level police cadre." The Iraqi Minister of Interior has reportedly endorsed the PDP and welcomed the use of the current JSS Shield site to carry out PDP activities. Further support, according to U.S. Embassy-Baghdad, comes from "all levels" of the MOI, including deputy ministers, directors general, provincial chiefs of police, uniformed police, career civilian professionals, and top-level policy advisors, as well as members of the Iraqi Council of Representatives.¹⁵³ However, some MOI officials have expressed concern to SIGIR that urgently needed criminal investigative training has not been sufficiently prioritized.¹⁵⁴

PRT Program Drawdown

As of December 31, 2010, the PRT footprint in Iraq comprises 15 PRTs, 1 Regional Reconstruction Team (RRT), and 7 Forward Presence locations. According to the U.S. Embassy-Baghdad Office of Provincial Affairs (OPA), which manages the PRTs, there were 698 civilian and military personnel staffing the PRTs.¹⁵⁵ For details, see Figure 3.2 and Table 3.2.

FIGURE 3.2
PROVINCIAL RECONSTRUCTION TEAM FOOTPRINT, AS OF 12/31/2010



Source: U.S. Embassy-Baghdad, OPA, response to SIGIR data call, 1/4/2011.

According to U.S. Embassy-Baghdad, the PRT closure schedule has not been finalized. PRT staff will gradually decrease in the coming months in anticipation of formal closure, but will be "adequately staffed" through the end date.¹⁵⁶

U.S. Embassy-Baghdad plans to maintain the current number of PRTs/RRTs at 16 through May 2011,¹⁵⁷ although as of January 1, 2011, OPA had transferred responsibility for the activities of Erbil RRT to other Embassy sections.¹⁵⁸ From June to September 2011, U.S. Embassy-Baghdad plans to close 12 PRTs. After September, reconstruction elements will remain at four locations: the Consulates General in Erbil and Basrah and the EBOs in Mosul and Kirkuk. These posts will continue after the scheduled withdrawal of U.S. troops in December 2011.¹⁵⁹

From June to September 2011, U.S. Embassy-Baghdad plans to close 12 PRTs. After September, reconstruction elements will remain at four locations.

TABLE 3.2

NUMBER OF PERSONNEL, BY PRT	
Baghdad	90
Diyala	78
Ninewa	60
Tameem	57
Anbar	56
Erbil	51
Basrah	49
Salah Al-Din	43
Thi-Qar	37
Babylon	30
Muthanna	32
Kerbala	25
Missan	24
Najaf	24
Wassit	23
Qadissiya	19
Total	698

Note: Total includes civilian and military personnel.

Source: U.S. Embassy-Baghdad, OPA, response to SIGIR data call, 1/4/2011.

Transitioning OPA/PRT Responsibilities to Other Embassy Sections

In a recent “task binning” exercise, OPA catalogued 117 tasks performed by its staff members that would need to be transferred to other U.S. Embassy-Baghdad sections to support the enduring provincial presences after OPA closes. U.S. Embassy-Baghdad leadership incorporated this information into their long-term planning efforts, but postponed detailed planning until next quarter, when the work demands related to Iraqi government formation were expected to subside.¹⁶⁰

According to U.S. Embassy-Baghdad, the PRTs have redoubled their efforts toward building the capacity of provincial governments and to mitigating internal conflicts and flash points over the last year. In recent months, they have initiated few non-capacity building reconstruction projects and plan to have ongoing projects completed as scheduled or transitioned to enduring reconstruction elements in the EBOs. The PRT responsibilities that will be handed off to EBOs and Consulates General are defined in the “Provincial Presence Mission Statement” prepared by DoS with input from U.S. Embassy-Baghdad and the PRTs.¹⁶¹ For details, see Figure 3.3.

Iraqi NGO Partners

According to U.S. Embassy-Baghdad, PRTs work with Iraqi non-governmental organizations (NGOs), when appropriate, to accomplish PRT work plan objectives. Areas of cooperation have included:¹⁶²

- English language training
- women’s and children’s rights awareness campaigns
- women’s entrepreneurship training
- projects to increase agricultural production capacity
- school construction in areas with high concentrations of minorities

FIGURE 3.3

Provincial Presence Mission Statement

The provincial presences will contribute to a sovereign, stable and self-reliant Iraq by seeking to:

- mitigate and mediate Arab-Kurd, Sunni-Shia, and provincial-Baghdad tensions
- strengthen the Rule of Law and the capacity of provincial institutions in key flashpoint locations
- balance foreign interference
- provide a platform for the United Nations and other organizations
- promote the safe return and resettlement of displaced persons
- encourage foreign investment, economic growth, and development
- report on strategic trends, events, and drivers of Iraqi instability
- present American policy and promote mutual understanding and respect for American values
- provide limited services to American citizens

Source: U.S. Embassy-Baghdad, OPA, response to SIGIR data call, 1/4/2011.

PRTs select Iraqi NGO partners based on past experience and the nature of the NGO and the project to be implemented. When projects are completed, PRTs measure project outcomes and impacts; results are said to be used to help determine whether future grants are issued to the same NGOs and beneficiaries.¹⁶³

According to U.S. Embassy-Baghdad, there is no formal training required for selected NGOs. However, capacity-building support is occasionally offered by the PRTs. PRT Baghdad’s NGO Endurance Program, for example, seeks to offer basic training to 250–500 Iraqi NGOs that have received assistance from the Baghdad PRT, USAID, DoD, and other agencies. The second phase, “Reinvesting in Success,” will focus on more intensive sustainability training for 30–40 Iraqi NGOs.¹⁶⁴ ♦

CONTRACTING

Private Security Contractors

At the end of 2010, more than 15,300 contractors were providing security services for DoD (13,603) and USAID (1,741).¹⁶⁵ As USF-I approaches the end of its mission, these agencies anticipate significant declines in the number of private security contractors (PSCs) they employ. Although DoS is the managing authority for PSCs in Iraq, U.S. Embassy-Baghdad reported that it could not provide information for security contractors by nationality or civilian agency.¹⁶⁶

According to U.S. Embassy-Baghdad, PSCs continue to cope with GOI delays in registering weapons and licensing vehicles. The overlapping jurisdictions of the Ministries of Interior and Defense reportedly have resulted in PSCs being detained and experiencing unannounced inspections of their compounds by multiple GOI agencies not understood to be directly involved in PSC regulation. Notwithstanding these continuing challenges, the Embassy reported this quarter that—for the first time—a GOI security agency shared intelligence with contractor companies that were being targeted by terrorist groups.¹⁶⁷

The drawdown of U.S. forces apparently has not had an immediate effect on PSC operations in Iraq, but the Embassy cautions that hostile groups seeking new targets may be a future threat. The extent to which PSCs are accepted by the new government could also affect their operating environment and vulnerability.¹⁶⁸

Although DoS is the managing authority for PSCs in Iraq, U.S. Embassy-Baghdad reported that it could not provide information for security contractors by nationality or civilian agency.

Contracting Actions and Grants

As of December 31, 2010, DoD, DoS, and USAID had reported 69,531 contracting actions or grants, totaling \$39.04 billion in cumulative obligations.¹⁶⁹ This accounts for 84% of the \$46.24 billion in reported financial obligations from the IRRF, ESF, Iraq Security Forces Fund (ISFF), and Commander's Emergency Response Program (CERP).¹⁷⁰ This quarter, DoD, DoS, and USAID reported 640 new contracting actions or grants, resulting in \$510 million in new obligations and \$608 million in new expenditures.¹⁷¹

For an overview of the status and quarterly change of contracting actions and grants, see Table 3.3. For a complete list of contracting actions and grants, as reported to SIGIR, visit www.sigir.mil. ♦

TABLE 3.3
CONTRACTING ACTIONS AND GRANTS
\$ Millions

FUND	CURRENT STATUS			CHANGE OVER QUARTER		
	COUNT	OBLIGATED	EXPENDED	COUNT	OBLIGATED	EXPENDED
ISFF	18,124	\$17,646.1	\$16,581.0	359 (2%)	\$457.1 (3%)	\$489.8 (3%)
IRRF	8,484	\$14,407.5	\$14,270.8	12 (0%)	-\$1.3 (0%)	\$16.6 (0%)
CERP	35,542	\$3,449.3	\$3,428.7	82 (0%)	\$10.5 (0%)	\$50.6 (1%)
ESF	7,381	\$3,541.5	\$3,120.0	187 (3%)	\$43.8 (1%)	\$50.7 (2%)
Total	69,531	\$39,044.4	\$37,400.5	640 (5%)	\$510.1 (4%)	\$607.7 (6%)

Note: Data not audited. Numbers affected by rounding. Tables represent only those contracting actions that were reported by the agencies; they do not reflect all obligations or expenditures made in Iraq.

Sources: CEFMS, ESF, IRRF: Construction, IRRF: Non-construction, ISFF, 10/1/2010 and 1/10/2011; USAID, responses to SIGIR data calls, 1/22/2010 and 1/11/2011; IRMS, Global Benchmark, 9/3/2010.

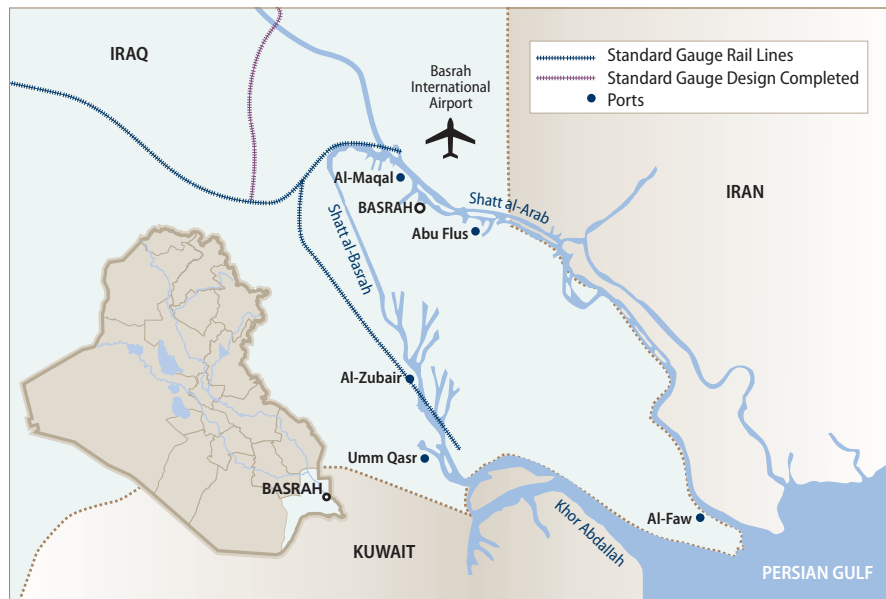
FOCUS ON BASRAH

Background

Basrah City, once known as the Venice of the Middle East, sits 30 miles northwest of the Persian Gulf on the Shatt al-Arab waterway. The GOI estimates Basrah's population at 2.87 million people, making it by far the largest urban center south of Baghdad.¹⁷² Most residents are Shia, and although the city remains home to Sunnis and even some Christian enclaves, many minorities were forced out by Shia militia groups during 2006–2008.¹⁷³

Historically home to a thriving and diverse merchant class, Basrah became the Ottoman Empire's administrative hub for what is now southern Iraq in the nineteenth century.¹⁷⁴ During the Iran-Iraq War (1980–1988), much of the province's infrastructure was damaged or destroyed, as Basrah bore witness to some of the conflict's fiercest fighting. Today, Basrah is the capital of the eponymous, oil-rich Iraqi province that shares a border with Iran and Kuwait.

Just to the west and north of Basrah City lies much of Iraq's national patrimony in four globally significant oil fields that were only recently re-opened to large-scale international investment: West Qurna, al-Rumaila, Majnoon, and al-Zubair. Together, these fields hold more than 80 billion barrels in proved reserves—more than half of Iraq's oil wealth.¹⁷⁵ Unique among Iraq's provinces, Basrah has access to the sea, making it the country's gateway to the wider world of international commerce. Basrah province is also home to the southernmost terminus of Iraq's railway network—where the last leg of Imperial Germany's fabled Berlin-to-Baghdad line would have met the sea—as well as a fast-growing international airport. Although the oil fields, railways, and



port facilities suffered greatly from years of war and neglect, international investors are actively rehabilitating Basrah's infrastructure. If successful, Basrah may yet stand beside the other oil-rich cities of the Gulf, realizing its manifest economic potential and providing the GOI with a reliable revenue stream to finance much-needed reconstruction projects.

Security

On April 7, 2003, Basrah City fell to British forces led by the fabled 7th Armored Brigade, direct descendants of General Montgomery's "Desert Rats" of WWII.¹⁷⁶ Initially, Basrah was one of Iraq's success stories, with a permissive security environment that allowed UK forces to patrol the streets sans helmets and body armor.¹⁷⁷ In the years that followed, the situation deteriorated, as Shia militia groups gradually grew in prominence, forcing the British to withdraw from downtown Basrah to their main base at Basrah International Airport in late 2007.¹⁷⁸ By March 2008, more than 4,000 police in



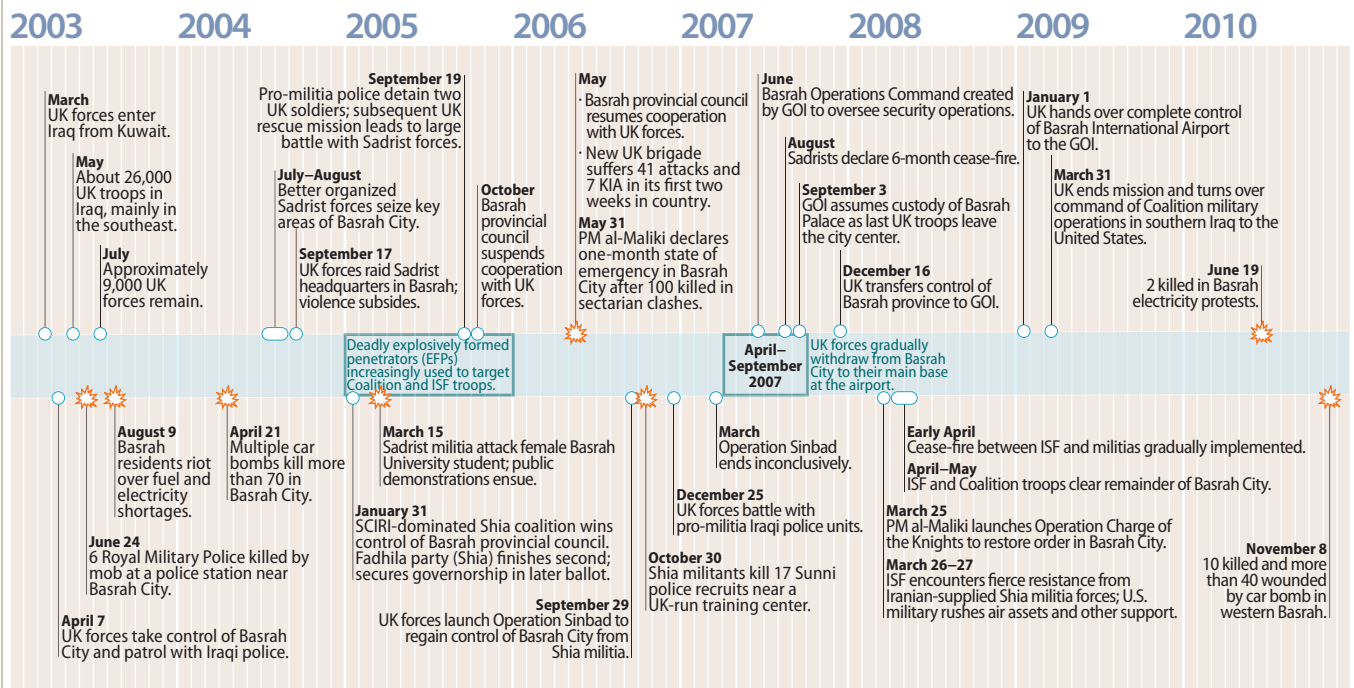
Basrah Palace. (UK MOD Crown Copyright 2004)

Basrah City and the surrounding area were under the control of various Shia militia groups.¹⁷⁹ Figure A displays key events affecting Basrah's security since 2003, and Figure B charts the number of reported security incidents in the entire province since 2004.

The definitive event in post-Saddam Basrah was *Operation Charge of the Knights*. Prime Minister al-Maliki launched this operation in late March 2008 to re-take Basrah from Shia militias, such as Muqtada al-Sadr's Jaish al-Mahdi, which had come to control large swaths of the city and neighboring port facilities.¹⁸⁰ Several of these armed groups received

FIGURE A

BASRAH: SECURITY TIME LINE, 2003–2010

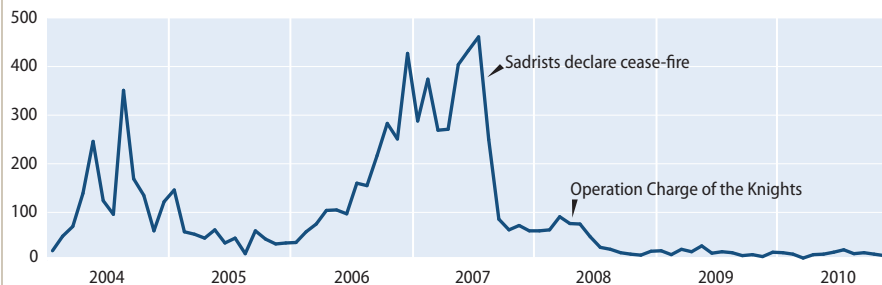


Note: This time line is intended to highlight selected major events since April 2003. It is not intended to be a comprehensive account of events over the past seven years.

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

FIGURE B

MONTHLY SECURITY INCIDENTS IN BASRAH, 1/2004–12/2010



Source: USF-I, response to SIGIR data call, 1/4/2011.



U.S., British, and Iraqi representatives at a ceremony marking the completion of the British mission in Basrah. (UK MOD Crown Copyright 2009)

substantial support from the Iranian Revolutionary Guard Corps.¹⁸¹ The Iraqi forces leading the operation initially encountered fierce resistance, and U.S. commanders rushed reinforcements to the theater.¹⁸² But after several weeks of fighting, Iraqi Security Forces (ISF) consolidated their positions and cleared most of the remaining militia strongholds.¹⁸³

At the moment, Basrah is relatively stable, but insurgent violence

still occurs. Notable recent security incidents include:¹⁸⁴

- **November 8.** At least 12 people were killed and more than 30 others injured when a car bomb exploded on a busy street in southwestern Basrah.
- **November–December 2010.** Basrah International Airport was sporadically subjected to rocket and mortar attacks. Although largely ineffective, these attacks interrupted scheduled service and, if they continue, could potentially dissuade investors from traveling there.
- **December 6.** A roadside bomb detonated in western Basrah near a U.S. convoy, but no damage or injuries were reported.

ISF Readiness

In their meetings with SIGIR in January 2011, Basrah's local Iraqi Army and police commanders commented on the continued need for international

support, even after the scheduled departure of U.S. forces in December 2011. According to Lieutenant General Mohamad, commander of Iraq's army units in the province, the Iraqi police require additional investigative and forensic training. But he noted that evidence-collection techniques taught to them by U.S. and U.K. trainers have increased the number of criminals brought to justice. He also noted that while the Iraqi Army and police are self-sufficient in meeting their basic training needs, they continue to need assistance in developing their medical, transportation, and logistics cadres.¹⁸⁵

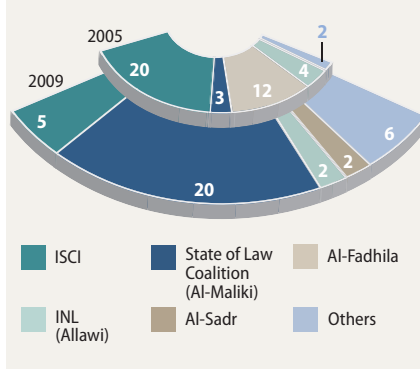
Governance

Elections

In Iraq's first-ever Provincial Council elections, held in January 2005, Basrah voters strongly backed a Shia coalition led by the Supreme Council for Islamic Revolution in Iraq (SCIRI, which is now known as the Islamic Supreme Council of Iraq, or ISCI).¹⁸⁶ When the votes were counted, SCIRI had won 20 of the 41 seats at stake. Another Shia party, al-Fadhila, finished second, but was able to secure the provincial governorship for one of its own, Mohamad al-Waeli, in February 2005.¹⁸⁷ Under Governor al-Waeli, extremist supporters of al-Fadhila quickly gained control of key police units and were soon enmeshed in oil smuggling and extortion schemes. Violence spiked as the various Shia factions fought—sometimes openly, but more often, through indirect means—for control of lucrative port concessions.¹⁸⁸

Four years later, Basrah voters handed a decisive defeat to these Shia religious parties, with Prime Minister al-Maliki's State of Law (SoL) Coalition winning an absolute majority of seats on the Provincial Council in the aftermath of the successful ISF offensive of March 2008.¹⁸⁹

FIGURE C
BASRAH PROVINCIAL ELECTION RESULTS



Sources: UNAMI, Elections Results, issue no. 30, 2/2009; GOI, Independent High Electoral Commission, www.ihcec.iq/arabic, SIGIR translation, accessed 2/22/2009.

Figure C displays the results of the 2005 and 2009 provincial elections in Basrah.

In the new Council of Representatives, Basrah province is represented by 24 members: 14 members of SoL, 7 representatives from the Iraqi National Alliance (a union of Sadrist, ISCI, and other Shia parties), and 3 members of former Prime Minister Ayad Allawi's al-Iraqiya coalition.¹⁹⁰

Regionalism

Many Basrah residents (known as Basrawis) define the province in terms of its relationship to the rest of Iraq, a concept often described as Janubiya, or southernness.¹⁹¹ This deep-seated regional identity has solidified among some residents who perceive that Basrah's natural resources have been exploited by Iraq's current and past central governments with little to show in return. These feelings of alienation have led to attempts to obtain local autonomy. In the 1920s, a group of influential residents sought to establish the area as a separate republic under British protection, much like the status eventually given to their Kuwaiti neighbors.¹⁹² While this movement foundered, the idea of Basrah as separate region is still alive in contemporary Iraq.

In early 2009, efforts by prominent Basrah politicians to form a region (which would be governed by a legislative

council possessing significant authorities, as is the case in the Kurdistan Region) failed when they could not gather enough signatures to conduct a referendum on the issue.¹⁹³ However, several Basrah officials recently stated that they intend to attempt another referendum in 2011.¹⁹⁴ If Basrah were to become a semi-autonomous region, it could potentially keep more of the profits generated by oil exports than is now the case, thereby depriving the central government of a significant source of revenue.

Life in Basrah

In the 1970s, the thriving Basrah nightlife attracted patrons from throughout the region, but society grew more conservative over time. The community is now very conservative; most of Basrah's female residents do not leave their homes without donning a veil. Despite this, a large percentage of college students are women. But life remains difficult for what remains of Basrah's Christian community, and jobs are difficult for them to come by.¹⁹⁵

There have been significant changes to daily life since the end of Ba'athist rule, with many residents now owning cars and cell phones. Apartments in Basrah City rent for \$500 per month in better neighborhoods, but commercial land can cost up to \$5,000 per square meter.

Basrah has also become a fiercely competitive media market. Today, almost everyone has television, and hundreds of channels are available. Some Basrawis with whom SIGIR met stated that they favored the U.S.-funded television station al-Hurra and the U.S.-funded Radio Sawa because they appreciate their balanced approach to the news. Many middle-class families have access to the Internet at home, although the connections are slow and expensive. In addition, several new private schools have opened recently and—with the increase in salaries for GOI employees—some middle-class

residents (most of whom work for the state) are able to send children to private academies. Average salaries for Director General-level GOI officials in Basrah are about \$3,000 per month, with lower-level government workers earning monthly wages of about \$1,000 to \$1,500.¹⁹⁶

Public services, however, remain meager. GOI officials and local residents report that new water treatment plants are being built and that the water sector is one of the government's reconstruction priorities. They caution, however, that no one trusts the water supply's quality, and most everyone still buys bottled water for drinking.¹⁹⁷

Standard of Living

While almost one-third of Basrah province's population falls below the

national poverty line of \$2.20 per day, Basrah performs relatively better than the rest of Iraq by several other measures.¹⁹⁸ For example, Basrah's infant mortality rate is 17% lower than the national average, and 97% of births are attended by health professionals, compared with the national average of 88.5%.¹⁹⁹ But cancer rates in Basrah appear to be higher than found elsewhere in Iraq. In 1998, Basrah province accounted for 9.2% of Iraq's registered cancer cases, up from 5.5% in 1989.²⁰⁰

Displaced Persons

The relative calm that has prevailed in Basrah since spring 2008 has made it an attractive option for internally displaced persons (IDPs) who fled their homes during the widespread sectarian violence

following the bombing of the Samarra mosque in February 2006. According to the UN, 85% of Basrah's IDPs—most of whom came from Baghdad—would like to settle locally.²⁰³ However, more than 90% of Basrah IDPs surveyed by the UN expressed grave concerns about local housing shortages and access to job opportunities in the province.²⁰⁴

Economic Development

Provincial Council members stated to SIGIR that international firms wishing to do business in Basrah do not need to establish a permanent base of operations there. Instead, they encourage partnering with local Iraqi firms, as Basrah has large numbers of skilled professionals in need of work. The Basrah Investment

Al-Rumaila Oil Field: A Case Study

In 2009, a consortium consisting of British Petroleum (BP) and the China National Petroleum Company (CNPC) won the right to develop al-Rumaila in partnership with Iraq's state-owned South Oil Company (SOC). BP has a history in the area, having worked extensively in Basrah before the rise of Saddam Hussein, leaving only in 1976.²⁰¹

To facilitate exploitation of this giant field, BP, CNPC, and the SOC formed the al-Rumaila Operations Organization (ROO). This quarter, SIGIR met with the ROO's general manager, who reported the ROO is currently staffed by more than 4,000 personnel, about 3,400 of whom have been transferred to the ROO from the SOC. As of mid-January 2011, more than 10,000 contractors and sub-contractors also work at the site.²⁰²

ROO officials reported to SIGIR that production targets set for mid-2011 have already been exceeded. As of January 2011, al-Rumaila was producing 1.25 MBPD, exceeding the initial baseline production of 1.05 MBPD and above the 110% of initial production threshold the consortium needed to reach to qualify for payments from the Ministry of Oil. In addition to the critical increases in production, the ROO's initial successes have resulted in it entering into many contracts with Iraqi and international firms to provide a wide array of services. The contracts and subcontracts signed by the ROO have been substantial. The ROO's general manager described his task as managing "a Fortune 500 company." To better account for the ROO's cash flow, BP has begun training an Iraqi team on internal controls, contracting, and financial management.

The overall security situation for international oil companies operating in the province is excellent. The al-Rumaila field has never been attacked since international firms began operations there. General Mohamad, commander of the Iraqi Army's 14th Corps and ranking officer in the province, commented that: "Business is booming. . . . The presence of Lukoil, Shell, and BP in Basrah is a good indicator of how secure Basrah is. The fact that none of these [companies' employees] have been attacked, kidnapped, or extorted says a lot about the security situation." He also noted that there has been more than \$1.5 billion in investment in Basrah over the past two years, triple the annual budget for the province.²⁰⁵

Security for al-Rumaila is provided by the Oil Protection Force (OPF). ISF officials remarked that the OPF needs additional training and to be consolidated with the regular ISF at some point. To meet this need, BP believes that the GOI should pay for the training, whereas other foreign firms—notably CNPC and Royal Dutch Shell, which also operates in Basrah province—favor an "adopt a battalion" model, where the companies finance improved training for local OPF units.²⁰⁶

The biggest challenge facing al-Rumaila, however, is not security, but maintenance. ROO is incentivizing its staff with bonuses to get workers to keep down-time to a minimum. Maintenance-related delays also reduce electricity production. In commenting on the state of the field's infrastructure, the general manager of the ROO stated that he is facing 30–40 years of accrued bad maintenance and that reversing this will be his main focus in 2011.²⁰⁷

Commission (BIC) gives top priority to deals involving local firms, followed in succession by deals involving Iraqis living abroad and then ventures involving foreign investors.²⁰⁸ But the Chairman of the BIC cautioned that development will take time.²⁰⁹

Unemployment

The recent growth in the hydrocarbon sector has done little to improve the lot of Basrah's unemployed. About 35% of those employed work for the government, with agricultural workers making up another 20% of the workforce.²¹⁰ GOI officials estimate the provincial unemployment rate at 25%, with the rate among recent university graduates hovering near 50%.²¹¹ When the State Oil Marketing Organization advertised open positions, it received more than 30,000 applications, and Provincial Council officials estimate that at least 52,000 residents are actively looking for employment.²¹²

Hydrocarbons

In 2009, Iraq conducted two rounds of bidding for oil services contracts. More than 20 international companies participated, and 10 contracts were ultimately awarded. Figure D shows the winning bidders for the major fields in the vicinity of Basrah.

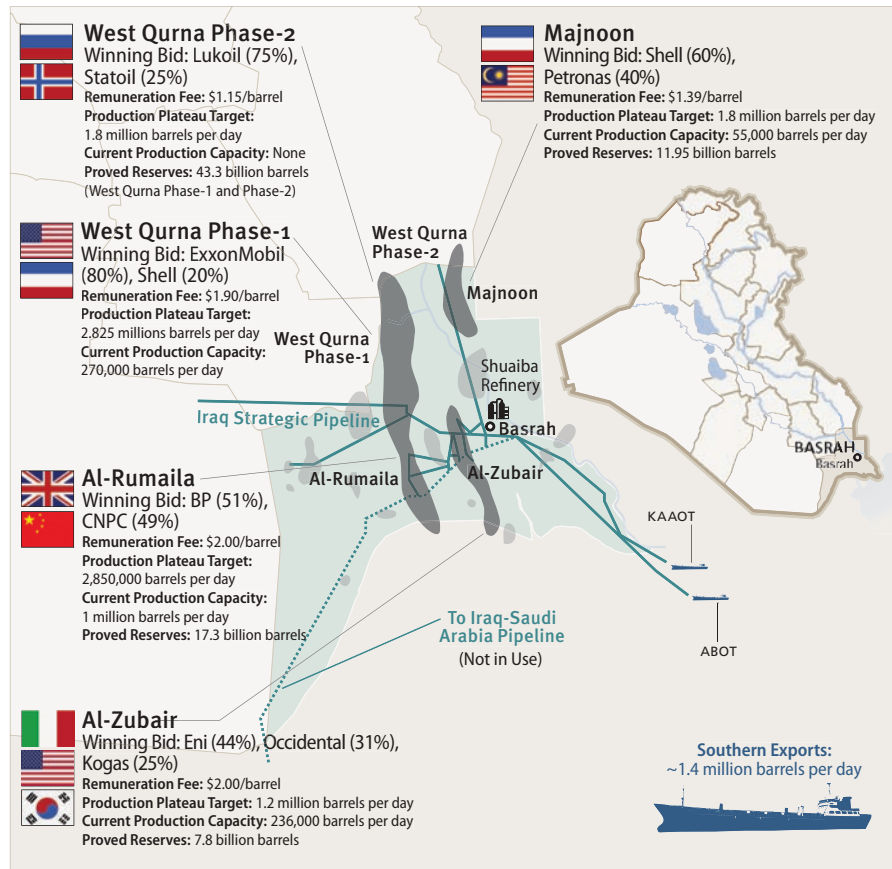
Under the terms of their contracts with the GOI, the winning bidders pledged to raise production to certain benchmarks in return for remuneration. This quarter, the Eni-Occidental



Royal Navy sailors patrolling near Umm Qasr. (UK MOD Crown Copyright 2003)

FIGURE D

KEY OIL FIELDS AND INFRASTRUCTURE IN BASRAH PROVINCE



Note: Khawr al-Amaya Oil Terminal (KAAOT) and al-Basrah Oil Terminal (ABOT) are Iraq's main offshore oil terminals, through which the vast majority of oil exports flow.

Sources: CIA, "Iraq: Oil Infrastructure," 1/2003, www.lib.utexas.edu/maps/middle_east_and_asia/iraq_oil_2003.pdf, accessed 1/20/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 1/24/2010; GOI, Ministry of Oil, www.pclid-iraq.com, accessed 1/4/2010; OSD, responses to SIGIR data calls, 9/25/2009, 12/24/2009, and 12/31/2009; DoE, Energy Information Administration, *Iraq Country Report*, www.eia.doe.gov/emeu/cabs/iraq/Oil.html, accessed 1/22/2010; MEES, *Weekly Report*, Vol. 53 No. 41, 10/11/2010, p. 2; MEES, *Weekly Report*, Vol. 53 No. 49, 12/6/2010, p. 2.

consortium developing the al-Zubair field and the BP-CNPC consortium developing the al-Rumaila field announced that they both had met their initial production goals. Other recent developments in Basrah's oil and gas sector included:²¹³

- The Exxon-Royal Dutch Shell consortium developing West Qurna Phase-1 raised its target for oil production about 22% to more than 2.8 million barrels per day (MBPD) in six to seven years. There are currently 360 wells at the field, and plans call for 2,000 more to be drilled over the life of the 20-year contract.

- The Russo-Norwegian venture drilling the previously untapped West Qurna Phase-2 field reportedly plans to drill about 70 more wells early in 2011.
- Royal Dutch Shell and Malaysia's Petronas announced that they anticipate producing 175,000 BPD from the Majnoon field by the end of 2012.
- On October 20, a Kuwaiti-Turkish joint venture won the rights to develop Siba, a relatively small non-associated gas field with estimated reserves of about 1.5 trillion cubic feet.

Iraq's dilapidated pipeline, power, and transportation infrastructure has

long inhibited its export capacity. This quarter, the Ministry of Oil announced that contracts for two of four new off-shore mooring stations had been signed. When finished, the four stations will have the combined effect of more than doubling current export capacity to an estimated 4 MBPD.²¹⁴ The Ministry of Oil also signed its first contract for a new pipeline to connect to the new single-point mooring stations this quarter.

Problems with Petrodollars

An innovative provision contained in Iraq's 2010 budget provides provincial governments with specific financial benefits ("petrodollars") for producing and refining hydrocarbons, including \$1 for every barrel of oil produced in their province and \$1 for every barrel refined. In 2010, this amounted to about \$900 million for Basrah Province.²¹⁵ The provincial government reported receiving approximately \$160 million in petrodollars from the Ministry of Finance, but this pool of money is encumbered by many restrictions on its use:²¹⁶

- Projects funded by petrodollars must first be approved by the Ministry of Planning and Development Cooperation. Only then will the Ministry of Finance provide the funds.
- Petrodollars may only fund infrastructure projects; they may not be used for operating expenses, such as salaries.
- Ironically, petrodollars are provided to the provinces in Iraqi dinars. Consequently, if a province wants to enter into a contract with a foreign firm, the Central Bank of Iraq and the Trade Bank of Iraq must be involved in the transaction, potentially increasing transaction costs and complicating dealings with foreign firms.²¹⁷

In January, Provincial Council members and representatives from the governor's office told SIGIR that they

have identified several worthy projects, but they have yet to get them off the ground because of bureaucratic difficulties. For example, the GOI has purchased 12 generators from General Electric. Basrah's provincial government has identified land to locate four of those generators on, and wants to use \$450 million from its petrodollar budget to install them. However, the Ministry of Electricity (MOE) wants to select the contractors who will do the installation. Basrah officials feel this is a choice that they should rightly make and expressed a preference for using a U.S. firm, even as they noted that few U.S. firms want to operate there. Thus, a stalemate has ensued, and no agreements have been reached. Basrah officials further indicated to SIGIR that the MOE may wish to install these generators in Najaf, even though Basrah has superior access to fuel and electricity distribution networks.²¹⁸

Electricity

Persistent power outages also affect the investment climate, as electricity shortages in the summer months are widespread. Last summer, as temperatures topped 120 degrees Fahrenheit in Basrah, residents took to the streets to protest the frequent blackouts. On June 19, ISF units fired on a demonstration there, killing two protesters and wounding two others. Two days later, after similar protests occurred in the southern town of Nassiriya, the Minister of Electricity resigned from office and was replaced by the Minister of Oil.²¹⁹

The failure to move forward with the installation of additional generators (such as the ones built by GE) raises the odds that Basrah will face another long, hot summer of blackouts and power shortages in 2011, as local demand for inexpensive, state-supplied electricity continues to outpace supply. In the winter, total demand is about 1,350 megawatts (MW), climbing to 2,300 MW in the summer, outstripping supply by several hundred

megawatts. Industrial requirements for oil facilities, water plants, and hospitals take precedence over residential needs. In their discussions with SIGIR, Basrah officials contended that the MOE is diverting some of the power produced in the province, further exacerbating power outages in residential neighborhoods. With industrial activity expected to expand this year, and no short-term increase in generation in sight, the potential for severe electricity shortages looms as summer approaches.²²⁰

Agriculture

Many residents are strongly attached to traditional agriculture, especially the cultivation of date palm trees.²²¹ But the agricultural sector suffered under years of Ba'athist oppression, as local needs were neglected by a Sunni central government that viewed Basrah as part of a perpetually rebellious Shia south. Moreover, because of the lure of oil riches, the current provincial government's economic development priorities lie with modernizing the hydrocarbon infrastructure and refurbishing the port facilities at Umm Qasr, leaving agricultural development a second-tier priority at best.²²²

Basrah province has three types of agricultural production:²²³

- date palm groves, producing what was once regarded as the world's premier date crop



An Iraqi man harvests dates, one of the key agricultural products produced in the greater Basrah area. (USF-I photo)

- approximately 10,000 farms in the deserts surrounding the city, cultivating tomatoes, eggplants, onions, and other vegetables
- wheat- and barley-producing regions north of the city

The single-biggest problem faced by Basrah's farmers today is the post-2003 opening of the borders to cheaper agricultural imports from Iran and China. Other significant challenges include:²²⁴

- escalating cost of materials, such as the plastic sheets needed to cover vegetable fields
- lack of access to food processing factories
- GOI restrictions on exporting agricultural products

The date palm groves have especially suffered. According to one prominent local farmer, several decades ago there were 11 million date palm trees in the province, producing dates renowned—and in high demand overseas—for their rich, succulent flavor. However, the Iran-Iraq war destroyed much of these crops, and sanctions further affected the agricultural sector by making certain tools and chemicals more difficult to obtain. The increased salinity of the Shatt al-Arab waterway has also hurt the date crop, reducing the number of varieties grown there from 350 to around 100. Today, there are only about 2.7 million date trees in Basrah.²²⁵ PRT Basrah has helped to connect Basrah date farmers with date growers in California so that they could visit and learn about new production techniques. (California can produce 500–700 kilograms per tree, whereas Iraq produces, on average, 50–100 kilograms per tree.)

This quarter, Basrah officials participated in the ceremonial setting of the cornerstone for a \$300 million GOI-funded project that will irrigate approximately 60,000 acres of

farmland near Basrah. In December, the provincial government concluded an agreement with the UN Food and Agriculture Organization (FAO) to implement several agricultural development projects. FAO also agreed to develop an agricultural research center at Basrah University and assist in developing the province's fisheries.²²⁶

Investment

As the security situation stabilized in the second-half of 2008, local and foreign investors began to commit resources to projects outside the oil sector. In their recent visits with SIGIR, Basrah officials remarked on the prevalence of Chinese and Turkish companies operating in the province, noting that the Iranian presence there is focused more on cross-border trading activities, whereas the Chinese and Turks appear to be concentrating on establishing a sustained commercial presence.²²⁷

The BIC serves as a one-stop shop for investors seeking to do business in the province. "You need to be a little bit bold to do business in Basrah now." This statement by a representative from the governor's office sums up the current investment climate in Basrah—one of improving security and growing potential. Table A presents examples of some recent foreign investment activity in the province.

Barriers to Foreign Investment

The deleterious legacy of Ba'athist central planning and bureaucracy still affects foreigners' ability to conduct business in Basrah. Several GOI officials contend that strict visa requirements, haphazard regulatory enforcement, and the limited capacity of the local government to expeditiously process licenses leads some investors to take their capital elsewhere rather than battle the bureaucracy in Basrah. One prominent local business leader lamented that these barriers to



SIGIR meeting with representatives of Basrah's Farmers Union.

investment appear to be particularly formidable to U.S. companies, noting that European and Asian investors are more prevalent in Basrah than U.S. firms.²²⁸

Archaic Laws Hinder Efficient Land Use

The Saddam-era "Hydrocarbons Production Law" gives the SOC the right to prevent development on any land potentially affecting oil development. A representative from the provincial governor's office stated to SIGIR that the SOC has been very reluctant to give permission to build on such properties, and other Basrah officials pointed to this statute as one of the main obstacles to economic development and new housing construction. The Chairman of the BIC confirmed this observation, noting that about 60% of available land in the province is potentially affected by this law.

Compounding these problems is a degree of legal uncertainty about which part of the GOI can reform local land-use laws: the CoR, the provincial government, Ministry of Oil, the SOC, or some combination of all of them. Squatters also pose a problem for businesses seeking to operate in Basrah, as they occupy many potentially valuable sites. Thus, despite interest by investors to build new housing, there is a problem identifying legally unencumbered land. This problem was illustrated by one Basrah official who said that the governor was denied permission from the SOC to use a parcel of land to construct a hospital despite the fact that an adjoining property was the site of a housing compound for SOC employees.

TABLE A
RECENT, NON-HYDROCARBON FOREIGN INVESTMENT IN BASRAH PROVINCE

COUNTRY	SECTOR	PROJECT	STATUS
 United States	Housing	Build 2,500 residential housing units (contract valued at \$220 million)	Under contract
 United States (joint venture with Iraq)	Sports	Construct a new sports complex, including two stadiums	In progress
 Lebanon	Housing	Build approximately 4,500 residential housing units (contract valued at \$240 million)	In progress
 Romania	Housing	Build 6,200 residential housing units for northern Basrah	Pending final approvals from GOI
 Iran	Housing	Build 5,000 residential housing units (contract valued at \$938 million)	Pending final approvals from GOI
 UAE (joint venture with Iraq)	Maritime	Increase port capacity by 58,000 tons per year	Under contract
 Belgium	Maritime	Rehabilitate port facilities at Umm Qasr (contract valued at about \$69 million)	In progress
 Turkey	Healthcare	Build a hospital with approximately 400 beds	Under contract
 France	Electricity	Construct 15 new power distribution stations	Under contract
 South Korea	Plastics	Build a petrochemical complex capable of producing an array of plastics (contract valued at approximately \$3 billion)	Under contract

Note: All dollar values are approximate, and all reported projects are subject to delay, modification, or cancellation.

Source: SIGIR analysis of open-source Arabic- and English-language documents.

Notwithstanding these legal issues, the housing sector remains enticing to foreign investors, with U.S., Iranian, and Kuwaiti firms all seeking to build residential units (and the associated infrastructure) that would be sold only to Iraqi citizens. Local officials also noted that the constrained supply of new housing has driven up prices and that this inflationary spike is only somewhat mitigated by government workers' housing subsidies.²²⁹

Challenges to Building the Rule of Law

Operating from a U.S.-funded courthouse complex completed about two years ago, many of Basrah's judges have made progress in managing their dockets more efficiently in recent months, with 85 of them being recognized by the Higher Judicial Council (HJC) for issuing a ruling on 98% of the cases brought

before them. However, the judges with whom SIGIR met in January admitted that a yawning gap exists between issuing an order or a warrant and getting it enforced by the local police, citing a lack of local police capability as one of the primary challenges to building the rule of law in Basrah.²³⁰

Basrah's judiciary reported that the continued lack of judicial security was the other main challenge they encounter on a daily basis. Judges are allotted two security personnel each, but they travel to work unarmed in their personal vehicles.²³¹

Corruption also remains a problem in Basrah. In December, local police officials reported that 199 persons wanted on charges of administrative or financial corruption had been arrested in Basrah during 2010.²³² The GOI's Commission of Integrity (COI) has traditionally found it difficult to operate in Basrah. In the first eight months of 2010, the COI reported

obtaining only seven convictions in the entire province, or about 2% of all convictions obtained nationwide during that period.²³³

Reconstruction

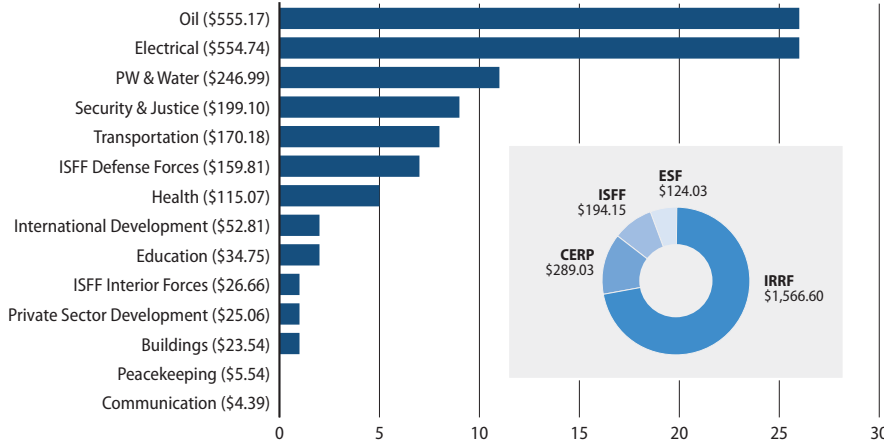
Coalition Presence and Programs

From 2003 to 2009, UK military and civilian personnel took the lead in stabilization and reconstruction efforts in Basrah province. The deteriorating security situation in 2006–2007, however, limited the ability of the British to implement programs and complete projects. By September 2006, British forces needed to deploy an entire convoy of armored personnel carriers to ferry a few police trainers to a single police station. Non-essential movements were halted, and much of the reconstruction program ground to a halt.²³⁴

FIGURE E

U.S.-FUNDED INFRASTRUCTURE PROJECTS IN BASRAH PROVINCE, BY CATEGORY AND FUND

% of \$2,173.81 Million



Note: Numbers affected by rounding.

Source: IRMS, *Global Benchmark*, 9/3/2010.

A total of \$2.17 billion has been spent by the United States on projects in Basrah province. As of December 31, 2010, DoS's Iraq Strategic Partnership Office (ISPO) had three ongoing or recently completed reconstruction projects in Basrah province, all funded with money from the Economic Support Fund and managed by the U.S. Army Corps of Engineers (USACE):²³⁵

- **Al-Kibla Sewer and Storm Network**—an \$11 million project to design and construct a sewer system is 64% complete, and work is expected to be completed in June 2011.
- **Al-Abbas Sanitation Network**—an \$11.2 million contract to install approximately 26 kilometers of sewer lines and two pumping stations was virtually complete.
- **Basrah Modern Slaughterhouse**—a \$5.6 million project to design and build a sheep- and cattle-slaughtering facility is 90% complete; estimated completion is February 2011. A SIGIR inspection in 2009 found that this project was poorly planned and that the results achieved as of April 2009 were not consistent with the original objectives.

Since 2003, USACE has managed more than 280 reconstruction contracts in Basrah province, including:²³⁶

- a \$51.5 million, Iraq Relief and Reconstruction Fund (IRRF) project to rehabilitate Basrah's sewer system
- a \$46 million project to repair Umm Qasr's pier and seawall, which was funded through the Foreign Military Sales program
- a \$13.5 million, IRRF-funded project to rehabilitate a 132 kilovolt electricity substation

Figure E shows U.S. expenditures by project category and fund in Basrah province since 2003.

SIGIR Oversight

Since 2005, SIGIR has conducted 24 on-site assessments of U.S.-funded reconstruction projects in the greater Basrah area. For example:

- **Basrah Children's Hospital.** The project's objective was to build a "state of the art" pediatric oncology hospital. The original cost of \$50 million grew to approximately \$166 million (this total includes more than \$100 million in



U.S. funds as well as other donor funds). SIGIR found that several

factors contributed to the substantial delays and cost overruns that plagued this project since its inception, including unrealistic time frames for design and construction, the security situation, and the GOI not following through on its obligations. In October 2010, the hospital opened, but is only seeing patients on a limited basis. According to PRT officials, the Ministry of Health has assumed full responsibility for maintaining the hospital.¹⁸⁵

- **Roll-On/Roll-Off Berth.** This \$2.7 million project increased the operational efficiency and capacity of the Port of Umm Qasr, allowing additional vessels



to dock at the port, thereby increasing the amount of

imports and exports flowing through the port and reducing the time for loading and unloading freight. SIGIR's inspection report concluded that the construction of the Roll-On/Roll-Off Berth was adequate, aside from some minor damage.

- **Basrah Courthouse and Witness Protection Facility.** This \$11 million regional courthouse and witness protection facility is now operating and serves as one of the province's most



significant judicial centers. SIGIR's inspection in 2008 found

some minor construction deficiencies with a staircase and a water line, but determined that the facility was adequately constructed.

Table B shows SIGIR's oversight work in the greater Basrah area. ♦

TABLE B
SIGIR OVERSIGHT IN BASRAH AREA, 2005–2009

ASSESSMENT NUMBER	PROJECT NAME	FUNDS	CONTRACTOR	MET CONTRACT SPECS
SIGIR PA-06-080	Al-Basrah Oil Terminal	\$48,239,066 (IRRF)	Parsons Iraqi Joint Venture	No
SIGIR PA-08-160	Basrah Children's Hospital	\$37,682,169 (IRRF, CERP, and Child Survivor Health Fund) ^a	Bechtel National, Inc. & MID Contracting	No
SIGIR PA-05-028	Umm Qasr Water Scheme	\$10,517,308 (IRRF)	Washington International	No
SIGIR PA-08-159	Basrah Courthouse Construction	\$8,780,942 (IRRF)	Local	Yes
SIGIR PA-05-005	Al-Hakamia Substation	\$5,933,973 (IRRF)	Perini	Yes
SIGIR PA-05-007	Al-Kaffat Substation	\$5,933,973 (IRRF)	Perini	Yes
SIGIR PA-05-008	Al-Seraji Substation	\$5,709,225 (IRRF)	Perini	Yes
SIGIR PA-06-082	Electrical Substation Sustainment (Same site as 05-005)	\$5,654,000 (IRRF)	Perini	Yes
SIGIR PA-06-083	Electrical Substation Sustainment (Same site as 05-006)	\$5,654,000 (IRRF)	Perini	Yes
SIGIR PA-06-084	Electrical Substation Sustainment (Same site as 05-007)	\$5,654,000 (IRRF)	Perini	Yes
SIGIR PA-06-085	Electrical Substation Sustainment (Same site as 05-008)	\$5,654,000 (IRRF)	Perini	Yes
SIGIR PA-06-086	Electrical Substation Sustainment (Same site as 05-009)	\$5,654,000 (IRRF)	Perini	No
SIGIR PA-09-189	Basrah Modern Slaughter House	\$5,635,000 (ESF)	Local	No
SIGIR PA-05-009	Shatt Al-Arab Substation	\$5,298,324 (IRRF)	Perini	Yes
SIGIR PA-06-049	Basrah International Airport–Terminal and Tower	\$5,044,988 (IRRF)	NANA Pacific	No
SIGIR PA-05-006	Hamdan Substation	\$5,000,933 (IRRF)	Perini	Yes
SIGIR PA-05-027	Port of Umm Qasr Security Upgrades	\$3,698,515 (IRRF)	Local	Yes
SIGIR PA-08-162	Roll-On/Roll-Off Berth in the Port of Umm Qasr	\$2,734,500 (IRRF)	Local	Yes
SIGIR PA-06-051	Police Station–Safwan–IHP 404	\$2,550,841 (IRRF)	Local	Yes
SIGIR PA-09-169	Construct Witness Protection Basrah–Witness Security Facility	\$2,195,235 (IRRF)	See PA-08-159	See PA-08-159
SIGIR PA-09-190	Al-Hadi Permanent Police Station	\$1,274,339 (ISFF)	Local	Yes
SIGIR PA-05-026	Operation Center and Security	\$408,433 (IRRF)	Local	Yes
SIGIR PA-06-050	Basrah International Airport–Air Side Supply	\$383,043 (IRRF)	Reyam Ltd.	Yes
SIGIR PA-05-025	Military Base Umm Qasr–Ammo Supply Point	\$252,650 (IRRF)	Local	Yes

^a This amount represents one segment of the overall project. Total U.S. funding exceeded \$100 million.

DEVELOPMENTS IN IRAQ

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SECTION

4

GOVERNANCE

As of December 31, 2010, the United States had obligated \$5.55 billion and expended \$5.07 billion to build the capacity of Iraq's government institutions, promote democracy, and provide humanitarian assistance to Iraqi refugees and internally displaced citizens.²³⁷

Government Formation

Iraq's major political blocs reached agreement on the new government's composition in late November, bringing to an end more than eight months of intense negotiations and returning Prime Minister Nuri al-Maliki to office for a second term. In the newly expanded, 42-seat cabinet, the prime minister's State of Law Coalition controls seven seats, as does the Kurdistan Alliance. The terms of the government formation agreement also accorded 10 cabinet seats to former Prime Minister Ayad Al-law's al-Iraqiya bloc, which won two more seats in the Council of Representatives (CoR) in the March 2010 elections, and 12 seats to the predominantly Shia Iraqi National Alliance. Al-Iraqiya will also chair the new National Council for Higher Policies, an entity whose powers are still being defined by the CoR. For a detailed look at the new Iraqi government, as of January 19, see Section 1.

U.S. Programs To Promote Democracy and Develop Government Institutions

The United States continued this quarter to administer several democracy and capacity-development programs at the national, provincial, and local levels. The programs are generally administered by the Department of State (DoS) and the U.S. Agency for International Development (USAID) and

funded by the Economic Support Fund (ESF).²³⁸ For a breakdown of selected ongoing programs, see Table 4.1.

National Capacity Development

USAID reported expending more than \$32 million of the ESF this quarter to strengthen Iraq's national government through the National Capacity Development program (called *Tatweer*, Arabic for "development").²³⁹

Tatweer staff continued to work with the Iraqi Ministries of Health, Oil, Electricity, and Agriculture, as well as the Trade Bank of Iraq, the Central Organization for Standardization and Quality Control (COSQC), and al-Mustansiriya University to strengthen Iraq's government and public institutions. For instance, *Tatweer* staff held a workshop to develop training curricula in selected core health-administration areas, and a similar workshop is planned to educate trainers at the Ministry of Health (MOH) in the development of job descriptions for the ministry. In 2011, the MOH plans to use *Tatweer* training material as it begins implementing a program to train 1,000 MOH employees annually in public and health administration.²⁴⁰

Following a *Tatweer* workshop on procurement and contracts, the Trade Bank of Iraq conducted a letter-of-credit workshop at the Ministry of Oil. Elsewhere, *Tatweer* staff assisted the Ministry of Electricity (MOE) in developing tender templates related to a power-plant project in Wassit province. *Tatweer* staff also assisted the COSQC in instituting independent inspections of imported foods and other goods to enhance consumer safety. And this quarter, al-Mustansiriya became the first university to implement a post-graduate curriculum on procurement and integrated supply-chain management using *Tatweer*-developed material.²⁴¹

As part of its ongoing effort to assist the Ministry of Planning and Development Cooperation

Iraq's major political blocs reached agreement on the new government's composition in late November.

TABLE 4.1
STATUS OF U.S.-FUNDED CAPACITY-DEVELOPMENT PROGRAMS

PROGRAM	DURATION		STATUS OF FUNDS (\$ Millions)		
	START DATE	END DATE	ALLOCATED	OBLIGATED	EXPENDED
National Capacity Development (<i>Tatweer</i>)	2006	projected for 2011	309.4	309.4	296.8
Local Governance Program	2006	projected for 2011	435.5	435.5	396.3
Community Action Program	2006	projected for 2012	384.3	384.3	319.1
Democracy and Civil Society	2006	ongoing	263.3	260.6	168.6
Ministerial Capacity Development	2006	ongoing	50.0	37.7	34.5
PRT Quick Response Fund	2007	ongoing	276.0	270.7	223.0
PRT/PRDC Projects	2006	ongoing	632.1	580.4	505.5

Sources: USACE, response to SIGIR data call, 1/4/2011; USAID, response to SIGIR data call, 1/10/2011; NEA-I, responses to SIGIR data call, 12/20/2010, 12/21/2010, and 1/7/2011.

(MoPDC), *Tatweer* this quarter helped finalize the objectives and indicators for monitoring implementation of Iraq's *National Development Plan (2010–2014)* (NDP). USAID reported that these indicators will be programmed as a module into the Iraq Development Management System (IDMS), which the GOI plans to use to monitor NDP projects.²⁴²

Provincial Government Development

USAID reported expending \$54 million this quarter for the Local Governance Program (LGP III), which supports Iraq's Provincial Councils (PCs) as they formulate legislation, prepare capital and operating budgets, and execute capital projects.²⁴³ LGP III officials reported that, in 2010, all Iraqi provinces met the deadlines for submissions of their budgets to the central government. This has been a continuing focus of training for the LGP program. In 2009, only one province was able to meet its deadline.²⁴⁴

This quarter, USAID reported that LGP III advisors helped PCs develop new procedural rules, legislative schedules, and documentation of meetings and resolutions. All but three provinces have begun publishing a gazette announcing official government business. LGP III advisors also encouraged PC members to conduct public hearings and create government websites to foster citizen participation, and they helped PCs create provincial development strategies aligned with the NDP.²⁴⁵

Community Development

USAID reported expending \$28 million this quarter for the Community Action Program (CAP III), which promotes citizen participation in government at the local level. The program also facilitates Marla Ruzicka Iraqi War Victims Fund projects, which benefit Iraqis who have been affected by U.S. or Coalition military operations around the country.²⁴⁶

CAP III held workshops this quarter for neighborhood and district council members and staff on topics such as citizen outreach, citizen participation, project proposal writing, media relations, and women's rights. Marla Ruzicka projects assisted Iraqis in finding medical services, jobs, and housing. CAP III advisors focused on aiding widows and children and on providing prosthetic limbs and other medical support to the injured. USAID reported that 222 Marla Ruzicka projects, valued at more than \$3.1 million, benefited over 57,000 Iraqis this quarter.²⁴⁷

Democracy and Civil Society

The DoS Bureau of Democracy, Human Rights and Labor (DRL) reported that two of its nine democracy and civil society projects were completed this quarter. The highest-value ongoing project is a \$15 million effort to aid the CoR, the Iraqi Kurdistan Parliament, and Iraqi political parties. The aim is to promote accountability and

In 2010, all Iraqi provinces met the deadlines for submissions of their budgets to the central government.

transparency by improving efficiency in passing legislation and helping elected officials respond to constituents' needs. The second-costliest ongoing effort was a \$12 million post-elections project to strengthen newly elected provincial and national leaders, political parties, academic think tanks, and democratic institutions nationwide.²⁴⁸

USAID administers three democracy and civil society programs, including a new program, called Access to Justice, that will focus on improving the access of disadvantaged and vulnerable populations to Iraq's legal system. For more on this program, see the Rule of Law subsection of this Report. The Legislative Strengthening Program provides support to the CoR to improve institutional oversight of government operations, legislative development, and constituency representation. The Elections Support Program focuses on providing long-term technical assistance to the Independent High Electoral Commission (IHEC) to support the drafting of election laws, voter registration, ballot design, and other election-related activities.²⁴⁹

Ministerial Capacity Development

This quarter, the Iraq Strategic Partnership Office (ISPO) administered four Ministerial Capacity Development projects, the largest of which was a \$5 million program to train and mentor MOE personnel in the development of a long-term plan for Iraq's national power grid (which is discussed further in the Public Services subsection of this Quarterly Report). The other projects work with the Ministries of Water Resources, Agriculture, Transportation, and Planning, as well as the office of the deputy prime minister, to provide expertise in such areas as public policy research, ground-water sampling, and tactics for water-sharing negotiations with neighboring countries.²⁵⁰ This quarter, ISPO allocated \$38 million and expended \$35 million for these programs.²⁵¹

Provincial Reconstruction

Provincial Reconstruction Teams (PRTs) use the Quick Response Fund (QRF) to support a variety of

development projects in Iraq's provinces. Projects are administered through DoS and USAID. This quarter, DoS approved 183 projects valued at \$14.1 million and expended \$450,000 for those new projects. In addition, 101 DoS-administered QRF projects valued at \$3.9 million were completed this quarter.²⁵² USAID reported no ongoing QRF projects.²⁵³

PRTs also use the Provincial Reconstruction Development Council (PRDC) to fund a variety of water and sanitation projects, school rehabilitation projects, and other reconstruction projects. This quarter, PRTs completed 16 PRDC projects valued at more than \$35.5 million; another 55 PRDC projects valued at almost \$111.9 million were ongoing at the end of the quarter.²⁵⁴

Progress toward Provincial Self-reliance

Since 2006, U.S. PRTs have reported their observations of provincial government capacity using a tool first called the Capability Maturity Model (CMM) and then the Maturity Model Quarterly Assessment (MMQA). This quarter, the Office of Provincial Affairs (OPA) began using a different model, called the Stability Development Roadmap (SDR), to provide "an analysis of public opinion which measures the likelihood of a province to experience wide-scale civil unrest" in the event of a "matchstick" incident, according to OPA's definition. Developed specifically for OPA, the SDR is intended to measure how susceptible each province is to civil unrest and instability by analyzing public opinion polling.²⁵⁵ In FY 2011, \$2.5 million was obligated for the SDR, and \$625,000 has been expended.²⁵⁶

Categories evaluated by the SDR include basic services, government effectiveness, political effectiveness, economic development, and the rule of law. Thirty-five metrics were measured to determine overall satisfaction within each category.²⁵⁷ For an overview of rankings summarized in the SDR for the period October–December 2010, see Figure 4.1.

The SDR is intended to measure how susceptible each province is to civil unrest and instability.

FIGURE 4.1
STABILITY DEVELOPMENT ROADMAP, 10/2010–12/2010

PROVINCE	BASIC SERVICES	GOVERNMENT EFFECTIVENESS	POLITICAL EFFECTIVENESS	ECONOMIC DEVELOPMENT	RULE OF LAW
Anbar	Very Unstable	Unstable	Moderately Stable	Unstable	Stable
Babylon	Very Unstable	Unstable	Moderately Stable	Unstable	Unstable
Baghdad	Very Unstable	Unstable	Unstable	Unstable	Unstable
Basrah	Very Unstable	Unstable	Moderately Stable	Unstable	Unstable
Diyala	Very Unstable	Unstable	Moderately Stable	Unstable	Moderately Stable
Kerbala	Very Unstable	Unstable	Moderately Stable	Unstable	Unstable
Kurdistan Region	Very Unstable	Unstable	Moderately Stable	Moderately Stable	Moderately Stable
Missan	Very Unstable	Unstable	Moderately Stable	Very Unstable	Unstable
Muthanna	Unstable	Unstable	Moderately Stable	Unstable	Unstable
Najaf	Very Unstable	Moderately Stable	Moderately Stable	Unstable	Unstable
Ninewa	Very Unstable	Unstable	Unstable	Unstable	Very Unstable
Qadissiya	Very Unstable	Unstable	Moderately Stable	Unstable	Moderately Stable
Salah Al-Din	Very Unstable	Unstable	Unstable	Unstable	Unstable
Tameem	Very Unstable	Unstable	Moderately Stable	Unstable	Moderately Stable
Thi-Qar	Very Unstable	Unstable	Moderately Stable	Unstable	Moderately Stable
Wassit	Very Unstable	Unstable	Unstable	Unstable	Unstable

■ Very Unstable
 ■ Unstable
 ■ Moderately Stable
 ■ Stable
 ■ Very Stable

Source: U.S. Embassy-Baghdad, response to SIGIR data call, 1/4/2011.

Basic Services

According to the SDR, the perceived inadequacy of basic services—such as water, sewerage, and electricity—is the greatest source of potential instability in Iraq. All but one of the provinces received “very unstable” ratings in enough metrics to receive an overall rating of “very unstable” in the basic services category. Nine provinces received a “very unstable” rating in every basic services metric. The most important factor for the Iraqis polled was not the actual condition of basic services but the lack of visible improvement in their condition.²⁵⁸

Government and Political Effectiveness

U.S. Embassy-Baghdad combined the analysis of data for both the government and the political effectiveness categories in its report. The SDR indicated a perception of growing political infighting among Provincial Council members as well as the emergence of political blocs challenging the authority

of the governor. However, the political differences were deemed unlikely to spark significant popular upheaval. Although Iraqis gave low ratings to their national and provincial leadership, they rated the election process high, and all 18 provinces received “stable” or “very stable” ratings in a category called “peaceful reconciliation of differences.” OPA reported that while sectarian differences persist, they are much less likely to fuel an outbreak of wide-scale violence compared with years past.²⁵⁹

Economic Development

Unemployment was viewed as the most potentially destabilizing factor in the economic development category, and a lack of confidence in banks was seen as an emerging potential factor for wide-scale civil instability. Primary concerns included a lack of bank liquidity and the near collapse of al-Warka Bank, the largest private bank in Iraq. Several PRTs reported brisk trade in consumer goods

The perceived inadequacy of basic services is the greatest source of potential instability in Iraq.

and a boom in construction. Securing land leases remained a major impediment to foreign direct investment, and water and irrigation capabilities remained a persistent challenge.²⁶⁰

Rule of Law

While the SDR found that a perception of corruption is widespread in Iraq, results varied on whether corruption could spark unrest in different provinces. In the Rule of Law category, Iraqis reported being most concerned about the conditions of prisoners in Iraqi correctional facilities. In all 18 provinces, this metric was rated as “very unstable,” indicating much pent-up public frustration that could spark unrest if a high-profile instance of prisoner mistreatment occurs.²⁶¹

Internally Displaced Persons and Refugees

The United Nations High Commissioner for Refugees (UNHCR) estimates that 1.5 million Iraqis continue to be displaced inside Iraq, and as of November 2010, it had registered 197,996 Iraqi refugees in neighboring countries. The actual number of Iraqi refugees in the region remains unknown, but may be much larger: neighboring host countries estimate that as many as 1.8 million refugees may reside in those countries.²⁶² For an overview of key movements of those displaced, see Figure 4.2.

Loss of homes to squatters or violence and poor access to essential services were cited as reasons some internally displaced persons (IDPs) chose to remain displaced. However, while the majority of IDPs live in rented housing, some 500,000 of them currently live in makeshift squatter settlements or in public buildings.²⁶³ An estimated 200,000 of that total live in more than 120 such settlements throughout Baghdad.²⁶⁴ IDPs in settlements suffer from severe overcrowding and inadequate shelter, and they have limited access to water and other essential services.²⁶⁵ According to a Government

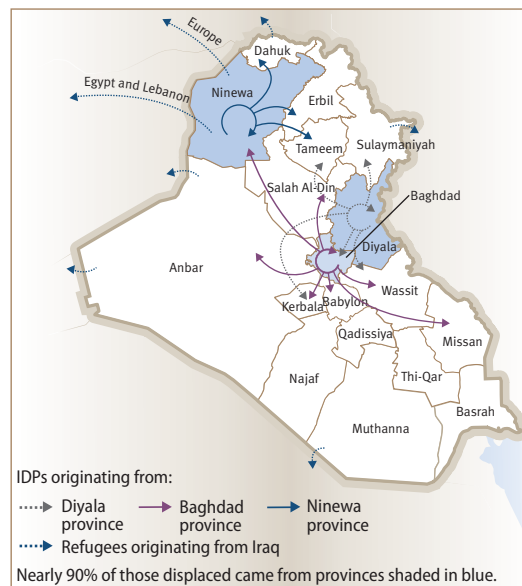


Two Iraqi women stand outside their makeshift home in a squatter settlement. (UNHCR photo)

Iraqis reported being concerned about the conditions of prisoners in Iraqi correctional facilities.

FIGURE 4.2

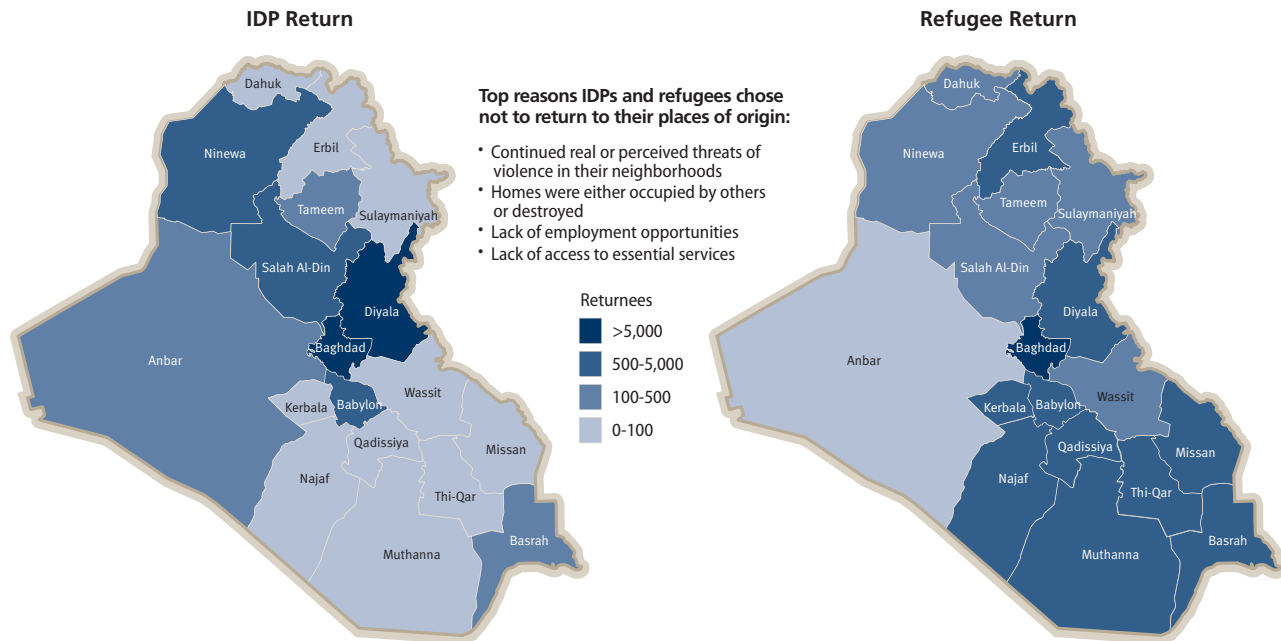
KEY MOVEMENTS OF DISPLACED IRAQIS, 2006–9/2008



Source: GAO Report GAO-11-124, “Displaced Iraqis: Integrated International Strategy Needed to Reintegrate Iraq’s Internally Displaced and Returning Refugees,” 12/2/2010, p. 7.

Accountability Office (GAO) report released this quarter, USAID and UNHCR officials noted that integration into the communities of refuge remains an option for those who fear reprisals from members of opposing religious sects in their homes

FIGURE 4.3
IDP AND REFUGEE RETURN, BY PROVINCE, 10/2009–9/2010



Source: UNHCR, "Monthly Statistical Update on Return—September 2010," 9/2010.

The number of those displaced still far exceeds the number of people returned.

of origin. Other factors, including demographic shifts and the length of time spent in their places of displacement, may also convince IDPs to stay in host communities.²⁶⁶

While tens of thousands have returned to their places of origin, the flow of the displaced to their homes—measured at 9,500 to 15,000 per month before Iraq's March 2010 elections—has slowed to about 7,500 per month.²⁶⁷ The number of those displaced still far exceeds the number of people returned.

The majority of returnees have been going back to Baghdad and Diyala provinces.²⁶⁸ According to Government of Iraq (GOI) data, more IDPs than refugees have returned home: From January to November 2010, about 22% of the 112,250 returnees were refugees; the rest were IDPs.²⁶⁹ Many who have returned lament their decision: A UNHCR survey of 2,353 Iraqis who had gone back to two Baghdad neighborhoods found that 61% of them

regretted going home, and 60% cited security concerns as the reason.²⁷⁰ For an overview of IDP and refugee returns to places of origin, see Figure 4.3.

U.S. Support for Refugees and IDPs

In FY 2010, DoS provided more than \$310 million in humanitarian assistance to Iraqi refugees, IDPs, and conflict victims. Inside Iraq, this included a \$7.1 million contribution to the World Food Program, \$17 million to the International Organization for Migration (IOM), and \$29.3 million to other international organizations. It also included a \$204.5 million contribution to UNHCR's regional Iraq appeal.²⁷¹ USAID also funds programs to support IDPs and refugees, reporting \$20 million provided in FY 2010 to support IDPs through its CAP III program and implementing partners.²⁷²

DoS Bureau of Democracy, Human Rights, and Labor

DRL funds a program provided by the Heartland Alliance to provide psychosocial and mental health services to IDPs in the Qalawa Camp in Sulaymaniyah province. U.S. Embassy-Baghdad reported that 65% of those who receive help from Heartland are torture survivors, and the remaining 35% include victims of war trauma, gender violence, and human trafficking. The Heartland Alliance also works with IDPs in Baktiari Camp in Diyala province to provide medical and mental health services.²⁷³ For information on other activities conducted by the Heartland Alliance, see the Rule of Law subsection in this Quarterly Report.

DoS Bureau of Population, Refugees, and Migration

The Bureau of Population, Refugees, and Migration (PRM) funds programs to support voluntary returns and reintegration of IDPs by helping them to find housing, employment, and access to public services. PRM refugee coordinators work with Iraqi leaders to help them allocate land to refugees and IDPs and to provide support to both displaced groups through the IOM and the UN World Food Program (WFP). IOM focuses on socioeconomic reintegration needs of returnees and their host communities using in-kind grants and assistance to businesses. WFP runs a cash-for-work program that aims to rehabilitate community infrastructure and provide immediate employment for nearly 12,000 of the most vulnerable households in Diyala and Baghdad provinces. PRM has not obligated new funds for FY 2011 for activities in Iraq; instead key partners, including UNHCR, IOM, and WFP, are using funds obligated at the end of FY 2010 to implement programming.²⁷⁴

USAID/OFDA

As of December 31, 2010, USAID's Office of Foreign Disaster Assistance (OFDA) had obligated more than \$425.54 million and expended \$405.40 million to provide emergency support to

improve the living conditions of IDPs, refugees, and other vulnerable populations in Iraq.²⁷⁵ OFDA also coordinates with international organizations, NGOs, and UN agencies to help displaced people return to their areas of origin, integrate into the area of displacement, or resettle to a third location. OFDA also supports Return Assistance Centers (RACs) in Iraq to facilitate the safe and voluntary return of IDPs and refugees. OFDA grantees continued this quarter to construct and rehabilitate shelters in 12 of Iraq's 18 provinces. In FY 2010, OFDA provided more than \$45 million in humanitarian assistance to vulnerable populations in Iraq, including IDPs.²⁷⁶ This quarter, OFDA obligated an additional \$4.3 million to the IOM.²⁷⁷

GOI Support for Refugees and IDPs

According to a GAO report released this quarter, the GOI does not appear committed to addressing displacement issues or to working with Jordan and Syria to repatriate Iraqi refugees residing in those countries.²⁷⁸ However, U.S. Embassy-Baghdad reported that U.S. officials were urging the GOI to increase its commitment to aiding the displaced and to working with neighboring countries to assist Iraqi refugees.²⁷⁹ IOM officials report that many Sunni refugees will choose not to return home until greater progress is made toward national reconciliation between Iraq's religious and ethnic groups.²⁸⁰ In a 2008 survey, Sunnis accounted for 56% of the approximately 311,000 refugees residing in neighboring countries and registered with UNHCR. Within Iraq, the situation is reversed: Shia accounted for the majority of 1.3 million internally displaced in a February 2010 assessment done by the IOM.²⁸¹ For a breakdown of Iraq's IDPs and refugees by religious affiliation, see Figure 4.4.

U.S. Embassy-Baghdad's Refugee Coordinators continue to engage with the GOI's Implementation and Follow-up Committee for National Reconciliation to urge it and the Ministry of Displacement

Many Sunni refugees will choose not to return home until greater progress is made toward national reconciliation.

TABLE 4.2

MoDM AND TOTAL GOI BUDGET AND EXPENDITURES, 2008–2010

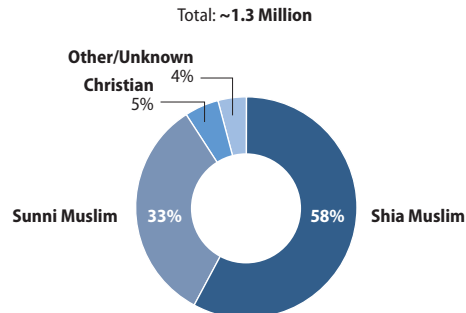
\$ Millions

ACCOUNT		2008		2009		2010
		BUDGET	EXPENDITURES	BUDGET	EXPENDITURES	BUDGET
Operating	Compensation	---	---	4.90	4.40	7.10
	Goods and Services	---	---	3.30	1.70	3.40
	Social Benefits	---	---	40.70	52.20	170.90
	Subtotal	227.60	283.40	49.00	58.30	181.40
Investment		2.50	1.90	6.70	0.50	13.70
Total MoDM		230.10	185.20	55.60	58.80	195.20
Total GOI		72,181.40	56,064.30	58,615.10	36,882.70	72,332.00

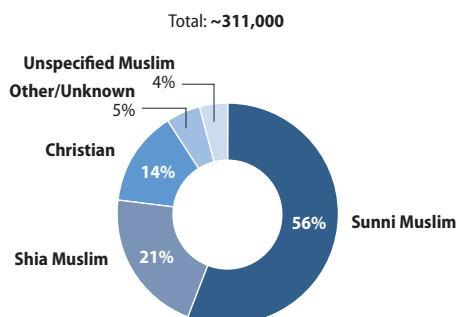
Source: GAO Report GAO 11-124, "Displaced Iraqis: Integrated International Strategy Needed to Reintegrate Iraq's Internally Displaced and Returning Refugees," 12/2/2010, p. 35.

FIGURE 4.4
RELIGIOUS AFFILIATION OF IDPs AND REFUGEES

Religious Affiliation of IDPs in Iraq, as of 2/2010



Religious Affiliation of Registered Refugees, at the End of 2008



Note: 221,983 IDP families were assessed.

Source: GAO Report GAO-11-124, "Displaced Iraqis: Integrated International Strategy Needed to Reintegrate Iraq's Internally Displaced and Returning Refugees," 12/2/2010, pp. 9–10.

and Migration (MoDM) to aid IDPs who want to remain in the Baghdad area.²⁸²

Iraq's 2010 budget included \$195.2 million allocated to the MoDM out of a total budget of \$72.3 billion—a significant increase in budget allocation for the MoDM over 2009, but less than was allocated in 2008.²⁸³ For an overview of the GOI budget for IDPs and refugees, see Table 4.2.

Diyala Initiative

U.S. Embassy-Baghdad reported this quarter that the Diyala Initiative, created by a GOI executive order in July 2009 to assist in the return and reintegration of IDPs and refugees, had not resulted in a significant increase in the return of IDPs to Diyala province. As of this quarter, the project was still in the "early phase" of implementation, and preliminary plans were still underway to expand the initiative to Baghdad.²⁸⁴ The biggest challenge remains lack of employment in the agricultural sector due to war-damaged irrigation infrastructure and the effects of a multi-year drought.²⁸⁵

After successfully aiding 500 returnee households in Diyala, the program is preparing to expand to reach 11,682 households in Diyala and Baghdad provinces.²⁸⁶ The GOI reported that more than 14,800 families had returned to Diyala following implementation of the initiative and a reduction in violence in the province.²⁸⁷

The biggest challenge remains lack of employment in the agricultural sector due to war-damaged irrigation infrastructure and the effects of a multi-year drought.

International Support for Refugees and IDPs

A GAO report on displaced Iraqis issued in December 2010 criticized the international community for failing to create a coordinated approach to reintegrating displaced Iraqis, faulting both the U.S. government and the UNHCR for neglecting to make public their respective strategies.²⁸⁸ The report lays much of the blame for the lack of integrated plans on limitations placed on the MoDM by the GOI, but notes that the lack of a focused international strategy has, in GAO's view, hindered efforts to assess the needs of IDPs and refugees. Specifically, the report cites three issues of concern:²⁸⁹

- The numerous assistance centers and mobile units operated by various entities that aim to assist returnees are potentially inefficient. There are many agencies working to find shelter, jobs, and essential services for IDPs and refugees, but there is no consistent way to measure their success against international goals for reintegration.
- The goals and outcomes of U.S. diplomatic efforts and material assistance provided through implementing partners were classified or considered sensitive information and were not made publicly available.
- The GOI is not sufficiently committed to encouraging returns and reintegration, according to international organizations and U.S. officials. The MoDM issued a national policy on displacement but lacks the authority to lead ministerial efforts, resulting in bureaucratic challenges faced by returnees trying to recover property or receive government stipends.

The report suggests that a more effective approach would be to integrate policies and programs into one overarching, Iraqi-led strategy that includes clearly defined and agreed-upon goals. DoS responded to the report by noting that many factors had influenced U.S. aid to IDPs and refugees, including security conditions in Iraq, which impeded mobility and made monitoring programs difficult. DoS also noted that the U.S. government did not proactively encourage Iraqis to go back to their places of origin, but rather supported voluntary returns and reintegration. DoS also noted that it had consistently urged the GOI to increase its involvement in IDP and refugee issues. USAID, in its response to the report, concurred with GAO recommendations, noting that it had worked with PRM and others on an unclassified version of the U.S. IDP and refugee strategy.²⁹⁰

The lack of a focused international strategy has, in GAO's view, hindered efforts to assess the needs of IDPs and refugees.

Refugee Resettlement in the United States

More than 58,800 Iraqi refugees and Special Immigrant Visa (SIV) holders resettled in the United States between October 1, 2007, and December 31, 2010, including 54,551 refugees and at least 4,263 SIVs (DoS only tracks SIV holders who resettle through PRM). The majority of refugees have been resettled in California, Texas, Michigan, Illinois, and Arizona, while the majority of SIVs have settled in Texas, California, Virginia, Washington, and Tennessee.²⁹¹ ♦

SECURITY

As of December 31, 2010, approximately 49,700 U.S. troops were deployed in Iraq.²⁹² Under Operation New Dawn, which began on August 31, 2010, the mission of U.S. Forces-Iraq (USF-I) is to advise, train, assist, and equip the Iraqi Security Forces (ISF). At the request of the GOI, USF-I may conduct partnered counterterrorism operations and provide other security support. USF-I also protects civilians working with the UN and the U.S. Mission-Iraq to build civil capacity throughout the provinces.²⁹³

On January 15, 2011, at least one Iraqi soldier gunned down two U.S. soldiers at a training center in Iraq. A third U.S. soldier was killed in a separate incident the same day—the deadliest for U.S. forces since July 2010.²⁹⁴

Recent Levels of Violence

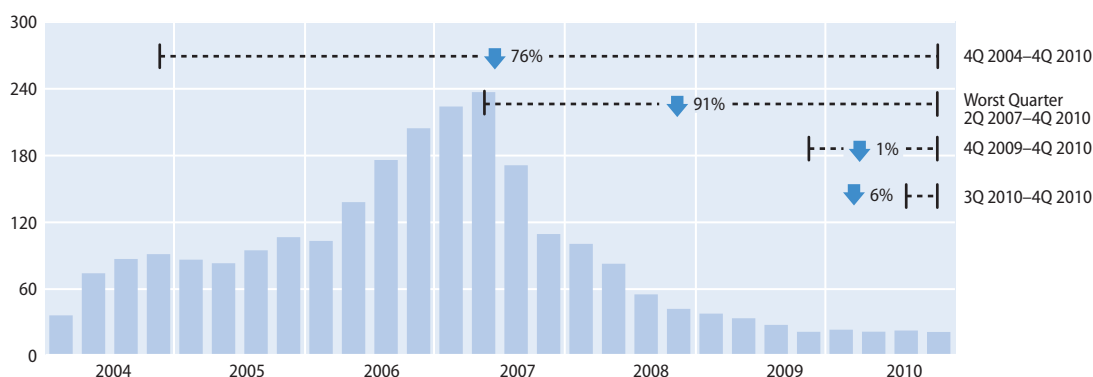
USF-I has reported a continuing risk of violence from a number of known terrorist groups around Iraq. Al-Qaeda in Iraq (AQI) remains a dangerous threat, but USF-I reported that the group's capabilities have been degraded as a result of U.S. and Iraqi targeting of its operations.²⁹⁵



The Iraqi Air Force launches a Hellfire missile from an AC-208 Cessna Combat Caravan during a training mission near Baghdad on November 8, 2010. (USF-I photo)

In 2010, as the number of U.S. troops fell by half from 2009 levels, the number of security incidents fell by more than 20%.²⁹⁶ As of December 31, 2010, the overall level of violence in Iraq was about 90% lower than the peak seen in 2007. Last year, the average number of daily security incidents nationwide was less than 25—making 2010 the least violent year since U.S. operations began in 2003 (see Figure 4.5).²⁹⁷ However, Iraq remains the scene of indiscriminate mass-casualty attacks and frequent targeted attacks on government officials, security personnel, and religious minorities. On November 2, AQI launched the largest mass-casualty attack of the quarter, detonating 16 bombs that killed 70 people and injured at least 250 more in Baghdad.²⁹⁸ For an update on security indicators, see Figure 4.6.

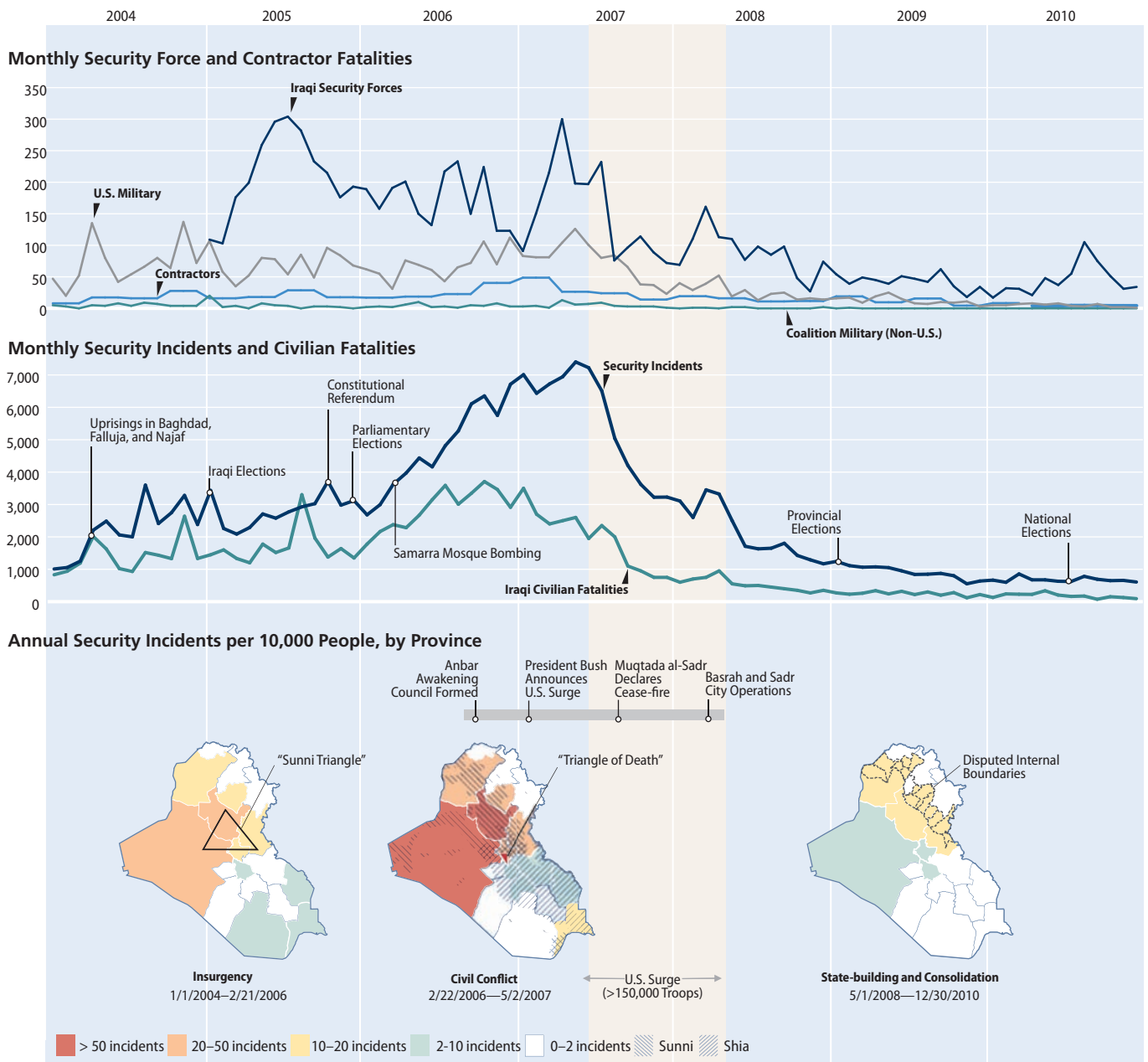
FIGURE 4.5
AVERAGE SECURITY INCIDENTS PER DAY, BY QUARTER, 1/2004–12/2010



Source: USF-I, response to SIGIR data call, 1/4/2011.

Iraq remains the scene of indiscriminate mass-casualty attacks and frequent targeted attacks on government officials, security personnel, and religious minorities.

FIGURE 4.6
SECURITY INCIDENTS AND FATALITIES IN IRAQ, 1/2004–12/2010



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.

Sources: DoD, *Measuring Stability and Security in Iraq*, 2/2006–9/2009; DoI, responses to SIGIR data calls, 11/25/2009, 1/5/2010, 4/12/2010, 7/7/2010, 10/7/2010, and 1/14/2011; Brookings Institution, *Iraq Index*, 12/30/2010, pp. 12 and 14; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 4/2009, 10/2009, and 1/2010; GOI, response to SIGIR data call, 12/21/2009; USF-I, response to SIGIR data call, 1/4/2011.

Revised Security Incident Data

SIGIR has relied on U.S. military authorities (in U.S. Central Command (CENTCOM), USF-I, and the predecessor Multi-National Force entities) for the security incident data presented in SIGIR's Quarterly Reports. In February 2010, because SIGIR did not have a historically complete set of data at the time, CENTCOM provided SIGIR with a complete set covering security incidents from January 2004 through December 2008. This data set came from Multi-National Corps-Iraq (MNC-I), and it was consistent with previous data provided by MNC-I on security incidents through the first half of 2009.

In preparation for its April 2010 Quarterly Report, SIGIR received another set of data from USF-I that covered the period from April 1, 2009, through March 26, 2010. On the surface, this more recent data set seemed inconsistent with the older set because it showed markedly more incidents in the April–June 2009 period. SIGIR questioned the accuracy of the data and was told that it was all that could be provided. The “monthly incident” line in Figure 2.11 of

the April 2010 SIGIR Quarterly Report reflects the discontinuity of the data and makes clear that the data came from two different sources. Supplemented with updates from USF-I, SIGIR displayed the same historical data in its July and October 2010 Quarterly Reports.

On November 30, 2010, USF-I contacted SIGIR and challenged the accuracy of the security incidents data displayed in SIGIR's October 2010 Quarterly Report. After reviewing the underlying data, USF-I acknowledged that SIGIR's graphs faithfully mirrored the data that USF-I had provided to SIGIR—but that the data was incorrect. USF-I informed SIGIR that it had “unknowingly provided an incorrect data file in September 2010 when responding to the quarterly data call.”²⁹⁹ According to USF-I, the faulty data reflected “raw incidents (pre-analysis) across multiple categories, the majority of which did not meet the refined post-analysis criteria required of recordable security incidents.”³⁰⁰

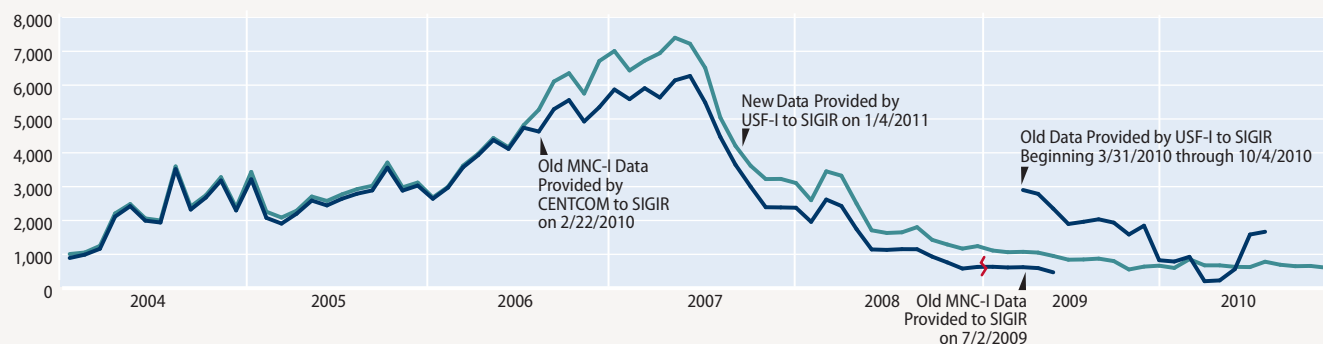
SIGIR received revised data from USF-I on January 4, 2011. Figure 4.7 compares the old “incorrect” data with the new

“correct” data. USF-I has acknowledged that, “while the graph depicts the data submitted, it is not representative of the formally recorded monthly security data.”³⁰¹ The new data set shows more security incidents than previously reported for the period from mid-2006 to mid-2007. According to USF-I, that difference is explained by inclusion of information provided by the host nation that has been reported in the Department of Defense (DoD) Combined Information Data Network Exchange (CIDNE) since August 2006. The new data also deviates significantly from the old data set starting in April 2009. From April 2009 through August 2010, the revised data shows a 50% reduction in total security incidents relative to the data previously provided by USF-I. If the new data is accurate, then all the security incident data that SIGIR received from USF-I in 2010—not just the data received in September—had inaccuracies.

All security incident figures in this January 2011 Quarterly Report use the new, corrected data that USF-I provided on January 4, 2011.

FIGURE 4.7

COMPARISON OF OLD AND REVISED MONTHLY SECURITY INCIDENT DATA, 2004–2010



Sources: MNC-I, response to SIGIR data call, 7/2/2009; CENTCOM, response to SIGIR data call, 2/22/2010; USF-I, responses to SIGIR data calls, 3/31/2010, 4/1/2010, 7/1/2010, 10/4/2010, and 1/4/2011.

Attacks on Minority Christians

The GOI reported that, on October 31, 2010, an estimated 50 members of Our Lady of Salvation Church in Baghdad were killed, and approximately 75 injured, after a front-group for AQI attacked the church and held worshippers hostage for several hours. The attackers detonated suicide vests and responded with gunfire as Iraqi Police (IP) stormed the building, resulting in numerous hostages and seven police officers being killed. Five of the attackers were reportedly killed, and eight were captured.³⁰² Ten days later, early morning bomb and mortar attacks on homes of Christians in Baghdad left at least 3 people dead and 26 wounded. Subsequently, Iraq's Immigration and Displacement Directorate in Dahuk province announced that it had received more than 80 Christian families who fled Baghdad and Mosul.³⁰³

Landmine Removal

On October 25, 2010, Iraq called for international assistance to clear an estimated 20 million landmines throughout the country. The UN has reported that Iraq is heavily contaminated with explosive remnants of war, landmines, and other unexploded ordnance.³⁰⁴ During 1991–2008, approximately 8,000 Iraqis, among them 2,000 children, were estimated to have been killed or maimed by mines and cluster bombs, according to UN figures.³⁰⁵ The United Nations Assistance Mission for Iraq (UNAMI) has noted that landmines affect 1.6 million Iraqis and that 90% of the mines are located in agricultural lands. Prime Minister al-Maliki emphasized that the problem is compounded by a lack of mapping of mined areas, and he has requested assistance from the international community.³⁰⁶

Iraqi Security Forces

As of December 31, 2010, nearly 800,000 security force personnel were serving in the Ministry of Defense (MOD), Ministry of Interior (MOI), and



GOI and church officials survey the damage after the October 31, 2010, attack on Our Lady of Salvation Church in Baghdad. (Ankawa photo)

the Iraqi National Counter-Terrorism Force.³⁰⁷ For a breakdown, by ministry, see Table 4.3.

USF-I's Iraq Training and Advisory Mission (ITAM) reported this quarter that development of the Iraqi Joint Operations Command is underway to support the transfer of internal security responsibility to components of the IP.³⁰⁸ USF-I also reported that progress has been made in the integration of GOI and Kurdistan Regional Government (KRG) forces serving under the MOD.³⁰⁹ U.S. funding for a portion of the program to integrate GOI and KRG forces came to an end in December 2010.³¹⁰

Iraq called for international assistance to clear an estimated 20 million landmines throughout the country.

TABLE 4.3
IRAQI SECURITY FORCES, AS OF 12/31/2010

SERVICE		ASSIGNED PERSONNEL
Ministry of Defense ^a	Iraqi Army (IA)	206,000
	Training and Support	47,000
	Air Force	5,000
	Navy	3,500
	Total MOD	261,500
Ministry of Interior ^a	Iraqi Police	303,000
	Iraqi Federal Police	45,000
	Border Enforcement	60,000
	Oil Police	30,000
	Facilities Protection Service (FPS)	96,000
Total MOI		534,000
Counter-Terrorism Forces		4,120
Total		799,620

Note: Numbers affected by rounding.

^a Assigned numbers illustrate payroll data; they do not reflect present-for-duty totals.

Source: GOI, MOI IG, response to SIGIR data call, 1/15/2011.

Notwithstanding these advances, USF-I has reported that “the U.S. faces the choice of making additional investments to fill essential gaps in ISF capabilities or accept the risk that they will fall short of being able to fully secure Iraq from internal and external threats by the time U.S. forces depart in accordance with the Security Agreement.”³¹¹ In addition to logistics capacity shortfalls raised by the DoD Office of Inspector General (DoD OIG) this quarter, ITAM reported that corruption within the ISF has hindered development and led to the inefficient allocation of human and fiscal resources, as well as the absence of a requirements-driven planning process for the maintenance of security infrastructure and equipment.³¹²

Status of the MOD

USF-I reports that the ISF is now regarded as counterinsurgency (COIN) capable, and the qualified Iraqi trainers necessary for sustaining the Iraqi Army (IA) COIN force are in place.³¹³ ITAM reported that more than 191,000 IA personnel have been fielded in 13 light infantry divisions and 1 mechanized division. More than 54,800 IA soldiers graduated from initial and specialized training programs during 2010,³¹⁴ and training in mechanized and specialized equipment schools continues on a schedule that is coordinated with the IA’s equipment modernization program.³¹⁵

The MOD conducts IA training at 20 locations, which provide for a range of individual, leader, and collective training courses. Current training is focused on preparing the IA for stability operations and external defense. The “train-the-trainer” concept has now transitioned from USF-I to the MOD, and the fielding of division-level Iraqi trainers is said to be almost complete.³¹⁶

Status of the MOI

According to DoD assessments, both MOI and MOD security forces are behind in the attainment of Minimum Essential Capability (MEC)—the standard that indicates “Iraqi security ministries, institutions, and forces can provide internal



SIGIR's Deputy Inspector General meets with General Mohamad, Commander of Basrah's ISF, on January 13, 2011.

security and possess foundational capabilities to defend against external threats.”³¹⁷ Among the various MOI forces, only the Federal Police (FP) and Oil Police are currently assessed to be operationally capable. The IP, Department of Border Enforcement (DBE), and Port of Entry services are assessed as having a basic capability and improving technical skills. All MOI security forces, however, are expected to have gaps in funding, command and control, and logistical infrastructure through the time USF-I withdraws in December 2011.³¹⁸

As of December 31, 2010, more than 708,600 personnel had been trained through MOI centers, mainly in these three components:³¹⁹

- 459,268 IP personnel
- 104,834 FP personnel
- 65,541 DBE personnel

MOI training is conducted at 36 active training centers; U.S. civilian police advisors (CPAs) support 28 of them.³²⁰ The current training focus—in addition to the significant one-time task of training and integrating the Facilities Protection Service (FPS) (discussed below)—is to have a professionally trained, sufficiently staffed police force that is capable of defeating insurgencies, creating an environment of internal security, and enforcing the rule of law.³²¹ ITAM reported that it is presently analyzing how many more advisors will be necessary to support the 273 CPAs currently working in Iraq, and how they will be recruited and deployed.³²²

According to DoD assessments, both MOI and MOD security forces are behind in the attainment of Minimum Essential Capability.

Status of Facilities Protection Service Transition

The plan for transitioning FPS personnel to the IP service has slowly evolved since 2008.³²³ In November, the Minister of Interior announced that he had approved MOI funding to train approximately 76,000 FPS as police officers in 2011.³²⁴ Under the transition agreement, all FPS contractors are to become Iraqi Police in late January or early February 2011. This change of status will resolve the pay imbalances that have existed with FPS personnel at the Ministry of Industry and the Baghdad Municipality (Amanat).³²⁵

Currently, the FPS comprises approximately 91,650 personnel. Of these, about 17,330 are full-time FPS police, and about 74,320 are MOI contractors. Historically, contractors have earned half as much as the full-time FPS personnel while facing the same hardships and dangers. Additionally, contractors are not provided with MOI identification cards, which authorize them to be armed. In the past, some MOI contractors have had their weapons confiscated by Coalition forces and IP officers because they lacked this identification. These problems are expected to be resolved when the contractors become IP officers early in 2011.³²⁶

Twelve MOI training academies will be used throughout Iraq to conduct the FPS training. The plan calls for 11 training cycles, spanning several months, with 6,700 contractors to be trained in each four-week cycle. This will take approximately 18 months to accomplish. The curriculum will incorporate elements of both the basic recruit training and the FPS curriculum.³²⁷

ITAM reported that expenditure of \$10 million of the Iraq Security Forces Fund (ISFF) for the construction of an FPS training facility is now in question because “inadequate progress” had been made on the project.³²⁸

Police Canine Program

An example of recent specialized training programs is the Police Canine Program. On November 7, 2010, the Iraqi Police Canine Program and Canine Handlers School certified 26 explosive-detection



U.S. military canine and handler assigned as part of an explosive-detection team in Baghdad. (USF-I photo)

dog handlers, 14 veterinarian assistants, and 3 veterinarian doctors at the Baghdad Police College. Certification as explosive-detection dog handlers required police personnel to complete a 45-day program with Iraqi master canine trainers. The November 2010 graduation was the fourth group of canine handlers to complete the course, which has fielded a total of 164 explosive-detection teams. Graduates will return to their provinces, where they will work as explosive-detection teams and serve at security checkpoints.³²⁹

Sons of Iraq

There has been no change to the number of Sons of Iraq (SOI) personnel who have transitioned into either the ISF or non-security ministries since last quarter. Since October 2008, 8,748 SOI members have been hired into the ISF, and more than 30,000 have been hired into non-security ministries.³³⁰

USF-I does not have information about the number of SOI enrolled in vocational or educational training programs. To the extent that such programs exist, they are managed by the GOI.³³¹

Historically, contractors have earned half as much as the full-time FPS personnel while facing the same hardships and dangers.

As of November 2010, 387 SOI had been killed in 663 attacks. Attacks on the SOI appear to have been more targeted in 2010.

Payment of SOI Salaries

The GOI provided more than \$270 million to pay SOI salaries in 2009 and committed an equal amount for 2010 salaries.³³² According to USF-I, the draft 2011 budget includes funding to increase SOI salaries to \$300 per month for all members nationwide. Current salaries vary by province between \$130 and \$300 per month. The Ministry of Finance reported that the same amount was included in its 2011 budget proposal for the CoR.³³³

Complaints about the program continue to be reported. However, the GOI's Office of Disarmament, Demobilization, and Reintegration (DDR) has reported improvements in paying SOI members:³³⁴

- August payments fell behind schedule and were paid out together with the September pay disbursement.
- In some areas, October salary payments, due by November 14, were not completed by the end of November.
- In Anbar and Tameem, payments fell significantly behind schedule, and both October and November payments were made simultaneously.
- November payments in five of the nine provinces where SOI operate were completed on time. The remaining provinces were finished by December 18.
- December salaries were not due until January 14, 2011. However, the GOI accelerated pay schedules. SOI in some provinces were paid for December at the same time November pay was distributed. All were paid by the end of December, two weeks ahead of the January due date.

TABLE 4.4
SOI SALARY PAYMENTS MADE ON TIME, SINCE 5/2010

PROVINCE	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Anbar			X		X		X	X
Babylon					X	X	X	X
Baghdad					X			X
Diyala			X		X			X
Tameem					X		X	X
Ninewa	X		X		X	X		X
Qadisiya					X	X	X	X
Salah Al-Din			X		X	X		X
Wassit					X	X	X	X

Note: Payments are considered to be on time if made by the 14th day of the next month.

Source: USF-I, response to SIGIR data call, 1/4/2011.

TABLE 4.5
SOI ATTACKS AND MEMBERS KILLED IN ACTION, 10/2008–11/2010

TIME PERIOD	NUMBER OF ATTACKS	TOTAL KILLED
Oct–Dec 2008	119	78
Jan–Mar 2009	137	40
Apr–Jun 2009	112	56
Jul–Sep 2009	71	32
Oct–Dec 2009	52	40
Jan–Mar 2010	28	11
Apr–Jun 2010	69	34
Jul–Sep 2010	41	79
Oct–Nov 2010	34	17
Total	663	387

Source: USF-I, response to SIGIR data call, 1/4/2011.

Table 4.4 summarizes GOI payment performance since May 2010, when a streamlined pay process was established.

Attacks on SOI

SOI members have assumed considerable personal risk during the course of the program, and the danger continues even after the high-profile period of the surge. As of November 2010, 387 SOI had been killed in 663 attacks. Attacks on the SOI appear to have been more targeted in 2010. Although the number of total attacks in 2009 was 116% higher than in 2010, the number of SOI killed in 2010 was just 16% below the reported number of SOI killed in 2009. Moreover, this comparison does not include those killed during the month of December 2010.³³⁵ For the number of SOI killed and their associated attacks, see Table 4.5.

SIGIR Audit of Sons of Iraq Program

SIGIR released an audit this quarter of the SOI program. MNC-I spent approximately \$370 million of FY 2007–FY 2009 CERP funds on the program. SIGIR auditors found that insufficient quantifiable program data, coupled with the inability to segregate possible SOI effects from other factors,

precluded SIGIR from drawing conclusions about the program's contribution to the reduction in violence in Iraq. MNF-I officials and commanders who spoke with SIGIR stated that they believe SOI was an important factor in reducing violence and provided a number of anecdotal examples in support of their opinions. Overall, SIGIR found the MNF-I exercised weak financial controls over its cash payments to the SOI. SIGIR found that payments were often made to an SOI leader rather than to individual SOI members. Since assuming full control of the SOI program in April 2009, the GOI has faced difficulties in managing the program and integrating SOI members into Iraqi ministries. The GOI promised to employ 95,120 SOI members, but has provided offers to only 39,224. Additionally, it has not offered any jobs since November 2009.

Security Sector Assistance Plans for 2011

USF-I continues to sustain, equip, and train ISF personnel of the MOD and MOI with the stated goal of ensuring that they achieve at least MEC standards.³³⁶ In November, a DoD OIG review warned that "the looming deadline of December 2011 allows little time to develop a viable logistics and industrial capability that can attain and sustain minimum materiel readiness levels for the ISF." The report warns that failure to do so "could result in a downward spiral of operational readiness that would put Iraq's security and stability at risk."³³⁷ Moreover, DoD has reported that essential capabilities may not be in place before transfer of responsibility for police training to the DoS's Bureau of International Narcotics and Law Enforcement Affairs (INL). In August, DoD reported that there will be enduring gaps in police capability—not covered by the INL police-training mission—"if the Iraqi Police do not achieve MEC prior to INL assuming the mission independently."³³⁸

Weaknesses Identified in MOD and MOI Logistics Capability

According to USF-I, the IA's logistics and sustainment capability is one area that appears likely to fall short of the MEC standard when U.S. forces redeploy in December 2011.³³⁹ Although the commands and bases to support logistics and sustainment are largely in place, maintaining ISFF-funded equipment and infrastructure and managing the resources to carry out the MOD's mission have remained a problem.³⁴⁰ Recent DoD OIG observations of notable shortfalls of MOD's logistics system include:³⁴¹

- warehouse management at the Joint Repair Parts Command at Taji
- the availability of critical repair parts
- the MOD fuel supply system incentives to repair vehicles
- the Joint Base Workshop at Taji National Depot
- logistics support of IA Divisions
- the Iraqi Asset Management Program and on-hand inventory of repair parts at medium-size workshops

Recent DoD OIG observations of notable shortfalls of MOI's logistics system include:³⁴²

- repair parts for the MOI and IP vehicle fleet
- the FP Sustainment Brigade
- medical supplies at the FP Medical Battalion
- munitions safety at the FP Headquarters Storage Facility

FY 2010 and FY 2011 Funding for U.S. Security Programs

As of December 31, 2010, nearly \$437 million (44%) of the \$1.0 billion in FY 2010 supplemental appropriations to the ISFF were still available for obligation to new projects; these funds expire on September 30, 2011. More than \$713 million (71%) remained unexpended.³⁴³ The FY 2010 ISFF spend plan includes MOD sustainment projects, modernization of supply-chain management, and training-center life support for the Foreign Military Sales (FMS)-equipped Iraqi 9th Mechanized

DoD has reported that essential capabilities may not be in place before transfer of responsibility for police training to INL.

Division. Most ISFF funding for the MOI is committed to training as USF-I prepares to transfer responsibility for the police-training program to INL in October 2011.³⁴⁴ For details of the transition, see Section 3 of this Quarterly Report.

FY 2011 assistance to the Iraqi security sector is uncertain because the Congress has not yet completed its consideration of the Administration's FY 2011 appropriations request of \$2.0 billion for the ISFF and \$315 million for the International Narcotics Control and Law Enforcement (INCLE). Instead, to fund FY 2011 government operations, the Congress has passed four continuing appropriations acts, the most recent of which (P.L. 111-322) provided funding through March 4, 2011. The law provided:³⁴⁵

- approximately \$386 million to the ISFF, slightly less than the amount for a corresponding period that was provided in FY 2010 and significantly less than what was requested for FY 2011
- approximately \$296 million to the INCLE, the same amount of funding for the corresponding period provided in FY 2010 but significantly more than what was requested for FY 2011

According to USF-I, an FY 2011 ISFF spend plan is not available and will not be developed until the final funding amounts have been determined. But USF-I has reported that the United States “faces the choice of making additional investments to fill essential gaps in ISF capabilities or accept the risk that they will fall short of being able to fully secure Iraq from internal and external threats” by the scheduled withdrawal of U.S. forces in December 2011. The spend plan built around the Administration's \$2.0 billion FY 2011 appropriations request allocated more than 80% of anticipated funding for MOD activities, including \$849 million for sustainment and \$619 million for equipment.³⁴⁶ The FY 2011 National Defense Authorization Act (P.L. 111-383), which the President signed into law on January 7, 2011, authorizes up to \$1.5 billion in FY 2011 appropriations for the ISFF.³⁴⁷ It is not clear whether USF-I will allocate similar priority to MOD sustainment and

equipment if the Congress ultimately appropriates less than was requested.

INL was unable to provide SIGIR with a spend plan for its FY 2011 funds on the grounds that appropriations have not yet been finalized. INL requested approximately \$315 million, \$295 million (94%) of which was planned to cover the expenses of INL's Police Development Program (PDP) for approximately three months.³⁴⁸ For more details on INL's planned PDP, see Section 3.

Foreign Military Sales

The modernization of the ISF is facilitated through the Foreign Military Sales program. Currently, the GOI has committed to 355 FMS agreements to acquire defense articles and services that the U.S. government proposes to sell. As of December 31, 2010, 72% of the \$8.3 billion FMS program had been committed by the GOI. Of the \$1.97 billion in equipment and projects already delivered or in the process of being delivered, the GOI had funded 63.9%.³⁴⁹ Examples of activity this quarter include:

- As of December 31, 2010, 63 of the 140 M1A1 tanks were delivered to Iraq at an estimated cost of \$3.6 million per tank.³⁵⁰ The last shipment is expected to arrive in Iraq in August 2011.³⁵¹
- Eight M88A2 Recovery Vehicles were produced and delivered to Iraq, with an estimated value of \$29.6 million.³⁵²
- Operator and maintainer training for the M1A1s and M88A2s, under the New Equipment Training program, have been placed on contract and are scheduled to begin February 1, 2011. Included is training for two regiments (70 tank crews) through December 31, 2011. Tank maintainer training is currently scheduled through February 28, 2012. The total cost of this training package is estimated at \$34.2 million.³⁵³
- A one-year contract to provide support for contractor logistics (\$35 million, estimated) is scheduled to begin on February 1, 2011.³⁵⁴

USF-I has reported that the United States “faces the choice of making additional investments to fill essential gaps in ISF capabilities or accept the risk that they will fall short of being able to fully secure Iraq from internal and external threats.”

- The Iraqi Army Aviation Directorate accepted delivery of two new Mi-171E helicopters. This delivery, coordinated with the USF-I's Iraq Security Assistance Mission, increased the directorate's total inventory of these Russian-made aircraft to eight. The helicopters will be used to conduct counter-terrorism, airlift, intelligence, surveillance, reconnaissance, and other missions.³⁵⁵

U.S.-funded Construction Projects

The U.S. Army Corps of Engineers (USACE) reports that it completed 33 security-related construction projects, with a combined value of \$62.4 million, this quarter. Four of the projects used a total of \$1.7 million in INCLE funds, and three of these INCLE projects were for security upgrades at courthouses.³⁵⁶

The other 29 completed projects were funded with \$60.8 million from the ISFF and included three at Camp Taji in Baghdad. On November 2, 2010, USACE's Gulf Region District (GRD) completed construction of two identical storage facilities at the Camp Taji Joint Repair Parts Command. The facilities, which were built using \$6.3 million of the ISFF, will serve as the main storage location for IA vehicle repair parts.³⁵⁷ SIGIR audited earlier phases of the Taji project, including the GOI commitment of resources to staff and sustain complex logistics processes at the facilities.³⁵⁸

As of December 31, 2010, USACE had 82 ongoing security construction projects with a combined value of \$295.4 million. Almost all of the funding comes from the ISFF. The largest is a \$46.1 million project to build a National Police Sustainment Brigade Complex in Baghdad.³⁵⁹

GRD is also converting a former Iraqi military headquarters in Baghdad into the new Iraqi International Academy (IIA). The academy is designed to provide executive- and senior-level GOI leaders with classes and workshops in strategic dialogue, professional development, and English language.



The Depot Distribution Central Operation storage facilities at Camp Taji, completed on November 2, 2010. (USACE photo)



GRD is renovating a former Iraqi military headquarters site and turning it into the future Iraqi International Academy. (USACE photo)

The \$13.4 million ISFF-funded construction project is scheduled to be completed in summer 2011. USACE is renovating 10 buildings and constructing two new buildings on the campus.³⁶⁰

This quarter, SIGIR released a report addressing the extent to which the GOI was prepared to maintain and operate the IIA after construction is completed. SIGIR found that the GOI has not made any commitment to fund the operation of the IIA after its planned opening and that the U.S. military did not adequately address sustainment needs with the GOI in its project-planning deliberations. Additionally, DoD plans to furnish and equip the facility at an estimated additional cost of \$12 million. SIGIR recommends that the U.S. CENTCOM Commander direct the USF-I Commander to take no further action to purchase furniture and equipment for the IIA, and inform the GOI that it is the GOI's responsibility to do so.³⁶¹ ♦

SIGIR found that the GOI has not made any commitment to fund the operation of the IIA after its planned opening and that the U.S. military did not adequately address sustainment needs.

RULE OF LAW

As of December 31, 2010, the United States had obligated \$1.97 billion and expended \$1.67 billion to improve the rule of law, including the observance of human rights, in Iraq.³⁶² According to U.S. Embassy-Baghdad, programs to improve the justice system—which focus on increasing judicial security, processing criminal cases more efficiently, and improving oversight and capacity of detention facilities—remain a central component of the U.S. effort to achieve a unified, democratic, and federal Iraq that is at peace with its neighbors and an ally of the United States.³⁶³

This quarter, the Office of the Rule of Law Coordinator (RoLC), along with the PRTs and INL, continued to work with various ministries, including the MOI and Higher Judicial Council (HJC), to improve security conditions for judges and speed the issuance of weapons cards to judges and their protective security details. With the help of representatives from the Department of Justice's International Criminal Investigative Training Assistance Program (ICITAP) and USF-I, RoLC also continued to embed training teams in Ministry of Justice (MOJ) detention facilities and make regular visits to MOI detention facilities to assess conditions and mentor staff members.³⁶⁴

On November 3–4, 2010, RoLC held a Provincial Rule of Law Conference at U.S. Embassy-Baghdad. Approximately 100 military and civilian officers met to exchange lessons learned and assess how best to consolidate progress as the military draws down its presence in Iraq. The conference previewed U.S. and international engagements with the GOI's judicial institutions that are planned to take place after the scheduled departure of U.S. troops in December 2011.³⁶⁵

This quarter, USAID awarded a new contract for a program called Access to Justice, paving the way for work with Iraqi partners to develop a curriculum aimed at:

- improving government processes and procedures to provide vulnerable populations better access to government services and legal remedies
- enhancing the public knowledge of citizens' responsibilities, rights, and remedies under Iraqi law
- increasing the competence and availability of legal professionals and civil-society partners to assist vulnerable and disadvantaged Iraqis

Iraqi Justice System

Iraqi Court System

This quarter, RoLC and INL continued to assist the GOI in modernizing its judicial system, including assisting in securing its court facilities and modernizing its administrative practices.³⁶⁷ Notwithstanding this assistance, some criminal courts continue to be overburdened by pre-trial detainees. For example, between July 1 and September 30, 2010, the HJC reported that Karkh Central First Investigative Criminal Court completed only 950 of the 3,677 cases it received, amounting to a case completion rate of 26% and leaving a total backlog of 2,727 cases at the investigative stage. During the same period, however, the HJC reported that the al-Anbar Investigative Criminal Court completed nearly 90% of the cases before it. RoLC also reported that the Federal Appellate Court reduced the number of old cases on its docket in 2010. Although a distinct variance in case completion rates among Iraqi investigative courts remains, RoLC reported that the average completion rate for investigative courts throughout Iraq has consistently improved and is currently at approximately 75%.³⁶⁸

The Rusafa Court, located near the Rusafa Detention Center in Baghdad, continues to complete counterterrorism caseload. U.S. military judge advocates general in the U.S.-Iraqi Law and Order Task Force (LAOTF) have been working with the judiciary to

Some criminal courts continue to be overburdened by pre-trial detainees.

find more efficient ways of conducting initial investigative hearings and to speed cases to trial. The HJC reported that judges at the Rusafa Court heard approximately 1,488 cases and completed 748 cases between July 1 and September 30, 2010.³⁶⁹

INL Judicial Reform Initiatives

In September 2010, INL awarded grants for court-administration capacity building to the National Center for State Courts and for data management to the Institute for International Law and Human Rights. Additionally, INL has signed a letter agreement with the United Nations Development Programme (UNDP) to help strengthen the core administrative functions of the HJC at the national and provincial levels through 2012.³⁷⁰

INL reported that its FY 2011 program funds will support recently initiated programs that provide technical experts to advise on legal reform, courthouse security, and other administrative and managerial issues. INL also plans to continue funding for its rule-of-law advisors serving at the U.S. Embassy and in the PRTs.³⁷¹

HJC Update

In a meeting with SIGIR this quarter, Chief Justice Medhat al-Mahmoud provided an update of HJC accomplishments and noted that several challenges still face the HJC.³⁷²

- **The HJC has created investigative offices for all the judges.** Medhat said that as Iraq gets back to “normalcy,” the country should observe the laws dictating that investigations be under the purview of the independent judiciary—not the police. However, because of the shortage of investigative judges, the police have been filling the void (and in critical circumstances, the military has also been assisting in what Medhat termed “hot areas”). The HJC has started to build up the investigative capacity of the various courts to begin taking up more of the caseload. Medhat said that the number of investigative judges would be increasing and that they will receive training in forensics and other technical issues.



SIGIR's Deputy IG meets with Basrah's Chief Justice Hekmat, in Basrah, Iraq, on January 13, 2011.

- **Medhat's biggest concern continues to be security for the judges.** In January, two judges were attacked, and one died. There are currently 5,230 security personnel providing coverage for all of the courts and Iraq's 1,260 judges. The Council of Ministers (CoM) rejected the HJC's 2011 budget request to fund 4,000 additional security personnel, and the HJC is still without armored vehicles or weapons.
- **The GOI law mandating retirement at age 63 is a serious problem.** According to Medhat, there is a legislative proposal to have judges remain in place until the age of 70, which would allow Iraq to retain its most experienced personnel and assist in clearing a substantial backlog of cases. Until that measure is passed, he must submit requests on a judge-by-judge basis to the President of Iraq to get exemptions that would allow regular judges to serve until the age of 65 and members of the Court of Cassation to serve until 68.

In January, two judges were attacked, and one died.

Anticorruption

U.S. Support for Iraq's Anticorruption Institutions

Since 2003, U.S. officials have provided substantial assistance to Iraq's primary anticorruption agencies—the Commission of Integrity (COI), the ministry inspectors general (IGs), and the Board of Supreme Audit. Within the Embassy's INL office, the Anti-Corruption Coordination Office (ACCO)

oversees U.S. anticorruption initiatives in Iraq. It reports that GOI progress toward achieving its anticorruption goals has been slow and that security concerns, legal uncertainties, and underdeveloped institutional capacities continue to hamper the GOI's anticorruption efforts.³⁷³

ICITAP advisors have been providing investigative training to COI personnel since 2004 through funding provided by INL and an interagency agreement between DoS and the U.S. Department of Justice.³⁷⁴ At the program's peak in 2007, approximately 15 ICITAP advisors were dedicated to this mission.³⁷⁵ As of January 2011, three ICITAP advisors were assigned to the COI to conduct activities in three areas until the program's scheduled conclusion on June 30, 2011.³⁷⁶

- building the managerial capacity of COI managers and supervisors through active mentoring
- enabling the COI to develop and fully implement a comprehensive, sustainable national training strategy
- enhancing the current operational proficiency of the COI

With support from the U.S. Embassy's Military Information Support Team (MIST), ICITAP and ACCO also assisted the COI in providing 30,000 anticorruption magazines for distribution to Iraqi school children this quarter.³⁷⁷

National Anticorruption Strategy

This quarter, the Ministries of Agriculture, Education, and Culture, as well as the CoM, conducted workshops aimed at implementing provisions of the *National Anti-Corruption Strategy for 2010–2014* (NACS), which the GOI released in March 2010. As of the end of 2010, the majority of the GOI's ministries had complied with NACS requirements to complete and submit their individual anticorruption plans to the COI for review.³⁷⁸

COI Investigations

Upon completion of an investigation, Iraqi law requires the COI to refer its findings to an



One of 30,000 children's anticorruption magazines released by the COI in December 2010 for use in educating Iraqi school children.

investigative judge for adjudication. As of September 30, the COI had referred more than 2,000 defendants to the courts in 2010, involving allegations of corruption totaling approximately \$380 million. The MOD had the largest number of employees referred to investigative judges, followed by the MOI and the Ministry of Municipalities and Public Works.³⁷⁹

The COI also reported that its investigative work had led to 481 convictions between January 1 and September 30, 2010, including convictions of 50 GOI officials holding the rank of director general or above. Of those convicted, 39% were found guilty of forgery (usually of educational certificates), 26% for damaging government property, and 20% for embezzlement.³⁸⁰

COI Leadership Questions

Under Iraqi law, the office of COI Commissioner has full authority to direct and control all COI operations,³⁸¹ and the Commissioner is potentially involved in every corruption investigation in Iraq. The office's current occupant, Judge Raheem al-Ugaili, was appointed by Prime Minister al-Maliki

The Ministry of Defense had the largest number of employees referred to investigative judges.

in December 2007. However, he has never been confirmed by the CoR and, as such, serves only in an interim capacity and is subject to replacement at the prime minister's discretion.³⁸² Because of its actual—and latent—authority, the position of COI Commissioner will be an important appointment for the new government.

Financial Disclosure

Under Coalition Provisional Authority Order 55, which continues to govern COI activities, all mid- to high-ranking GOI employees must file annual disclosure forms with the COI.³⁸³ On December 5, 2010, the COI reported that 76% of the members of the former (pre-March 7 elections) CoR had filed the appropriate financial disclosure forms. Other notable financial disclosure results for 2010 included:³⁸⁴

- 100% response rate for 34 of the 56 agencies employing affected personnel
- 100% response rate for the CoM
- 92% response rate for the 24 heads of independent (non-ministerial) agencies
- 56% (10 of 18) response rate for provincial governors
- 18% response rate for the more than 3,400 affected personnel at the MOI

Inspectors General

This quarter, Iraq's IGs continued to examine allegations of corruption within their ministries. SIGIR reported in October that an investigation into the MOI's purchase of ineffective bomb detectors from a British company was quashed by the invocation of Article 136(b) of the Iraqi Criminal Procedure Code, which allows for a minister to halt judicial inquiries into the activities of personnel working in that ministry. This quarter, the MOI IG announced his intention to conduct a joint investigation with British authorities into the circumstances surrounding the acquisition of these devices. According to the MOI IG, 75% of the value of the contract went to kickbacks received by GOI officials.³⁸⁵



SIGIR's Inspector General meets with officials from the new Iraqi Academy for Fighting Corruption on November 8, 2010.

In another significant investigation, the IG for the MOE announced that his office had seized a number of fuel tankers delivering diesel fuel to MOE power stations in southern Baghdad. The tanker trucks were seized on the grounds that they contained only one-third the amount of fuel required by the contract and the fuel contained in them did not meet specifications. The MOE IG reported suspicions that a crime may have been committed, and an investigation into the origins of this alleged plot is currently underway.³⁸⁶

IG personnel also continue to be targets for violence. In early December, a member of the Ministry of Housing's IG office was killed north of Baghdad by an unknown gunman who reportedly used a silenced weapon.³⁸⁷

Other Significant Investigative Matters

In late August 2010, two shipping containers packed with a total of 8,080 laptop computers owned by the U.S. government were improperly declared “abandoned” by Iraqi port officials in southern Iraq and auctioned shortly thereafter. When U.S. Embassy-Baghdad learned that the laptops had been sold, it requested their immediate return, and with the aid of Prime Minister al-Maliki, 4,020 laptops were returned to U.S. government custody. But according to RoLC, 4,060 laptops remain missing.

To facilitate the COI's ongoing investigation into this matter, on November 17, 2010, the Embassy permitted five U.S. personnel who had contact with Iraqi port officials before the auction

Because of its actual—and latent—authority, the position of COI Commissioner will be an important appointment for the new government.

date to submit written witness statements to the COI. However, the COI investigator cautioned that he was still waiting for port officials to approve the investigation, as corruption cases may be halted by cabinet ministers pursuant to article 136(b) of the Iraqi Criminal Procedure Code.³⁸⁸

U.S. and GOI officials also reported several important developments in other anticorruption matters this quarter:

- The CoM began the process of forming an inter-ministerial committee to investigate diploma and certificate fraud in the GOI. The Ministry of Higher Education and Scientific Research reported that it has uncovered more than 7,000 forged diplomas, although it did not make clear to what extent these fraudulent diplomas were being used by Iraqis to obtain government employment.³⁸⁹
- The Deputy Governor of Baghdad province reported approximately 29,000 cases of apparent public-benefits fraud. When called on to produce proof of their eligibility to receive public benefits, only 750 of the 29,000 could do so.³⁹⁰
- Najaf's Provincial Council referred a case concerning alleged corruption in the construction of two sewage projects implemented by the Ministry of Municipalities and Public Works, valued at about \$86 million.³⁹¹
- Police units in charge of securing Iraq's oil facilities seized six tanker trucks used to smuggle oil in the southern part of the country.³⁹²
- The COI began work on 350 cases involving allegations of Diyala officials receiving double government salaries.³⁹³

Opening of Anticorruption Academy

After more than five years of delays, the Iraqi Academy for Fighting Corruption opened in Baghdad on December 9, 2010. The primary mission of the Academy is to train GOI employees and Iraqi journalists in anticorruption best practices. The COI Commissioner, under the auspices of the CoM, is responsible for administering the new Academy.³⁹⁴

The Academy receives technical assistance and support in designing and implementing its

curriculum from the UN-sponsored International Anti-Corruption Academy (IACA), based in Austria. As of mid-December 2010, more than 50 countries, including Iraq, have formally agreed to partner with the IACA.³⁹⁵

- standardized anticorruption training and research support
- country-specific training and research support
- interdisciplinary academic degree programs (beginning mid-2011)
- platforms for dialogue and networking (such as alumni gatherings, special events, and anticorruption conferences)
- anticorruption think-tank activities

Anti-money-laundering Initiatives

Since 2005, U.S. Embassy officials have helped the GOI establish modern anti-money-laundering protocols that conform with internationally accepted standards. The Financial Attaché—in conjunction with personnel from the Internal Revenue Service's Criminal Investigations Division—has led these efforts, which focus on developing the capacity of the Central Bank of Iraq (CBI) to deter, detect, and prevent money laundering. In July 2010, the U.S. Department of the Treasury began working with the CBI to help stand up its Money Laundering Reporting Office, a process that is ongoing.³⁹⁶

Human Rights

Safeguarding Religious Minorities

As evidenced by the attack on the Sayidat al-Najat (Our Lady of Salvation) Syriac Catholic Church in Baghdad on October 31, insurgents continue to target religious minorities, causing many of them to flee their homes for refuge elsewhere. This quarter, U.S. Embassy-Baghdad reported that it has established a new working group, led by Assistant Chief of Mission for Transition Assistance Peter Bodde, focused on minority rights. Other Embassy officials met separately with the head

When called on to produce proof of their eligibility to receive public benefits, only 750 of the 29,000 could do so.

of the Christian Endowment regarding how that agency could increase its assistance to the Christian community, and with the Deputy Minister of Displacement and Migration regarding services to displaced Christians.³⁹⁷

DoS also reported that its Bureau of Democracy, Human Rights, and Labor (DRL) plans to fund the Iraq Foundation's Interfaith Cooperation Project. This 15-month effort aims to deepen public knowledge and promote dialogue about Iraq's diverse religious heritage and to enhance religious freedom, interfaith cooperation, trust, and mutual respect among faith communities.³⁹⁸

Combating Violence against Women

This quarter, DoS reported that the Heartland Alliance—a non-governmental organization (NGO) that receives support from DRL to assist survivors of torture—continued to provide legal, social, medical, and mental health services to adult and juvenile victims of gender-based violence and their dependants. These services are provided through local implementing partners with support and involvement by Heartland Alliance staff.³⁹⁹

Gender-based anti-violence protection programs take place in Baghdad, Kirkuk, Basrah, Sulaymaniyah, Erbil, and Dahuk. Legal representation and social support is also provided to gender-based violence victims who want to file criminal charges against perpetrators and who want to file cases in the Personal Status Courts. Most cases filed in the Personal Status Courts throughout Iraq are requests for divorce based on claims of domestic violence; along with related cases for alimony and child custody. Lawyers provide legal consultation, assessment of cases, and full representation to individuals, while social workers mediate with families to support reintegration. Women and girls are screened in detention centers or police stations in all of Iraq's provinces; and Heartland Alliance provides physicians in all locations but Baghdad, as well as shelters for residents in the Kurdistan Region.⁴⁰⁰

Heartland Alliance has been documenting institutionalized violence against women and girls and announced that it will soon release its report on the experiences of women and girls in the criminal justice system and Personal Status Courts. The report is expected to include recommendations for legal and policy reforms aimed at improving women's access to Iraq's judicial system.⁴⁰¹

Heartland Alliance also provides legal and social services for the victims of sex trafficking in the Kurdistan Region, Baghdad, and Basrah. Most legal services include criminal defense representation for women and girls charged with prostitution. Heartland Alliance and its partner conduct training and deliver presentations to law enforcement officials, service providers, and the general public to raise awareness and encourage increased prosecution of traffickers. Recently, Heartland Alliance and Johns Hopkins University's Protection Program held their first workshop to support the KRG in drafting anti-trafficking legislation. According to RoLC, the university was instrumental in working with the local government officials in Baghdad to draft similar legislation.⁴⁰²

Assisting War Widows

DoS's Office of Global Women's Issues (S/GWI), in conjunction with DRL, continues to assist Iraqi women through the Iraqi Women's Democracy Initiative and the recently launched Secretary's Widows Program. Under the new program, DRL and S/GWI work with NGO partners to provide direct support and training to Iraqi widows, female heads of household, and other vulnerable women in Iraq in the areas of human rights, literacy, entrepreneurship, and vocational skills. The aim is to enable disadvantaged Iraqi widows to acquire the skill sets needed to become economically self-sufficient, increase their independence, diversify their means of livelihood, and contribute to the economic development of Iraq.⁴⁰³ ♦

The Interfaith Cooperation Project aims to deepen public knowledge and promote dialogue about Iraq's diverse religious heritage.

ECONOMY

“We can’t just jump from the Soviet model to the free market. There are many steps in between.”

With a government in place, oil-led private investment strengthening,⁴⁰⁴ and the International Monetary Fund (IMF) projecting sharp growth,⁴⁰⁵ there is reason to be cautiously optimistic about Iraq’s economic prospects for 2011. However, corruption remains high, business conditions are difficult,⁴⁰⁶ and the ability of the new government to tackle sensitive issues affecting the economy is largely untested. Basrah Investment Commission Chairman Haider Fadhel put the challenge in perspective when he told SIGIR, “We can’t just jump from the Soviet model to the free market. There are many steps in between.”⁴⁰⁷

Key Economic Trends and Developments

The Iraqi economy remains heavily dependent on its oil sector and will remain so for the foreseeable future. With uncertainty surrounding global energy markets, Iraq’s economic performance is

more vulnerable to fluctuations of global oil price and demand than any other oil-exporting nation in the Middle East or North Africa.⁴⁰⁸ The extent of this exposure is shown in Figure 4.8.

This quarter, the GOI received \$13.22 billion in oil export receipts, \$1.96 million more than last quarter. Total receipts for 2010 were \$48.83 billion—an increase of \$11.81 billion over 2009, and \$920 million more than the \$47.91 billion projected in the GOI’s 2010 budget. This oil income represents nearly 90% of all government revenue, two-thirds of the GOI’s 2010 federal budget, and 58% of Iraq’s gross domestic product (GDP).⁴⁰⁹ (Services, manufacturing, and agriculture all contribute to the remaining third.)

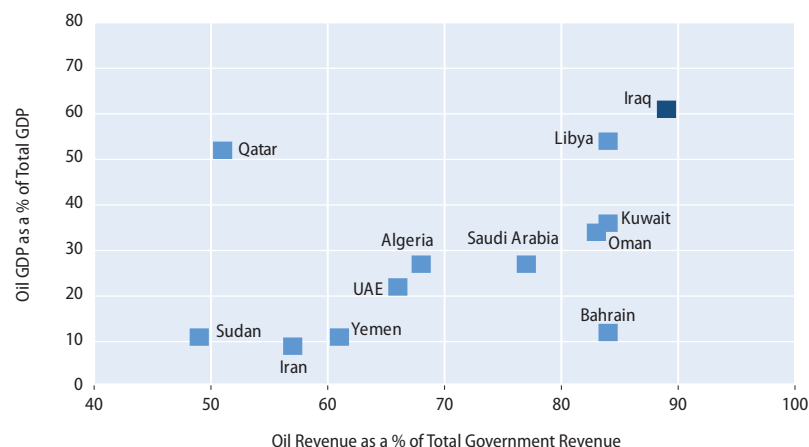
For a detailed look at the linkage of oil price, GOI receipts, and Iraq’s GDP, see Figure 4.9.

Inflation

After declining through much of the first half of 2010 and holding steady during the third quarter, Iraq’s year-on-year core inflation rate rose to more than 3% during the final quarter. As of November, the latest monthly year-on-year figure available, core inflation was 3.07%—more than a full percentage point above the 1.9% recorded for much of the previous quarter.⁴¹⁰ Overall inflation was marginally lower at 3.05%.⁴¹¹ The increase still leaves Iraq’s inflation rate below the average projected for other countries in the region for 2010.⁴¹² Iraq’s inflation is expected to rise to around 5% in 2011 as global commodity prices recover and poor harvests drive up the cost of food.⁴¹³ The increase is in line with projected global price increases of around 5% for non-oil commodities, food, and industrial raw materials.⁴¹⁴

For the second straight year, the Central Bank of Iraq (CBI) has maintained an unofficial exchange rate of 1,170 Iraqi dinar to one U.S. dollar. This policy is expected to continue at least through

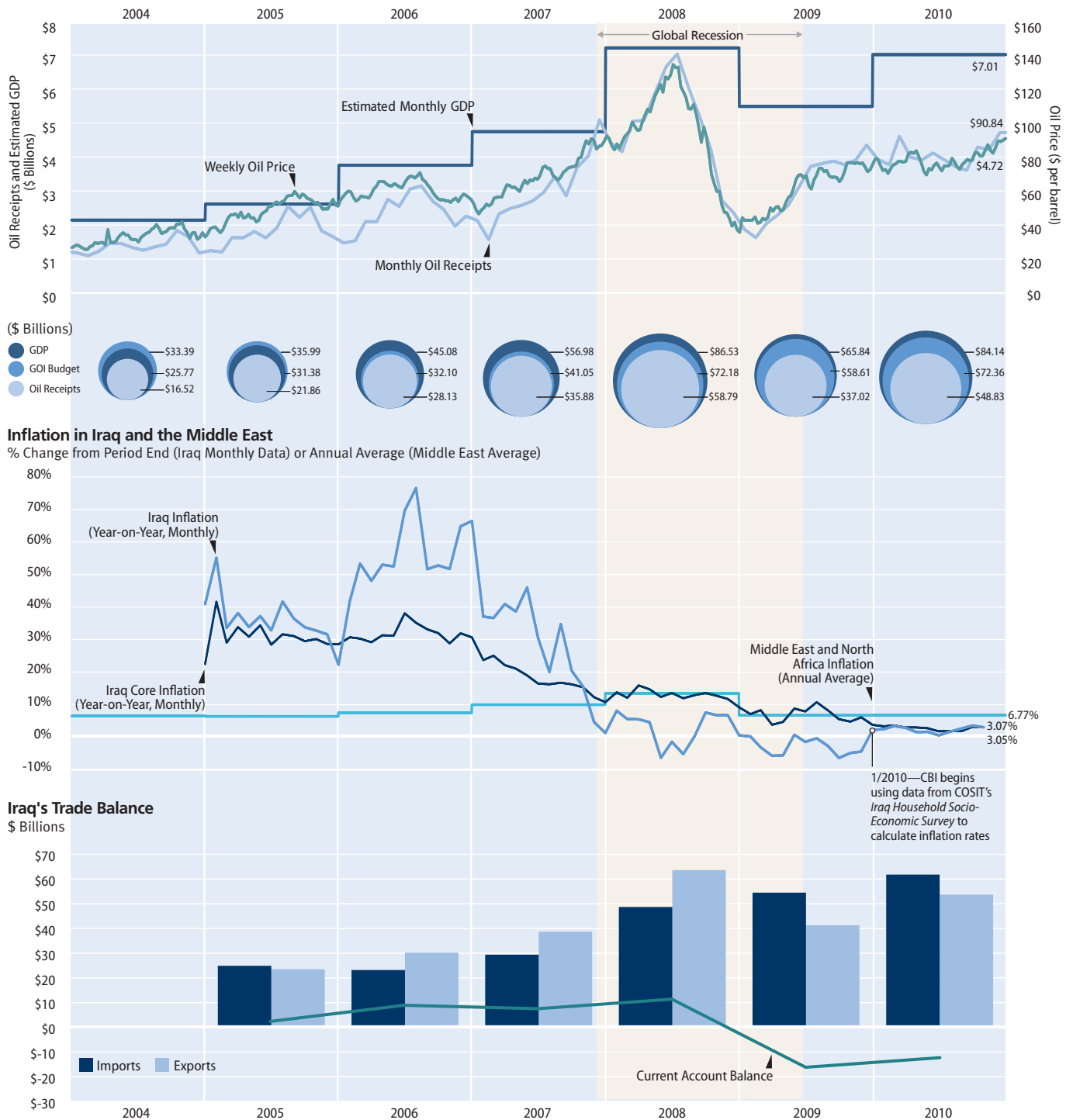
FIGURE 4.8
ECONOMIC RELIANCE ON OIL AMONG SELECTED
MIDDLE EAST AND NORTH AFRICA NATIONS, 2010



Source: IMF, *Regional Economic Outlook: Middle East and Central Asia*, 10/2010, p. 15.

DEVELOPMENTS IN IRAQ

FIGURE 4.9
THE IRAQI ECONOMY, 2004–2010
Oil Price, Iraqi Oil Receipts, and GDP



Note: Data not audited. Numbers affected by rounding. Daily oil price represented by Weekly Iraq Kirkuk netback price at U.S. Gulf. All dollar values are in current prices. GDP figures from 2009–2010 are estimates.

Sources: U.S. Treasury, responses to SIGIR data calls, 6/8/2010, 7/13/2010, 10/13/2010, and 1/14/2011; IMF, *World Economic and Financial Surveys: World Economic Outlook Database*, 10/2010, www.imf.org/external/pubs/ft/weo/2010/02/weodata/index.aspx, accessed 1/14/2011, and *Regional Economic Outlook: Middle East and Central Asia*, 10/2009, pp. 55–57, and 10/2010, pp. 68–70; EIA, “Weekly Iraq Kirkuk Netback Price at U.S. Gulf,” www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WEPCIRK&f=W, accessed 1/14/2011; GOI, “Key Financial Indicators,” 12/29/2010, www.cbi.iq/documents/key_financial.xls, accessed 1/12/2011.

2011.⁴¹⁵ However, any downturn in oil prices or political setback significant enough to cause an erosion of confidence would require the CBI to support this rate by tapping the country's substantial foreign exchange reserves to buy dinars.⁴¹⁶

Growth

Citing lower-than-expected oil production and exports, the IMF in October cut its estimate for Iraq's 2010 real GDP growth by more than half, from 7.3% to 2.6%.⁴¹⁷ However, the accelerating pace of new foreign direct investment in Iraq's oil fields is expected to boost overall oil-related economic activity to an extent that the IMF has raised its earlier projections for GDP growth in 2011 from 7.9% to 11.5%, and in 2012 from 7.6% to 11%.⁴¹⁸

Despite announcements this quarter of major new housing construction projects,⁴¹⁹ estimates for non-oil-related real GDP growth for 2011 remain unchanged at around 4.5%.⁴²⁰ Because the oil sector provides only a small fraction of Iraq's jobs, even double-digit GDP growth appears unlikely to cut deeply into the current high jobless rate or to accommodate the large numbers of young Iraqis who enter the job market annually.⁴²¹ The most recent unemployment figure listed by the GOI's Central Organization for Statistics and Information Technology—15.3%—is from 2008.⁴²² Moreover, the outlook for the agricultural sector, one of the country's largest employers, remains uncertain following two years of below-average rainfall.⁴²³

Investment Climate

The GOI took steps this quarter to improve the investment climate of Iraq's economy:

- Iraq's Higher Judicial Council established a special court in Baghdad to adjudicate disputes involving foreign investors. According to an HJC spokesperson, the court's main goal is to shield foreign investment capital "to push the investment process forward, along with Iraq's reconstruction." Additional branches of the court are planned for Basrah and Mosul.⁴²⁴



SIGIR's Deputy Inspector General addresses the IAMB meeting in Geneva, on January 6, 2011.

- On December 29, Prime Minister al-Maliki signed a decree to grant investors ownership of land for residential housing projects with no initial down payment in exchange for the state to receive a specified percentage of units built. The decree also provides for leasing and allocation of land for a variety of other commercial investment projects, including those in agriculture, tourism, and industry.⁴²⁵

Still, Iraq remains a difficult place to do business. In its latest rankings on the ease of doing business, the World Bank ranked Iraq 166 out of 183 countries. In measuring the ease of *starting* a business, Iraq ranked ninth from the bottom.⁴²⁶ Transparency International's Corruption Perceptions Index rated Iraq as the fourth most corrupt nation in the world and the most corrupt in the Middle East region.⁴²⁷

Chapter VII Sanctions

On December 15, the United Nations Security Council (UNSC) took significant steps to return Iraq to the legal and international standing it held prior to the 1990 invasion of Kuwait by passing three resolutions that close most of the remaining Chapter VII mandates.

- **End of WMD-related Trade Sanctions.** UN Security Council Resolution (UNSCR) 1957 ends trade sanctions set in place to isolate Saddam Hussein's government politically and prevent it from developing weapons of mass destruction (WMD).⁴²⁸ The sanctions at one point prevented the import of nearly all products but food and

Even double-digit GDP growth appears unlikely to cut deeply into the current high jobless rate.

medicines, including chemicals and other materials commonly used in industrial and agricultural production, as well as any nuclear materials—such as those used for medical purposes.⁴²⁹ While lifting the last of these sanctions was largely a political statement, it does enable Iraq to develop a peaceful civilian nuclear power program.⁴³⁰

- **Protection of Iraqi Oil Revenues.** UNSCR 1956 provides a final extension, until June 30, 2011, to protect Iraqi oil revenues from international creditors still seeking compensation for Iraq's actions during the Saddam era.⁴³¹ The international debt burden from that era totaled more than \$120 billion at the end of 2004,⁴³² but more recently has been estimated at \$46 billion–\$87 billion.⁴³³ The Development Fund for Iraq (DFI), which has served as a protective shelter for Iraq's oil revenues, will be dissolved—as will the International Advisory and Monitoring Board for Iraq (IAMB), which has had oversight responsibilities for the DFI since it was created by the UN in 2003.⁴³⁴ The Committee of Financial Experts (COFE), headed by the President of Iraq's Board of Supreme Audit, is expected to manage the DFI successor.⁴³⁵ At an IAMB meeting on January 6, 2011, SIGIR provided an update on the results of four audits of the DFI conducted during 2009 and 2010. The audits found that more

than \$200 million in seized, vested, or other funds may remain in various DFI accounts.⁴³⁶

- **Oil for Food Program.** UNSCR 1958 ends all activities related to the Oil for Food Program, which operated during 1996–2003 and allowed the Iraqi government to use oil revenues to purchase food and medicines. Following passage of the resolution, the residual Oil for Food Program funds were to be transferred into the DFI, less an amount up to \$151 million, which was retained to pay expenses and provide indemnification.⁴³⁷

Aspects of Iraq's relations with Kuwait remain subject to Chapter VII conditions, including the obligation to continue payment of reparations to Kuwait.⁴³⁸

Oil and Gas

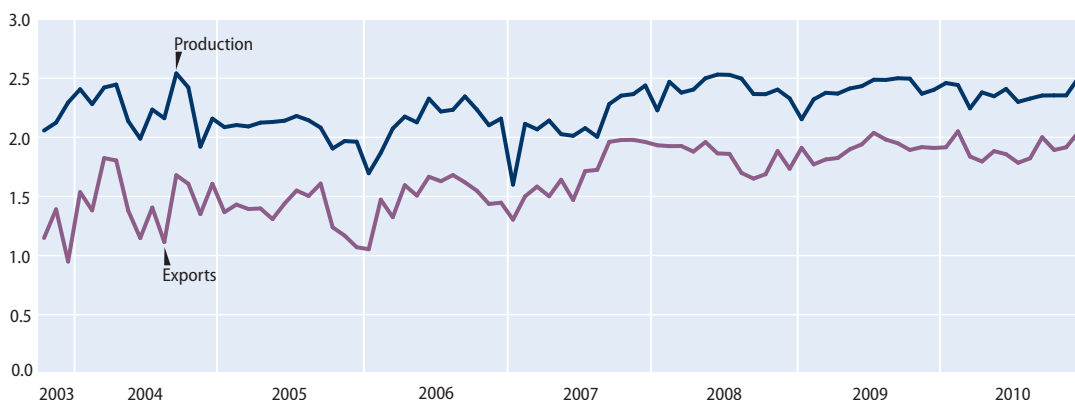
Crude Oil Production and Field Development

Crude oil production averaged 2.40 million barrels per day (MBPD) this quarter, an increase of 3% over the previous quarter, but 1% below the same quarter in 2009.⁴³⁹ For crude oil production and export levels since 2003, see Figure 4.10.

The GOI provided a detailed analysis this quarter of how it expects to achieve its ambitious goal of

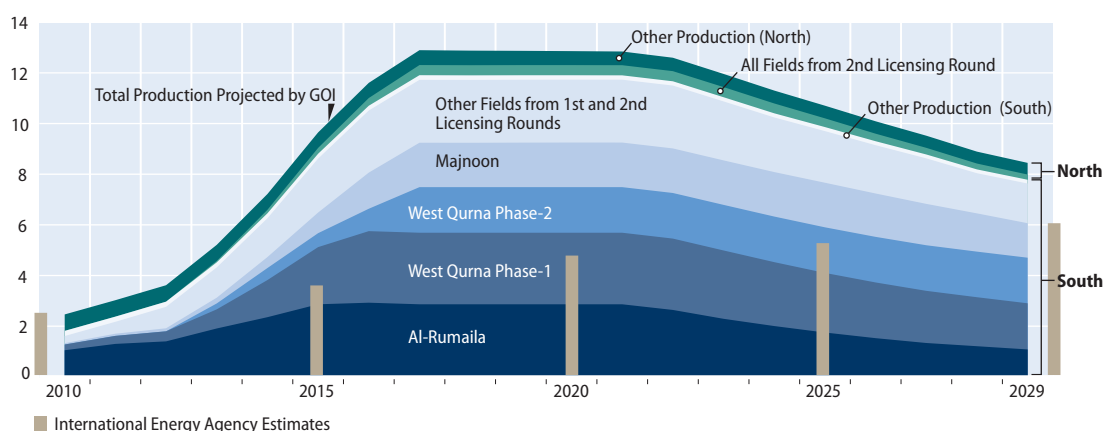
The Development Fund for Iraq (DFI), which has served as a protective shelter for Iraq's oil revenues, will be dissolved.

FIGURE 4.10
CRUDE OIL PRODUCTION AND EXPORTS, BY MONTH, 10/2003–12/2010
Million Barrels per Day



Sources: NEA-I, responses to SIGIR data calls, 6/4/2010, 7/6/2010, and 1/11/2011.

FIGURE 4.11
GOI AND IEA PROJECTED OIL PRODUCTION, BY YEAR, 2009–2030
Million Barrels per Day



Source: GOI, Ministry of Oil, meeting with SIGIR, 11/8/2010.

producing 12 MBPD by 2017, about five times the current production level. Three southern oil fields—al-Rumaila, West Qurna, and Majnoon—are expected to produce 9.24 MBPD, or more than three-quarters of the total.⁴⁴⁰ In November, the Ministry of Oil projected production would reach 3.26 MBPD by the end of 2011.⁴⁴¹

Outside experts tend to agree that Iraq's production potential is substantial, but view the GOI goal skeptically.⁴⁴² Meeting the official production target would require not only making a significant investment—estimated by some to be \$150 billion or more⁴⁴³—but also overcoming considerable political, logistics, transportation, and infrastructure challenges.⁴⁴⁴ A 2007 report compiled by the U.S. engineering company Foster Wheeler concluded that excessive corrosion levels in major pipelines placed them at risk of failure.⁴⁴⁵

In its *World Energy Outlook 2010* published in December, the International Energy Agency (IEA) anticipates it would take until the 2030s for Iraq's oil production to exceed 6 MBPD—just half the GOI's 2017 goal of 12 MBPD.⁴⁴⁶ Still, the IEA noted that even this more modest increase would make up a large share of projected rises in OPEC production over the next quarter century and enable Iraq to equal Iran's oil output sometime in the next five

years.⁴⁴⁷ For a breakdown of the GOI's projections and a comparison with the IEA's estimates, see Figure 4.11.

Major international oil companies continued to ramp up operations in Iraq's southern oil fields this quarter:

- At al-Rumaila, British Petroleum (BP) and the Chinese National Petroleum Corp., reported in January they had increased production by more than 10% above the initial production rate of 1.066 MBPD agreed on in December 2009. BP reported that 20 new rigs are now mobilized in the field and 41 wells were drilled in 2010.⁴⁴⁸ The two international oil companies have joined with Iraq's South Oil Company to form a new entity, the al-Rumaila Operations Organization (ROO), whose goal is to further increase production. BP is providing training, controls, systems, and expertise to the ROO.⁴⁴⁹
- At al-Zubair, the Eni-led consortium reportedly averaged production rates of 236,000 barrels per day (BPD) as it worked toward a long-term target of 1.2 MBPD. The current production rate represents an increase of 29% from an initial starting volume of 183,000 BPD.⁴⁵⁰
- For West Qurna Phase-1, ExxonMobil and Royal Dutch Shell committed to raising output by an

Outside experts tend to agree that Iraq's production potential is substantial, but view the GOI goal skeptically.



One of 20 new rigs now operating in the al-Rumaila oil field. (BP photo)

additional 500,000 barrels per day by tapping additional reservoirs in the field. The new goal at West Qurna-1 is to boost current output of 244,000 barrels per day to 2.825 MBPD within six years.⁴⁵¹

- At the Majnoon field, Shell and Petronas announced in November that they had signed a contract with Halliburton and two other companies for constructing an operations camp and drilling at least 15 wells.⁴⁵²

In northern Iraq, the Ninewa Oil Commission announced in November that production at the Batna oil field had resumed for the first time in 20 years.⁴⁵³

Amid this increased activity, the U.S. government interagency International Oil Company Support Team created in August 2010 has been liaising with IOCs (regardless of country of origin) to help them deal with administrative, logistical, and bureaucratic challenges to their operations.⁴⁵⁴

Crude Oil Exports and Capacity Expansion

Crude oil exports averaged 1.95 MBPD this quarter, up by 4% from the previous quarter and 2% higher than the same quarter in 2009.⁴⁵⁵ Oil exports could get an immediate boost of up to 150,000 BPD if the GOI dispute with the KRG that halted exports of oil from the Kurdistan Region in 2009 can be resolved soon.⁴⁵⁶

Iraq's Deputy Prime Minister Hussein Shahristani, who held the oil portfolio in the previous

government, announced in December that contracts for two of four new offshore single-point mooring (SPM) stations planned for construction in the Persian Gulf south of Basrah had been signed.⁴⁵⁷ Independent assessments suggest the first two stations, together with new 48-inch undersea pipelines to the al-Basrah Oil Terminal (ABOT) will likely be completed by early 2012, with the third following in late 2012. Completion of the fourth is estimated to be between mid-2013 and sometime in 2015.⁴⁵⁸ Completion of the pipelines and all four SPM stations would more than double export capacity to between 4 MBPD and 4.5 MBPD.⁴⁵⁹ A project to build 35 new oil storage tanks is underway in southern Iraq. These tanks will replace 66 oil storage tanks in the al-Faw area that were destroyed during the Iran-Iraq War.⁴⁶⁰

Oil Metering

Installation of a comprehensive oil metering system is behind schedule; and, at the request of the IAMB, PricewaterhouseCoopers (PwC) expanded the scope of work of its 2010 interim audit of the DFI to include a review of the program.⁴⁶¹ Metering the flow of crude from source to endpoint enables authorities to track oil volume and also alerts them to any illegal siphoning. Both the pace and quality of oil meter installation have long been issues of concern for IAMB. In December 2008—nearly four years after it first recommended an oil metering system for all oil fields, oil terminals, and refineries—the IAMB's external auditors found only a third of the planned meters had been installed.⁴⁶²

In November, the GOI provided the UNSC with information showing that by September 30, 2010, it had completed work on 51% of the 3,302 meters planned for installation by that date (see Table 4.6). It also reported that work was continuing on a system to meter crude oil exported from ABOT. A system comprising 12 meters had been completed at the Khawr al-Amaya Oil Terminal.⁴⁶³ The GOI metering plan calls for a total of 4,898 meters.⁴⁶⁴ PwC reported that not all installed meters were

Installation of a comprehensive oil metering system is behind schedule.

TABLE 4.6
IMPLEMENTATION OF THE INSTALLATION PLAN FOR OIL METERS

	COMPANY	TOTAL PLAN	PLANNED TO 9/30/2010	IMPLEMENTED TO 9/30/2010	PERCENTAGE OF IMPLEMENTATION
Exporting Companies	South Oil Company	137	16	43	269%
	Maysan Oil Company	65	12	29	242%
	North Oil Company	188	76	86	113%
Distributors	Midlands Refineries Company	592	107	187	175%
	North Gas Company	69	28	39	139%
	Oil Pipelines Company	410	402	365	91%
	North Refineries Company	239	239	195	82%
	Gas Filling Company	49	34	25	74%
	South Gas Company	20	8	3	38%
	South Refineries Company	137	67	24	36%
	Oil Products Distribution Company	2,992	2,313	695	30%
	Total	4,898	3,302	1,691	51%

Source: UNSC, S/2010/567, "Note verbale dated 28 October 2010 from the Permanent Mission of Iraq to the United Nations addressed to the President of the Security Council," 11/2/2010.

being used as intended. To fully implement the installation schedule by the end of 2011, PwC recommended appointment of a technically qualified independent party to verify the plan's completeness, effectiveness, and efficiency once it is fully implemented.⁴⁶⁵

Refineries and Petroleum Products

Domestic production of gasoline, diesel fuel, kerosene, and liquefied petroleum gas (LPG), as well as the total supply of each of those petroleum products was up significantly this quarter compared with the same quarter in 2009. To meet growing demand, Iraq continues to import gasoline and LPG—but for the first time in over a year, went three months without importing any diesel fuel. Iraq also continued to be self-sufficient in producing kerosene during the quarter. Refinery output of diesel fuel increased by 27% this quarter, gasoline by 37%, kerosene by 26%, and LPG by 17% compared with same quarter of 2009. Nearly one-fourth of the country's gasoline supply was imported this quarter, down from 32% during the same period in 2009.⁴⁶⁶ Iraq plans construction of four new GOI refineries, which would roughly double existing refinery capacity.⁴⁶⁷

Natural Gas

According to the Ministry of Oil, production of associated natural gas averaged 1,413 million cubic feet (MCF) per day during the first 11 months of 2010, and 51% of that amount was flared.⁴⁶⁸

On November 14, the Ministry of Oil signed preliminary contracts to develop two of the three non-associated natural gas fields offered in the October 20 bidding. One contract was signed with a consortium comprising Turkey's TPAO, the Kuwait Energy Company (KEC), and the Korean Gas Corporation (Kogas) to develop the Mansuriya gas field in eastern Iraq.⁴⁶⁹ The second agreement was signed with TPAO and KEC to work the smaller Siba gas field in southern Iraq.⁴⁷⁰ Completion of a third contract for development of the Akkas field in the western Anbar province has been delayed amid reports of local resistance to the terms of contract.⁴⁷¹ Akkas is the largest of the three fields,⁴⁷² which collectively have proved reserves of 7.6 trillion cubic feet—just under 7% of Iraq's total proved gas reserves of 112 trillion cubic feet.⁴⁷³ All three deals would require approval by Iraq's CoM before they are implemented.⁴⁷⁴ Much of Iraq's natural gas is expected to be consumed domestically in power plants designed to use the

The Ministry of Oil signed preliminary contracts to develop two of the three non-associated natural gas fields offered in the October 20 bidding.

fuel once the infrastructure is in place to process and deliver the gas.

Attacks on Oil and Gas Infrastructure

Pipeline security remains a challenge; however, the number of daily attacks has been significantly reduced as government cooperation grows with local residents. Pipeline exclusion zones have proven useful only in remote areas, such as that between Kirkuk and Baiji. However, GOI officials reported that these security zones in more populated areas—for example, south of Baghdad, where local residents live, work, and cross the pipeline at numerous points—have been less effective. In general, the pipeline network in southern Iraq is secure, both in populated and unpopulated areas, while areas north of Baiji and near the Turkish border are considered to be “hot.”⁴⁷⁵

National Development and Poverty Reduction

The \$79.5 billion 2011 draft budget approved by the CoM and sent to the Council of Representatives in late December reflects the influence of both the *National Development Plan (2010–2014)* (NDP) and the five-year *National Strategy for Poverty Reduction*. The budget calls for the creation of 172,000 jobs—mainly in non-oil sectors, including health care and education—and addresses poverty-reduction goals, including housing.⁴⁷⁶

Funding New Development

In 2010, the Ministry of Finance (MOF) released more than \$250 million in Petrodollar Project funds to the provinces of Basrah (\$160 million) and Kirkuk (\$100 million).⁴⁷⁷ The funds were allocated under the terms of Iraq’s budget law, which grants provinces up to \$1 per barrel of crude oil produced or refined and per 150 cubic meters of natural gas extracted. Restrictions on the expenditure of these funds—for example, they must be spent on infrastructure projects that are first approved by the

Ministry of Planning—have led to delays in getting projects started.⁴⁷⁸

Poverty Reduction

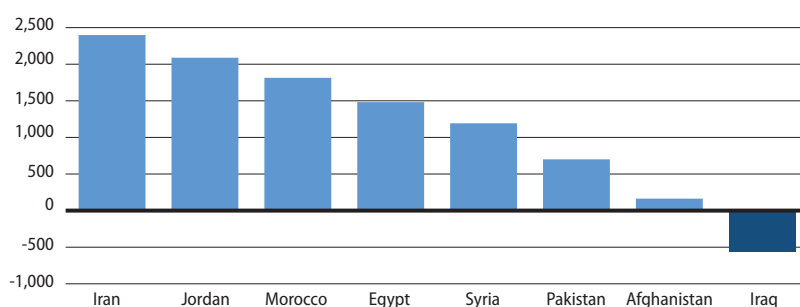
Completed by the MoPDC in late 2009, the poverty-reduction strategy sets out six areas for priority investment to reverse three decades of decline in Iraq’s social indicators and reduce the number of people in poverty by 30%—from about 7 million of Iraq’s more than 30 million people to about 5 million by 2014. The strategy includes steps to boost incomes for the working poor, to improve health care, to heighten education quality and achieve near-universal primary schooling, to cut illiteracy rates in half, and to replace aging, substandard dwellings with better housing.⁴⁷⁹ The strategy also calls for reducing the gender gap in opportunity. Some 87% of Iraqi women were outside the labor force in 2007.⁴⁸⁰

Iraq’s poverty-reduction agenda reflects the country’s socioeconomic decline over the past three decades. According to World Bank figures, GDP per capita decreased by almost \$600 (16%) between 1980 and 2008 (see Figure 4.12).⁴⁸¹ Farm yields also dropped sharply as a result of underinvestment, neglect, and drought.⁴⁸² In 1980, Iraq’s life expectancy was roughly similar to its neighboring countries; but in 2006, among nations in the Middle East and North Africa, only Djibouti’s

In general, the pipeline network in southern Iraq is secure, while areas north of Baiji and near the Turkish border are considered to be “hot.”

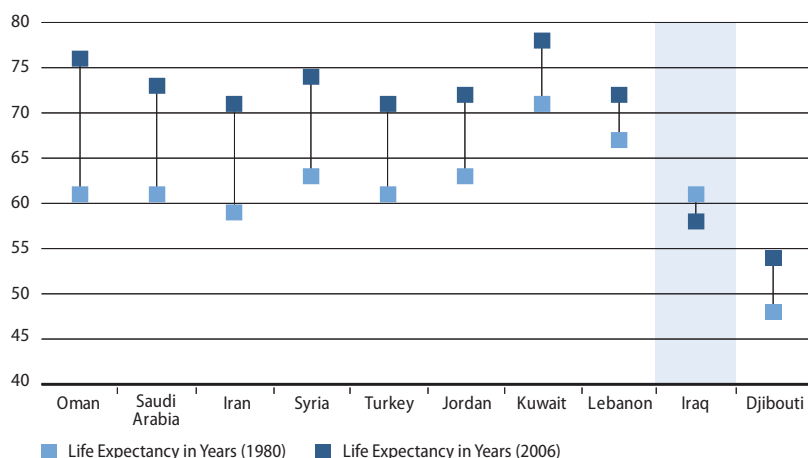
FIGURE 4.12

CHANGE IN GDP PER CAPITA IN SELECTED COUNTRIES, 1980–2008
\$USD



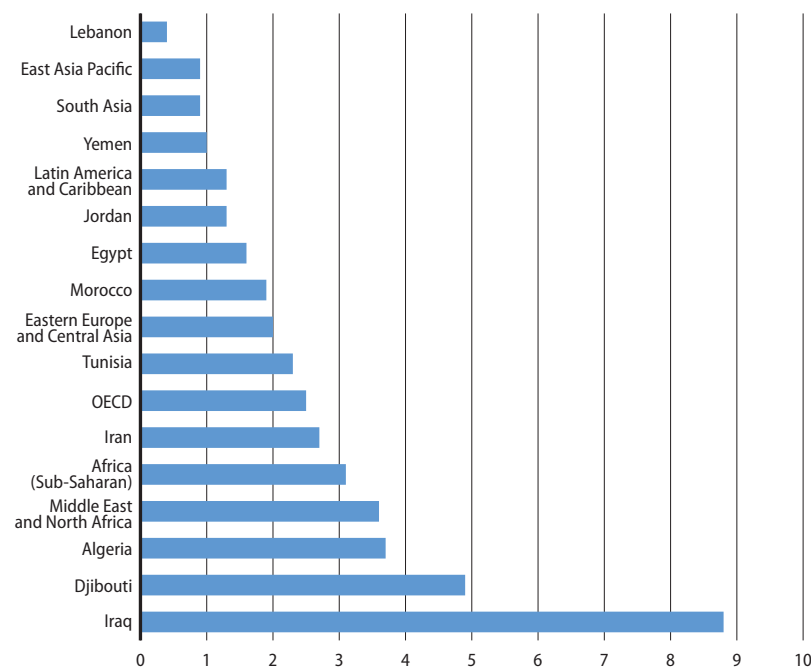
Source: The World Bank, *World Development Indicators Databank*, <http://data.worldbank.org/data-catalog/world-development-indicators>, accessed 12/30/2010.

FIGURE 4.13
LIFE EXPECTANCY CHANGES IN SELECTED COUNTRIES, 1980–2006



Source: World Bank, *World Development Indicators*, 2008 (CD version) as reported in GOI, Poverty Reduction Strategy High Committee, and World Bank, Middle East Department, "Iraq Poverty Data Report," Vol. 1: Main Findings, 3/2010, p. 41.

FIGURE 4.14
PUBLIC SPENDING ON SAFETY NETS AS A % OF GDP, 2008



Note: Data for Iraq updated from MOF and Bayt al-Hikma to reflect 2008 spending.

Source: Weigand and Grosh, Social Protection Discussion Paper No. 0817, World Bank: Washington, D.C., 2008 as reported in GOI, Poverty Reduction Strategy High Committee, and World Bank, Middle East Department, "Iraq Poverty Data Report," Vol. 1: Main Findings, 3/2010, p. 52.

life expectancy was lower (Figure 4.13).⁴⁸³ In 1980, Iraq's primary school enrollment rate, at nearly 100%, was the region's highest. Today, at just under 75%, it is among the lowest.⁴⁸⁴

The poverty-reduction strategy and the NDP both call for greater private-sector involvement in the economy to create the jobs and boost productivity in non-oil sectors. If achieved, both goals would help the government reduce spending on social safety nets that today constitutes by far the largest in the Middle East.⁴⁸⁵ The draft 2011 budget calls for spending of \$10.2 billion on social welfare.⁴⁸⁶ About 99% of the population currently receives some form of government subsidy.⁴⁸⁷ World Bank data supporting the poverty-reduction strategy showed that, in 2008, those transfers amounted to 8.8% of GDP.⁴⁸⁸

Figure 4.14 shows a comparison of Iraq's safety-net spending compared other nations, regions, or groups of countries.

The poverty-reduction strategy also calls for significant new investment in agriculture and housing. Results of the 2006–2007 *Iraq Household Socio-Economic Survey* (IHSES) found that, on average, 39% of Iraq's rural residents were living below the poverty line, compared with 16% among their urban counterparts.⁴⁸⁹ Of the country's working poor, 29% were engaged in agriculture.⁴⁹⁰ The 2011 draft budget allocates \$192 million to the Ministry of Agriculture for capital spending—10% more than last year. If the budget is approved, the Ministry of Housing and Construction would also receive more funds in 2011—just under \$1 billion,⁴⁹¹ to address housing shortages in the country. The NDP suggests that there could be as many as 3.5 million substandard dwellings in the country.⁴⁹² As discussed below, a series of major housing contracts were signed recently.

Private Sector Development in Non-Hydrocarbon Areas

Housing and Construction

Provincial and municipal officials awarded contracts this quarter to build thousands of dwellings for low- and moderate-income families in the Baghdad and Basrah areas.⁴⁹³ In November, the Basrah Investment Commission let three contracts worth nearly \$1.4 billion to Iranian, Lebanese, and U.S. engineering companies to build 12,000 housing units.⁴⁹⁴ Maryland-based World Solutions International said its part of the project, worth \$220 million, called for building 2,500 apartments and stand-alone homes on a 200-acre plot near Basrah.⁴⁹⁵ The Baghdad Municipal Government awarded a four-year, \$11.3 billion contract to a consortium of Turkish construction companies to build 75,000 housing units in Sadr City.⁴⁹⁶

The GOI forecasts that the country needs to build 2.5 million housing units by 2015.⁴⁹⁷ Government-funded infrastructure projects, plus spending by international oil companies and other private investors, are expected to support a broader growth of construction activity.

The KRG issued a license during the fourth quarter of 2010 to build a \$1.1 billion smelter and steel plant in Sulaymaniyah province.⁴⁹⁸ As construction picks up, French cement producer Lafarge SA, which produces 25% of Iraq's cement, announced plans to increase its annual production in Iraq by 2 million tons over the next two years.⁴⁹⁹

Services

The global accounting firm Deloitte Touche Tohmatsu Limited and the New York-based risk management company Marsh both announced decisions to establish a presence in Iraq.⁵⁰⁰ Deloitte said it will open an office in Baghdad during the first quarter of 2011 and work with clients mainly in the oil and gas industry.⁵⁰¹ Marsh plans to partner with Iraq's only licensed insurance brokerage—Anglo Arab Insurance Brokers—to offer insurance, risk management, and claims-handling



The Rotana Hotel Management Corporation opened a 201-room hotel in Erbil this quarter. (Rotana Hotel Management Corp. photo)

services for clients working in the power, energy, and aviation industries.⁵⁰²

Agriculture

Reviving the agricultural sector is a priority of the NDP as well as an essential step toward the GOI's stated goal of broadening its economy to reduce dependence on oil. Agriculture is politically important because it accounts for about one-fifth of Iraq's total employment.⁵⁰³ Adverse farming conditions—including dust storms, diminished water levels in the Euphrates and Tigris Rivers, and decaying irrigation systems—continue to depress farm yields and rural income levels.⁵⁰⁴ In an exception to this larger picture, Iraq's wheat crop harvested in spring 2010 exceeded expectations. At 2.6 million metric tons, it was close to double the drought-reduced crops of the previous two years.⁵⁰⁵ However, late planting this winter over a reduced area has led to lower projections for crops that will be harvested in spring 2011.⁵⁰⁶ During 2010, Iraq continued its practice of importing large volumes of wheat.⁵⁰⁷

The GOI is in talks with Turkey and Syria in an effort to ensure that water-usage projects in those countries allow adequate river flow into Iraq's main agricultural areas.⁵⁰⁸ Agriculture accounts for the vast majority of water consumption in Iraq; 92% of total freshwater consumption is used for irrigation and food production.⁵⁰⁹ While favorable late autumn rainfalls have improved growing conditions in parts of the north, including Ninewa

The GOI forecasts that the country needs to build 2.5 million housing units by 2015.



Greenhouse training being conducted by the USAID *Inma* Agribusiness Program. (USAID photo)

The first shipment of Iraqi dates in two decades was sold in London in September.

and Dahuk provinces and much of the Kurdistan Region, areas of central and southern Iraq continue to be affected by reduced water availability and other poor growing conditions.⁵¹⁰

To help improve crop yields, the Ministry of Agriculture received approval in November from Prime Minister al-Maliki to begin implementing \$70 million in irrigation improvements.⁵¹¹ In another development, Oregon State University, the Ministry of Higher Education, and an Oregon-based private foundation this quarter signed a memorandum of understanding (MOU) that included a five-year program to develop sustainable agriculture and dry-land farming.⁵¹² In Basrah, provincial government officials laid the cornerstone of the \$300 million Shatt al-Arab Canal project that will help irrigate 60,000 acres of farmland in the province.⁵¹³ Despite the arrival of international oil companies to develop the oil fields around Basrah, local government officials there see agriculture—and the jobs it brings—as key to the area's economic revival.⁵¹⁴

U.S.-funded Agricultural Programs

USAID's *Inma* (Arabic for "growth") Agribusiness Program is nearing the end of its funding cycle. All of the program's \$144.8 million allocated from the ESF has been obligated, and \$20.8 million remains for expenditure.⁵¹⁵ This quarter, *Inma* activities included training programs in irrigation procedures and in basic and advanced greenhouse

techniques. Almost 2,000 Iraqis participated in the training.⁵¹⁶ In a major stride for Iraq's date industry, the first shipment of Iraqi dates in two decades was sold in London in September. The sale followed an *Inma*-hosted conference earlier in the year to revive date exports.⁵¹⁷ In the 1970s, Iraq produced more than half the world's dates, but exports dwindled after the 1991 Gulf War.⁵¹⁸ This quarter, *Inma* conducted a seminar that focused on development of an organization to collect and distribute useful marketing data to date producers.⁵¹⁹

After receiving no bids this quarter, USAID canceled its procurement for the new Rural and Agricultural Incomes with a Sustainable Environment (RAISE PLUS) program. USAID is currently engaged in consultations with the GOI about possible next steps, including the design of a follow-on procurement in the agriculture sector, but no specific procurement is planned.⁵²⁰ The U.S. Department of Agriculture's Foreign Agricultural Service has requested \$5 million for FY 2011 for programs supporting the Ministry of Agriculture, four other federal ministries, and private entities.⁵²¹

Financial Sector Developments

Before the installation of the new government, the outgoing Minister of Finance ruled out any privatization of state-run banks within the next four years, declaring such a move would have a negative impact on Iraq's economy. Instead the focus will be to restructure the banks with the goal of making them more competitive in a global economy.⁵²² The decision followed publication in late October of the IMF's first review of Iraq's \$3.6 billion Stand-By Arrangement (SBA) that judged GOI efforts to reform two state-owned banks as "problematic."⁵²³

The lack of progress in restructuring the Rasheed Bank and Rafidain Bank, the country's two largest lending institutions, came in an otherwise positive assessment of Iraq's performance in meeting the SBA conditions. The IMF categorized the GOI performance as "broadly satisfactory."⁵²⁴ In a September 2010 letter of intent to the IMF about the issue, Iraq's then-Minister of Finance Baqir



Assistant Chief of Mission for Transition Assistance Peter W. Bodde cuts the ribbon of the state-owned Rafidain Bank branch opening in Muqdadiah, Iraq, on November 29, 2010. (USF-I photo)

Jabr al-Zubeidi and CBI Governor Sinan al-Shabibi pledged to establish and supervise a Bank Reconciliation Unit (BRU) to complete the restructuring by the end of June 2011. The BRU would handle legacy external liabilities, identify and write off non-performing loans to defunct state-owned enterprises (SOEs), propose ways to deal with other remaining accounts that could not be reconciled, and update foreign currency-denominated balance-sheet items to reflect their current values. The unit would draw staff from both of the banks, the CBI, the MOF, the BSA, and experts from Ernst & Young, the international accounting and consulting firm that assisted the MOF in restructuring Iraq's external debt.⁵²⁵

The CBI has mandated that the country's private banks raise their capital holdings five-fold to 250 billion dinar (nearly \$214 million). A CBI representative said the move was needed to strengthen the banks so they could help meet the expected growth in financial services needs of companies involved in major reconstruction and oil-development projects.⁵²⁶

The Overseas Private Investment Corporation (OPIC) provided financing for one program in 2010—\$90 million to the Cooperative Housing Foundation (CHF) for funding microfinance and downstream loans for small and medium

enterprises.⁵²⁷ (SIGIR is currently engaged in an audit of USAID's Community Action Program, which includes the CHF activities.) It was by far the largest program OPIC has financed since it began work in Iraq in 2005. Also in 2010, OPIC provided \$212,000 in political risk coverage to the International Rescue Committee for its humanitarian activities and services.⁵²⁸

A U.S.-Iraqi financial services firm was established this quarter. The U.S.-based investment-banking company Taylor-DeJongh partnered with the Baghdad investment bank Phoenix Capital LLC, a subsidiary of a Delaware-based company established solely to assist with Iraq's reconstruction.⁵²⁹ The partnership will open first in Washington and Baghdad, with plans for additional offices in Basrah and Erbil. The partnership expects to specialize in the energy sector and work with international and Iraqi public- and private-sector clients in several fields, including project finance, mergers and acquisitions, and direct investment.⁵³⁰

Tijara

As of December 31, 2010, USAID's Provincial Economic Growth Program (*Tijara*, Arabic for "trade") had expended \$74.9 million of the \$117.8 million allocated for its mission to increase private-sector access to finance, particularly for micro, small, and medium businesses.⁵³¹ Since it began in 2003, Iraq's microfinance industry has made more than 240,000 microloans with a total disbursed value of \$558 million. As of December 31, 2010, more than 72,000 clients held an outstanding loan portfolio of \$103 million.⁵³² Slightly more than \$1 million was spent in 2010 to reduce administrative inefficiencies and improve the overall business and investment climate in Iraq. Program staff offered recommendations to GOI ministries on policy development and regulatory reform.⁵³³ USAID reported that *Tijara* achieved specific goals set in June 2010 to strengthen the microfinance industry, including establishment of the Iraqi Microfinance Network and development of a loan portfolio above the stated goal of \$100 million.⁵³⁴

The CBI has mandated that the country's private banks raise their capital holdings five-fold.

Trade Development

WTO Accession

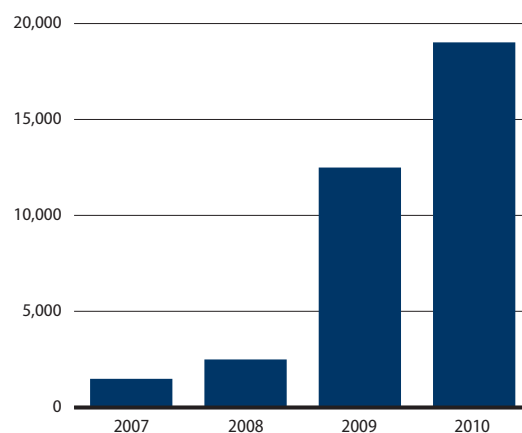
Tijara's International Trade and WTO Accession Project is waiting for the new government to begin work before determining whether to offer further assistance to the GOI for accession to the World Trade Organization (WTO).⁵³⁵ After comments by the Minister of Labor and Social Affairs in August 2010 raising doubts about the GOI's interest in WTO membership, the Minister of Trade has since made statements supportive of accession. Still, according to USAID, his approach has led to "a much more cautious rate of progress" toward accession.⁵³⁶ Between April 1, 2008, and September 30, 2010, \$6.5 million in *Tijara* funds were spent to prepare Iraq for membership in the WTO.⁵³⁷

U.S.-Iraq Trade Developments

General Motors (GM) turned Iraq into a commercial success during 2010, selling just over 19,000 vehicles during the year, a 52% jump over the 12,494 it sold in 2009. In this quarter alone the automaker sold over 8,000 vehicles—more than double the number it sold in Iraq during the same quarter of 2009.⁵³⁸ GM, which sells Cadillac, Chevrolet, and GMC models in the region, now counts Iraq as one of its two largest markets in the Middle East region. (The other is Saudi Arabia.)⁵³⁹ GM resumed sales to Iraq in late 2003 and as recently as 2007 registered annual sales of under 1,500 vehicles (Figure 4.15).⁵⁴⁰

GM now counts Iraq as one of its two largest markets in the Middle East region.

FIGURE 4.15
GENERAL MOTORS VEHICLES SOLD IN IRAQ,
2007–2010



Source: General Motors, correspondence to SIGIR, 1/17/2011.

The Export-Import Bank of the United States issued no loans, guarantees, or insurance policies for transactions between July 22, 2010, when it first began its work in Iraq, and December 31, 2010. However, the bank did participate in business development activities this quarter, including a seminar in Baltimore in October entitled "Iraq is Open for Business," sponsored by the U.S. Commercial Service.⁵⁴¹

A trade mission sponsored by the U.S. Chamber of Commerce—initially scheduled for November, then rescheduled for February—is now likely to take place sometime in the spring of 2011. The Chamber said one reason for the latest delay is to allow more time for the transition of U.S. responsibilities in Iraq from DoD to DoS to run its course.⁵⁴² ♦

PUBLIC SERVICES

Iraqis view conditions with basic services—such as electric power, safe drinking water, sewerage, and trash collection—as their most pressing problem. Notwithstanding the verifiable improvements that have occurred over the past seven years, recent polling data shows that the general public perceives basic services to be getting worse, not better.⁵⁴³ Statements by GOI officials reflect these concerns.

Electricity

As of December 31, 2010, the United States had obligated \$5.06 billion and expended \$4.96 billion to improve Iraq's generation, transmission, and distribution of electricity.⁵⁴⁴ With U.S. and international assistance, Iraq was able to increase its annual supply of electric power on the national grid by two-thirds from 2004 to 2010. Over that same period, however, estimated demand doubled, resulting in persistent shortages.

To address the issues facing Iraq's power sector—including a projected tripling of demand over the next 20 years—the Ministry of Electricity and Parsons Brinckerhoff have prepared the *Iraq Electricity Masterplan* for the expansion of Iraq's electricity program. They intend to publicly release the plan at a conference in Istanbul on February 1 and 2. ISPO has provided \$5 million in Ministerial Capacity Development funds to support this effort.⁵⁴⁵

Supply and Demand

Iraq's supply of electricity to the grid this quarter averaged 152,145 megawatt-hours (MWh) per day, or 6,339 megawatts (MW). As shown in Figure 4.16, this was an increase of 387 MW, or 7%, from the same quarter in 2009—roughly matching the growth rate in feasible power-plant production capacity over that one-year period—but a 3% decline

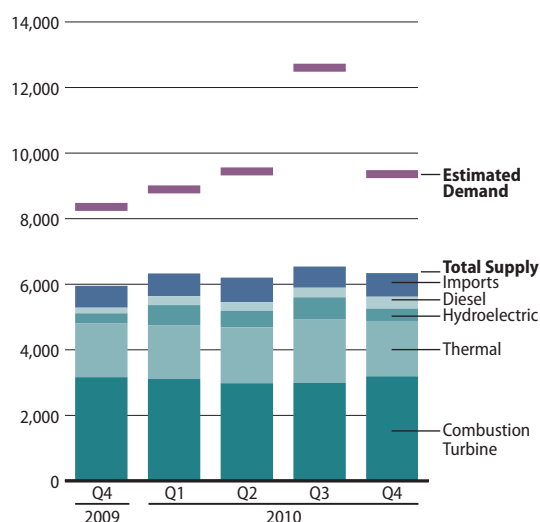
when compared with last quarter's record-high supply of 6,540 MW. This drop from the preceding quarter resulted primarily from two factors. First, insufficient flows of water in Iraq's rivers once again reduced average output from hydroelectric plants. Second, as is typical during the October–December period each year, more generating units were taken out of service for routine maintenance.⁵⁴⁶

Also in line with the normal yearly pattern, this quarter's estimated demand for electricity was lower than last quarter's. Average estimated demand was 224,620 MWh per day, or 9,359 MW—a 26% decrease from last quarter, but a 12% increase from the same quarter a year earlier. Supply met 68% of estimated demand this quarter, compared with 52% last quarter and 71% during the same quarter last year.⁵⁴⁷

The general public perceives basic services to be getting worse, not better.

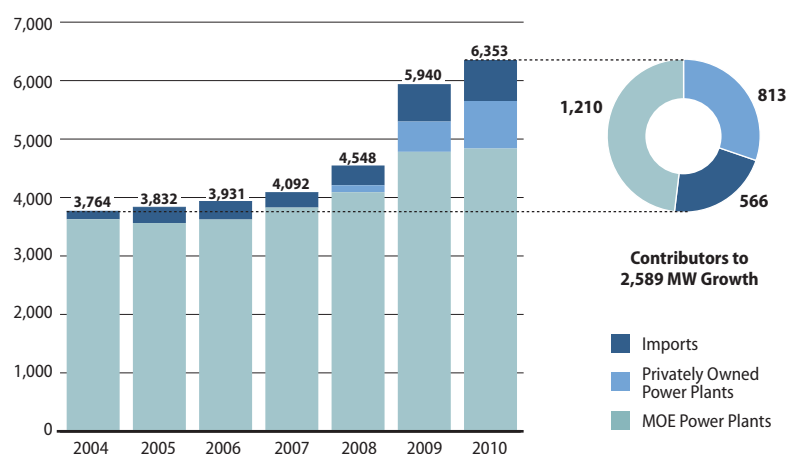
FIGURE 4.16

ELECTRICITY SUPPLY AND ESTIMATED DEMAND, BY QUARTER, 10/2009–12/2010
MW



Sources: ITAO/ESD, *Electric Daily Performance Reports*, 10/1/2009–12/31/2010.

FIGURE 4.17

AVERAGE ELECTRICITY SUPPLY TO GRID, BY SOURCE AND YEAR, 2004–2010
MW

Sources: DoS, *Iraq Status Report*, 10/25/2006, slide 11; ITAO/ESD, *Electric Daily Performance Reports*, 6/1/2006–12/31/2010.

Growing Reliance on Purchased Power

Iraq's average annual supply of electricity increased from 3,764 MW in 2004 to 6,353 MW in 2010. As shown in Figure 4.17, less than half of this 2,589 MW increase came from MOE power plants.

Although these plants still provide the bulk of power to the grid, their contribution to total supply dropped from about 96% in 2004 to 76% in 2010.⁵⁴⁸ The balance of the supply increase during that period came from power purchased by, as opposed to produced by, the MOE:

- **Electricity imports** increased by 566 MW over the past six years. In 2010, imports (mostly from Iran) accounted for 11% of the total supply.⁵⁴⁹
- **Privately owned power plants** in Iraq accounted for the remaining 813 MW growth in supply since 2004. None of these plants were in service until 2008, when the first of two combustion turbine plants built and owned by Mass Global Investment Company, an independent power producer (IPP) headquartered in Jordan, came online in the Kurdistan Region.⁵⁵⁰ In 2010, two floating diesel power plants built and owned by the Turkish firm Kartet began supplying electricity to Basrah. The second of these “powerships”

came on line this quarter. Together, these four privately owned plants provided 13% of Iraq's total electricity supply to the grid in 2010. In the last month of the year, they provided 17%.⁵⁵¹

The trend of increasing reliance on electricity from privately owned and operated plants is expected to continue. Mass Global has been building a new 500 MW plant in Dahuk and expects it to be fully operational by mid-2011. Two of the plant's four 125 MW generating units were synchronized with the grid in December and early January. Mass Global is also expanding the capacity of its plant in Sulaymaniyah by 250 MW and its plant in Erbil by 500 MW. When these construction and expansion projects are completed, the three privately owned plants in the Kurdistan Region will have a combined name-plate capacity of 2,250 MW. All three plants use General Electric (GE) combustion turbines.⁵⁵²

The MOE is also moving forward with plans to have private investors build, operate, and maintain power plants using some of the turbines it purchased from GE under the “Mega Deal.” On December 18, the MOE, together with Iraq's National Investment Commission and GE, held a conference in Baghdad to announce details of the bidding round for four such projects. Offers from pre-qualified bidders are due in February. Three of the proposed IPP sites—al-Samawa, Diwaniyah, and al-Amarah—will each have four 125 MW generating units. The fourth site, the Shatt al-Basrah plant,



The new privately owned and operated 500 MW gas-fired power plant in Dahuk is scheduled to be fully operational by mid-2011. (Mass Global photo)

These four privately owned plants provided 13% of Iraq's total electricity supply to the grid in 2010.

will have 10 of these units. Together, these IPP plants would add 2,750 MW of nameplate capacity to the national grid.⁵⁵³

EPC Projects

The MOE's engineering, procurement, and construction (EPC) contracts for two sites included in the GE Mega Deal—al-Khairat in Kerbala and Qudas in Baghdad—are awaiting approval from the CoM. The third EPC site in the GE Mega Deal initial bidding process—al-Qayria in Ninewa—has been referred back to the CoM for permission to go to the second-lowest bidder. These three plants together will have 2,500 MW of nameplate capacity. Later this year, the MOE plans to solicit bids for three additional GE Mega Deal sites: Haydariya in Kerbala (500 MW), Najebia in Basrah (500 MW), and Akkas in Anbar (250 MW).⁵⁵⁴

The EPC projects that will use turbines from the Mega Deal with Siemens have been delayed pending CoM approval of an increase in the scope of services to be provided by Siemens.⁵⁵⁵

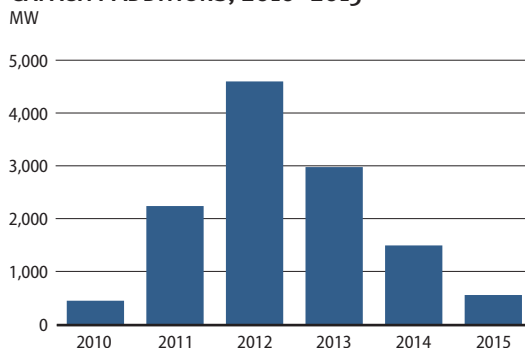
The letters of credit for the EPC contracts for the three GE “Fast Track” sites are now fully funded. These sites are located in Taji (180 MW), Hilla (250 MW), and Kerbala (250 MW). According to U.S. Embassy-Baghdad, none of these new power plants will be completed before the middle of 2012.⁵⁵⁶

Long-term Planning

The MOE has committed to adding more than 12,000 MW of new generating capacity in the 2010–2015 period, with most of this new capacity resulting from the GE and Siemens Mega Deals. Figure 4.18 shows the timing for the currently planned additions. According to the *Iraq Electricity Masterplan*, if the commissioning of these plants occurs on schedule, Iraq will have sufficient capacity (with adequate reserves) to meet projected demand by 2013 or 2014. Implementing these construction plans will require an investment of about \$26 billion. Ensuring that the completed plants are able to deliver on their promise will require the

FIGURE 4.18

CURRENTLY PLANNED MOE POWER-PLANT CAPACITY ADDITIONS, 2010–2015



Note: Does not include capacity additions in the Kurdistan Region.

Source: MOE and Parsons Brinckerhoff, *Iraq Electricity Masterplan*, Final Report, Vol. 1, Executive Summary, 12/2010, p. 22.

parallel development of fuel supplies and further investments of about \$4 billion to upgrade the transmission and distribution infrastructure and to connect the plants to the grid.⁵⁵⁷

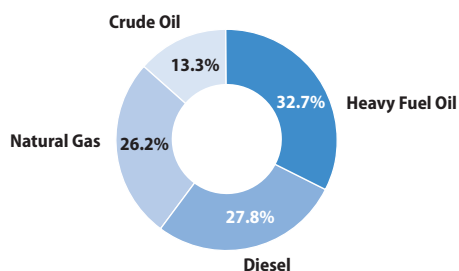
Beyond 2015, demand for electricity is expected to continue rising along with economic growth, and the productivity of existing power plants will continue to diminish as they age. To meet Iraq's long-term electricity needs, the *Iraq Electricity Masterplan* estimates that an additional \$29 billion will need to be invested in generating capacity from 2016 through 2030. If no additional plants are built beyond those that are currently committed, then the supply-demand gap is expected to return around 2017.⁵⁵⁸

Plant and Fuel Types

As shown in Figure 4.16, four types of power plants currently feed Iraq's grid: thermal, combustion turbine, diesel, and hydroelectric. They generate power either by burning crude oil, refined products, or natural gas or by harnessing the kinetic energy of flowing water.⁵⁵⁹ According to the *Iraq Electricity Masterplan*, almost three-fourths (in terms of energy content) of the fuel burned in MOE power plants in 2009 consisted of crude oil and refined products (Figure 4.19). The plan makes the following observations:⁵⁶⁰

The MOE has committed to adding more than 12,000 MW of new generating capacity in the 2010–2015 period.

FIGURE 4.19
FUEL BURNED IN MOE POWER PLANTS, 2009



Note: Percentages are estimates based on energy content of the fuels.

Source: MOE and Parsons Brinckerhoff, *Iraq Electricity Masterplan*, Final Report, Vol. 1, Executive Summary, 12/2010, p. 11.

- The use of crude oil in power plants is very expensive to the Iraqi economy in terms of lost export income.
- Diesel is a premium fuel, and Iraq's refineries have not produced enough of it to meet domestic needs, thus requiring imports.
- The amount of heavy fuel oil burned is about half of the available supply.
- The use of natural gas could double if gas that is currently flared could be captured, processed, and delivered to power plants.

Gas-fired Combined-cycle Plants: The Preferred Option

The *Iraq Electricity Masterplan* concludes that natural gas is "the economic fuel of choice," and it recommends that existing and currently planned generating units that burn crude oil be converted to natural gas as soon as practical. For the long term, the plan calls for building gas-fired combined-cycle power plants, which combine combustion turbines with waste-heat boilers and thus are more efficient than the combustion turbine plants now in service. The plan does not recommend building additional thermal plants because they are "not the least-cost solution."⁵⁶¹

Nuclear Power: A Revived Option

Any plans that Iraq might have previously had to add nuclear power to the mix of generating units

were halted in June 1981 when Israeli aircraft attacked and destroyed the unfinished Osirak nuclear reactor at al-Tuwaitha near Baghdad. Israel contended that the facility, which was built with assistance from France, could be used to produce nuclear weapons.⁵⁶² Ten years later, after the first Gulf War, UNSCR 687 and UNSCR 707 restricted Iraq's ability to engage in civilian nuclear activities.⁵⁶³

With the passage of UNSCR 1957 on December 15, 2010, those restrictions have been mostly lifted, and Iraq now is free to add nuclear facilities to its mix of power plants.⁵⁶⁴ Deputy Prime Minister Shahristani, who holds a doctorate in nuclear chemistry and was serving as acting Minister of Electricity when UNSCR 1957 passed, made it clear that he supported "a peaceful nuclear program in coordination with the relevant authorities."⁵⁶⁵ Earlier in 2010, the French ambassador to Iraq reportedly stated that France again was prepared to help Iraq develop a nuclear power program.⁵⁶⁶

Most work on the *Iraq Electricity Masterplan* was completed before passage of UNSCR 1957 on December 15. Based on the documents that SIGIR has reviewed, the plan does not consider the option of nuclear power.

Recently Completed and Ongoing U.S.-funded Electricity Projects

USACE reports that it completed two electricity projects, with a combined value of \$4.1 million, this quarter. Both were funded by the ESF. The largest was a \$2.9 million project to construct a substation in Missan, and the other was a \$1.2 million project to provide operations and maintenance (O&M) services for three substations and overhead lines in Dahuk.⁵⁶⁷

As of December 31, 2010, USACE had 16 ongoing electricity projects with a combined value of \$116.0 million. The two largest continued to be the \$48.2 million project to build the Farabi and Jamila substations in Sadr City and the \$29.3 million project to build a substation in Ramadi. These are USACE's last IRRF-funded electricity projects. The other 14 ongoing projects are funded by the

Iraq now is free to add nuclear facilities to its mix of power plants.



Students attend classes on operations and maintenance of water treatment plants at the Baghdad Amanat Training Center. (USACE photo)

ESF and include an \$8.0 million project to supply emergency spare parts and equipment for the al-Musayab Gas Power Plant in Babylon and a \$6.8 million project to supply equipment for substations in Diyala.⁵⁶⁸

According to USF-I, 38 electricity projects funded with FY 2010 CERP appropriations were completed as of September 30, 2010, at a cost of \$9.5 million. An additional 36 projects, collectively funded with \$13.3 million from FY 2010 CERP appropriations, were still in process at the beginning of this quarter. Five of the ongoing projects were valued at more than \$500,000 and ranged from \$523,948 to \$748,847. Three were for the design, installation, and testing of feeder lines in Qadissiya, and two were for substation maintenance in Wassit.⁵⁶⁹

Water and Sanitation

As of December 31, 2010, the United States had obligated \$2.65 billion and expended \$2.57 billion to rehabilitate Iraq's water and sanitation sectors.⁵⁷⁰

According to the Inter-Agency Information and Analysis Unit of the UN, the GOI may have difficulty meeting its Millennium Development Goal of providing 91% of Iraqi households with access to safe drinking water by 2015.⁵⁷¹ The country continues to suffer from a water shortage caused by years of drought, as well as mismanagement and neglect

of its public water and sanitation facilities.⁵⁷² According to UN documents, management of Iraq's aquifers has been minimal, and the country has had to rely heavily on precipitation falling outside its borders, exacerbating disputes with Turkey and Syria over water resources. Water levels in lakes and reservoirs, as well as the Tigris and Euphrates Rivers, are diminished to a point the UN described as "critical." The result has been a shortage in access to water and sanitation: the United Nations Educational, Scientific and Cultural Organization (UNESCO) estimates that more than 7.6 million Iraqis (about 25% of the population) lack access to safe drinking water.⁵⁷³

To address the shortage, the United States, UN, and others are working with Iraqi ministries to rehabilitate infrastructure and enhance the quality and quantity of water delivered to underserved residential areas. This quarter, UNESCO launched a scientific survey of Iraq's groundwater to improve the GOI's ability to address water scarcity.⁵⁷⁴ The GOI announced that the first phase of the survey will be completed in March 2011.⁵⁷⁵

Recently Completed and Ongoing U.S.-funded Water Projects

USACE reported that it completed 12 water-related projects this quarter at a combined cost of \$116.4 million.⁵⁷⁶ Among them were the following high-value projects:

- **The Eastern Euphrates Drain.** Originally slated for completion in January 2009, this \$38.5 million project was finished on December 31, 2010. The project aims to boost Iraq's irrigation capabilities by reclaiming more than 58,000 hectares (143,000 acres) of agricultural land and removing excess saline water from more than 400,000 hectares (990,000 acres) of irrigated land.⁵⁷⁷
- **The Falluja Sewer System.** With a construction cost of \$29.6 million, this project is the "backbone" of the Falluja Waste Water Treatment System. Started in 2006, construction of the system has been subject to multiple delays due to design complexity, a lack of available skilled

UNESCO estimates that more than 7.6 million Iraqis lack access to safe drinking water.

labor, and security issues. Previously slated for completion in April 2010 following the announcement of scaled-down plans, the project was completed on December 14, 2010. For the results of SIGIR's inspection of the project in 2008, visit www.sigir.mil.⁵⁷⁸

- **Meshkab Water Supply Project.** This \$23.1 million project to build a water treatment plant in Najaf province was completed on December 30, 2010. The facility is designed to provide clean drinking water to about 200,000 residents in the town of Meshkab and surrounding rural areas.⁵⁷⁹

At the end of the quarter, USACE had 18 ongoing water projects with a collective value of \$37.8 million. The two largest were funded by the ESF, including:

- **Al-Kibla Sewer and Storm Network.** This \$11.1 million project to design and construct a sanitary sewer and storm water collection system—including pump stations, force mains, manholes, inlets, and individual house connections—in Basrah province is expected to be completed in June 2011.⁵⁸⁰
- **Falluja Area A House Connections.** This \$4.6 million project to connect 9,300 homes to the Falluja Waste Water Treatment System is expected to be completed in March 2011.⁵⁸¹

USACE expects to complete all of its water projects by July 2011 while providing O&M training for water treatment engineers, including two O&M classes at Baghdad's Amanat Training Center.⁵⁸²

According to USF-I, 138 water and sanitation projects funded with FY 2010 CERP appropriations were completed as of September 30, 2010, at a cost of \$11.1 million. An additional 118 projects, collectively funded with \$28.9 million from FY 2010 CERP appropriations, were still ongoing at the beginning of this quarter. Seven of the ongoing projects were valued at more than \$500,000 and ranged from \$650,000 to \$998,520. The largest was for construction of the Habbaniya Bio Lagoon sewage treatment system in Anbar province. An

additional 13 ongoing projects were expected to cost more than \$400,000 each.⁵⁸³

Transportation and Communications

As of December 31, 2010, the United States had obligated \$1.14 billion and expended \$1.07 billion to rehabilitate Iraq's transportation and communications sectors.⁵⁸⁴

According to USF-I, 57 transportation projects funded with FY 2010 CERP appropriations were completed as of September 30, 2010, at a cost of \$8.1 million. An additional 41 projects, collectively funded with \$8.6 million from FY 2010 CERP appropriations, were still in process at the beginning of this quarter. Eight of the ongoing projects were each valued at \$400,000 or more.⁵⁸⁵

Ports

USACE reported that construction of supporting facilities at the Umm Qasr Pier and Seawall—a \$46 million part of the \$53 million, GOI-funded project that included power distribution, water supply and distribution, refueling infrastructure, road access, and lighting at the Iraqi Navy Base—was completed in October 2010.⁵⁸⁶ At the beginning of the quarter, the largest ongoing transportation project funded with FY 2010 CERP appropriations

USACE expects to complete all of its water projects by July 2011.



An Army major assigned to PRT Basrah inspects shipping containers during a visit to the Port of Umm Qasr in December 2010. (U.S. Army photo)

was a \$498,000 project to supply and install 10 navigation buoys at the Port of Umm Qasr.⁵⁸⁷

U.S. Embassy-Baghdad reported this quarter that the Joint Interagency Task Force (JIATF) completed its first training course (developed by the U.S. Coast Guard) for port-facility security officers. Additionally, the U.S. Bureau of Customs and Border Protection completed an assessment of security and container movement at the Port of Umm Qasr, and the JIATF met with Iraqi officials to discuss removing more than 2,000 abandoned containers from the Port of Umm Qasr.⁵⁸⁸

Railroads

USACE reported that the second phase of training continues for Iraqi workers who operate and maintain the \$48.1 million Digital Microwave Radio Communications Network, which is used to operate Iraq's railroad service. The first phase of training, an \$826,000 project, ended in September 2010. The second phase, funded at \$3.71 million, began in August 2010 and is scheduled to run through April 2011. This quarter, the U.S. Department of Transportation/Volpe Center worked with Iraqi Republic Railway Company trainees to correct minor technical problems and to begin the process of making track subdivisions operational.⁵⁸⁹

Airports

U.S. Embassy-Baghdad reported that the transfer of air-traffic control to the Iraq Civil Aviation Authority (ICAA) was delayed this quarter because of technical and controller resource issues that were expected to be resolved by the end of the quarter. The ICAA already controls air traffic above 15,000 feet in the north of the country, and it expects to have a sufficient number of controllers by February 2011, to take control of airspace above 15,000 feet in the southern half of Iraq. This quarter, the ICAA sent 27 Iraqi student controllers to the Pan Am Academy in Miami, Florida. Ten of the students graduated in December and are continuing on-the-job training at the Baghdad Area Control Center. The remaining 17 are expected to graduate



A retired Federal Aviation Administration controller contracted by the ICAA advises an Iraqi air traffic controller at Baghdad International Airport. (U.S. Air Force photo)

in February 2011. The ICAA has received approval to hire an additional 50 controllers.⁵⁹⁰ Control of airspace at all altitudes is slated to transition to the ICAA at various times throughout 2011 as improvements to Iraq's communications, navigation, and surveillance capabilities are completed.⁵⁹¹

The Embassy has reported that the ICAA continues to make positive steps toward meeting International Civil Aviation Organization (ICAO) standards in most areas, but improvements are needed at the local and national levels to bring Iraq in line with international air-traffic standards. This quarter, the Ministry of Transportation (MOT) approved and sent to the CoM a national aviation security plan, which is a basic requirement of the ICAO. The ICAA now operates a national aviation security committee and a Baghdad International Airport security committee, and work is under way to establish similar committees at the other civilian airports in Iraq. Additionally, the ICAA has requested that two audits be conducted by the ICAO regarding airport safety and security—a process that normally takes one to two years to complete.⁵⁹²

Control of airspace at all altitudes is slated to transition to the ICAA at various times throughout 2011.

Iraq regained the right this quarter to vote in proceedings of the ICAO for the first time since the 1990 Iraqi invasion of Kuwait.

Iraq regained the right this quarter to vote in proceedings of the ICAO for the first time since the 1990 Iraqi invasion of Kuwait.⁵⁹³ Iraq is a member of the ICAO but stopped participating following its invasion of Kuwait.⁵⁹⁴

The MOT announced this quarter that it had signed agreements with Qatar, Oman, and the Netherlands to begin commercial flights.⁵⁹⁵ The MOT also gave approval to al-Nasr Airline to begin commercial flights between Iraqi airports and Sweden, Germany, and Britain.⁵⁹⁶ Austrian Air and Lufthansa had planned to start operations at Baghdad International Airport last summer, but those plans were on hold this quarter pending further discussions of security, air traffic procedures, and ground handling. Austrian Air plans to determine in mid-January whether it will start operations. There is no new start date for Lufthansa. Meanwhile, France became the latest European country to plan commercial flights to Iraq, and French airline Aigle Azur made a ceremonial flight carrying dignitaries to Baghdad on October 31, 2010.⁵⁹⁷

Telecommunications

The completion date for construction of the \$18.3 million al-Mamoon Exchange and Telecommunications Center in Baghdad is now estimated to be March 31, 2011. The original forecasted completion date was December 2006, but the project has suffered from sabotage and contracting problems, and was re-awarded in 2009. USACE reported that as of December 31, 2010, the IRRF-funded project was 74% complete.⁵⁹⁸

Health Care

U.S.-funded Health Care Projects

This quarter, USACE continued to oversee three ESF-funded health care projects with a combined cost of \$24.2 million: the Missan Surgical Hospital, the surgical wing at Ba'quba General Hospital, and upgrades of facilities at the Ibn Sena Cardiac Center.⁵⁹⁹



The Missan Surgical Hospital as it looked on December 12, 2010. (USACE photo)

Missan Surgical Hospital

Slow progress continued this quarter on construction of the Missan Surgical Hospital, a \$12.6 million project that has suffered problems and delays since construction of the 80-bed facility began in November 2007. U.S. Embassy-Baghdad reported that the contractor is behind schedule and that USACE and ISPO were working to improve the contractor's performance.⁶⁰⁰ According to USACE, the project is scheduled for completion in June 2011.⁶⁰¹

Ba'quba Surgical Wing

USACE reported that the \$8 million surgical wing at the Ba'quba General Hospital in Diyala province was set to be completed this quarter, but U.S. Embassy-Baghdad reported that connections to the essential services utility grid were not yet in place and that USACE and ISPO were working with the Iraqi Ministries of Electricity and Health to remedy the situation.⁶⁰²

Ibn Sena Hospital

Work on the \$3.6 million Ibn Sena Hospital in Mosul was at a standstill this quarter because al-Warka Bank in Mosul failed to transfer \$345,000 sent by USACE to the contractor, citing banking liquidity issues. As a result, the contractor could not pay subcontractors, workers, and suppliers. According to the Embassy, USACE, the Ninewa PRT, the Embassy's Financial Management Office, USF-I, and the Financial Attaché are working to solve the problem.⁶⁰³

Basrah Children's Hospital

The \$165 million Basrah Children's Hospital, inaugurated in May and opened in October 2010, was treating patients this quarter, and efforts are underway to complete the delivery and installation of equipment donated by Project Hope.⁶⁰⁴ Five years behind schedule when it opened, the hospital fell short of its mandate to provide oncology services. "Though construction has been completed and basic pediatric medical services are being offered, oncology services are several months away," Assistant Chief of Mission Peter Bodde said.⁶⁰⁵

USAID's Health Promotion Program

USAID's \$5 million Health Promotion Program in Iraq aims to help the Ministry of Health design, implement, and evaluate the Iraqi public's awareness of health issues, such as malnutrition and childhood obesity. This quarter, USAID reported that expenditures totaled \$958,000. The program, initially set to end on September 30, 2010, has been extended until April 15, 2011.⁶⁰⁶

Education

Following a workshop in the Kurdistan Region, education experts from Baghdad and 11 provinces began this quarter to review the country's education sector, marking the first step in a process that they hope will result in a revamping of Iraq's educational system. The effort is part of an initiative launched by UNESCO and the United Nations Children's Fund to provide a forum to improve essential services, including education.⁶⁰⁷

U.S.-funded Education Projects

USACE reported that as of December 31, 2010, it had completed 1,166 construction projects in the education sector, including three completed this quarter: the \$3.5 million Electrical Engineering College building at Kufa University; and two 12-classroom schools, each costing more



USACE personnel hand out books to students at a primary school near Taji, Iraq. (USACE photo)

than \$1 million.⁶⁰⁸ All three were built using ESF funds. In addition, USACE reported 20 ongoing projects to build or rehabilitate schools; U.S. Embassy-Baghdad reported 26 ongoing education projects.⁶⁰⁹

According to USF-I, 242 education projects funded with FY 2010 CERP appropriations were completed as of September 30, 2010, at a cost of \$18.2 million. An additional 125 projects, collectively funded with \$18.3 million from FY 2010 CERP appropriations, were still in process at the beginning of this quarter. Eight of these projects were valued at \$400,000 or more, the largest of which was a \$499,990 project for construction of a provincial training and conference center in Misan province.⁶¹⁰

Other Education Projects

Oregon became the first U.S. state to sign an education-related memorandum of understanding with GOI officials. For additional information on this project, see the Economy subsection of this Report.⁶¹¹

This quarter, 100 Iraqi faculty members were chosen to participate in a training course at U.S. universities in an effort to aid Iraqi students who want to pursue postgraduate work abroad.⁶¹² The Iraqi Ministry of Higher Education also announced plans to build 15 new universities over the next several years, of which 8 have been approved, to accommodate Iraq's growing population.⁶¹³ ♦

Education experts began to review the country's education sector, marking the first step in a process that they hope will result in a revamping of Iraq's educational system.

SIGIR OVERSIGHT

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SECTION

5

SIGIR AUDITS

Since March 2004, SIGIR has issued 182 reports. From November 1, 2010, to January 31, 2011, SIGIR issued five audits addressing a wide range of reconstruction issues. They included:

- a report addressing concerns regarding GOI sustainment of the Iraqi International Academy
- a report on the status of IRRF 1 funds appropriated for Iraq relief and reconstruction
- a report addressing concerns over the loss of electronic data from the Deployable Disbursing System
- a report addressing DoD's inability to reconcile Commander's Emergency Response Program data
- a report on the management of the Sons of Iraq program

For a list of these audit products, see Table 5.1.

SIGIR currently has 18 ongoing audits, and others are expected to start this quarter. SIGIR performs audit work under generally accepted government auditing standards.

TABLE 5.1
SIGIR AUDIT PRODUCTS SINCE 10/31/2010

REPORT NUMBER	REPORT TITLE	DATE ISSUED
11-007	Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Canceled Funds	1/2011
11-008	Interim Report: Action Needed To Address Missing Deployable Disbursing System Data	1/2011
11-009	Iraqi Government Support for the Iraqi International Academy	1/2011
11-010	Sons of Iraq Program: Results Are Uncertain and Financial Controls Were Weak	1/2011
11-012	Commander's Emergency Response Program Obligations Are Uncertain	1/2011

SIGIR Audits Completed This Quarter

Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Canceled Funds (SIGIR 11-007)

Introduction

In April 2003, Public Law (P.L.) 108-11 appropriated \$2.48 billion to the President for humanitarian assistance, rehabilitation, and reconstruction in Iraq, referred to as the Iraq Relief and Reconstruction Fund 1 (IRRF 1). The Office of Management and Budget (OMB) apportioned these funds, for the most part, to the U.S. Agency for International Development (USAID), the Department of Defense (DoD)/U.S. Army, the Department of State (DoS), and the U.S. Department of the Treasury (Treasury). The funds were available for new obligations through September 30, 2004, and were in expired accounts for the next five years, until September 30, 2009. While in expired accounts, the funds were only available for legitimate adjustments to obligations incurred during the period and were not available for new obligations. As of September 30, 2009, the account was closed, and remaining funds were not available for any purpose.

SIGIR is reporting on the status of the various funds used for Iraq relief and reconstruction. The objective for this report is to address the status of the IRRF 1, including the amounts apportioned to U.S. government organizations, obligated during the period of availability, adjusted during the five years the funds were in expired accounts, and canceled when the account was closed.

Results

During fiscal years (FYs) 2003 and 2004, OMB apportioned virtually all of the \$2.48 billion appropriated

for IRRF 1. OMB apportioned \$2.25 billion for new obligations, with most going to three organizations: USAID received \$1.62 billion; DoD/U.S. Army received \$518 million; and DoS received \$101 million. P.L. 108-11 also specified that funds were to be used to fully reimburse accounts administered by DoS, Treasury, and USAID for related obligations incurred prior to enactment. OMB apportioned about \$239 million to meet these previously incurred obligations: \$212 million went to USAID, which subsequently returned \$10 million to OMB, and DoS received about \$25 million as reimbursement for prior obligations. This report does not address the status of the funds that OMB provided for these previously incurred obligations.

As of September 30, 2004, the organizations' reports on budget execution and budgetary resources show that virtually all of the \$2.25 billion had been obligated, and only \$257,000 was not obligated. In the first two years of the five-year expired-funds period, about \$28 million was deobligated and reobligated, accounting for virtually all of the deobligations/reobligations during the expired funds period. DoD/U.S. Army deobligated/reobligated the most funds—deobligating \$14.52 million in FY 2005 and reobligating \$10.66 million in that same fiscal year and the remainder in FY 2006—but these funds still accounted for less than 3% of its \$518.28 million in apportioned funds.

The IRRF 1 account was closed, and funds were canceled as of September 30, 2009, with \$18.46 million being returned to Treasury's general fund. Most of the funds were returned by USAID (\$14.13 million) and DoS (\$3.53 million). As of that date, USAID had about \$2.08 million of obligations incurred under IRRF 1 that will be paid from other available funds. Furthermore, USAID had a negative cash balance in its account as of September 30, 2009, and, as a result, its account was not closed but was adjusted in FY 2010. USAID officials said that the negative cash balance occurred because of an erroneous journal entry. They said that the need for adjustment started in FY 2006 and that adjustments for the account will be finalized in early FY 2011.

The organizations expended IRRF 1 under 14 relief and reconstruction programs. USAID had seven programs, and its "Restore Economically Critical Infrastructure" program was the largest—with expenditures of \$1.12 billion. USAID primarily used IRRF 1 to help in (1) rebuilding Iraq's roads and ports, (2) facilitating transportation of humanitarian assistance, and (3) restoring the power supply to health, educational, and water supply facilities. DoD/U.S. Army had three programs: the two largest used \$464.96 million to help restore Iraq's electricity and oil sectors.

IRRF 1 was quickly apportioned by OMB, and the organizations receiving funds also acted quickly to obligate the funds. As the funds moved from available for obligation, to expired funds, and then to canceled funds and closed account, no significant issues related to IRRF 1 apportionment, obligation, expenditure, and cancellation were identified.

Recommendations

This report does not contain recommendations.

Management Comments and Audit Response

Because this report contains no recommendations, the responsible agencies were not required to, and did not, submit comments.

Interim Report: Action Needed To Address Missing Deployable Disbursing System Data (SIGIR 11-008)

Introduction

In December 2008, SIGIR announced an audit of Department of Defense (DoD) appropriation, obligation, and expenditure data related to Iraq relief and reconstruction projects (Project 9005). SIGIR is performing this analysis to meet its mandate to forensically audit all Iraq reconstruction funds. During the course of the data collection process, SIGIR reconciled financial data in the Deployable Disbursing System (DDS), which was developed in

2005 to serve as an on-site, tactical disbursing system for deployed military units with congressional appropriations and other DoD financial system data and found that some DDS data was missing. The missing data is of concern to SIGIR because the data is needed to complete SIGIR's forensic audit mandate, and SIGIR's forensic audit work has shown significant problems with controls over the Commander's Emergency Response Program (CERP)—particularly for cash disbursements, which appear to account for a large part of the missing data. Additionally, it is likely that the missing data also contains Personally Identifiable Information (PII) of military members and may also include classified information. This interim report addresses SIGIR's concerns over missing DDS data and seeks DoD assistance in recovering the data.

Results

SIGIR found that some DDS data was missing and that some of the missing data may contain PII and classified information, and that the loss of the data may indicate an intentional breach of internal controls for the CERP. In early 2010 Defense Finance and Accounting Service (DFAS) and the Army Financial Management Command officials told SIGIR that the DoD Inspector General (IG) had already made them aware of the situation. According to Army Financial Management Command officials, the missing data—from the period October 2005–March 2007 at one location and October 2005–August 2006 at another location—is missing because of a computer malfunction and because some DDS users did not follow the appropriate procedures. For example, a unit appropriately transferred data from one computer that had reached its hard drive capacity to another, but that second computer's hard drive crashed. In another instance, units transferred their data to disks but reportedly brought the data home when they left Iraq and subsequently lost the disks. The DoD IG made recommendations to address this problem,⁶¹⁴ and in April 2009, new procedures were established governing the handling and storage of DDS data.

SIGIR found that the missing data may include a large volume of CERP transactions. DoD personnel in Iraq are responsible for handling the money, creating paper records, and entering the transactions into DDS to record the payments; and the risk of DoD personnel colluding on criminal acts is heightened because the entire disbursement process is handled at the local level. To date, SIGIR investigations have resulted in six convictions of DoD personnel involving CERP-related payment activities.

SIGIR's review of DDS data has found that it includes the names of military and civilian personnel responsible for making payments of Iraq reconstruction funds. DoD's Guidance on Protecting PII (August 2006) requires that all PII be evaluated for impact of loss or unauthorized disclosure and protected accordingly. The Army Financial Management Command has not assessed the circumstances of the breach to determine whether notification of impacted personnel is required. Moreover, in 2009, the DoD IG reported that DoD personnel had entered classified information into the DDS,⁶¹⁵ so it is possible that the missing DDS data SIGIR identified may contain classified information, such as the names of intelligence sources, which could expose the sources and their associates to considerable risk.

Recommendations

SIGIR recommends that the U.S. Army (Financial Management and Comptroller) direct the Army Financial Management Command to:

1. Reconstruct all missing transactions by using available DFAS records and provide this information to SIGIR.
2. Review the reconstructed transactions to determine whether they include any PII and classified information and take appropriate action pursuant to federal law and applicable guidance.

Management Comments and Audit Response

Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.



One of three classroom buildings at the Iraqi International Academy. (USF-I/ITAM/MOD photo)

Iraqi Government Support for the Iraqi International Academy (SIGIR 11-009)

Introduction

In early 2009, the Multi-National Security Transition Command-Iraq⁶¹⁶, U.S. Embassy-Baghdad, and the Government of Iraq (GOI) discussed the need for an English-language training academy to consolidate the Ministry of Defense (MOD) and the Ministry of Interior English-language teaching sites and to develop a unified curriculum. At the time, the estimated cost was more than \$20 million. In January 2010, the U.S. military expanded its vision of the academy to that of a regional educational institute similar to the George C. Marshall Center in Germany.⁶¹⁷ The expanded initiative, now called the Iraqi International Academy (IIA) would offer instruction in security studies such as international relations, public administration, and academic and executive-level English. The estimated \$26 million project is funded by the Iraq Security Forces Fund (ISFF) and managed by that part of the U.S. Forces-Iraq (USF-I) Iraq Training and Advisory Mission assigned to assist the Iraqi Ministry of Defense (ITAM-MOD). A construction contract was awarded on September 20, 2009, for \$11,710,000, and three contract modifications increased costs to \$13,437,822.

As of November 1, 2010, \$3.24 million has been spent and an estimated 24% of the work has been completed. The project's second phase to furnish and equip the facility is estimated to cost \$12 million, but no funding has yet been requested, and furniture and equipment requirements have not been discussed with the Government of Iraq (GOI). SIGIR conducted this review to determine the extent to which the GOI had agreed to sustain and operate the IIA after the U.S. Army Corps of Engineers, Gulf Region District, completes the renovation and construction of IIA facilities.

Results

SIGIR found that the GOI has no plan to fund the operation of the IIA after it opens in September 2011, and that the U.S. military did not adequately address with the GOI the need for the GOI to sustain and operate the IIA in its project-planning deliberations.

To illustrate, all three MOD officials SIGIR interviewed stated that they had discussed the concept of the IIA with U.S. officials and agreed that the GOI needed such an educational institution. However, they informed SIGIR that the ITAM-MOD had not raised the issue of Iraqi financial support with them and, as one official stated, he simply assumed the United States would fund the operation of the IIA for at least one year. Additionally, Iraqi officials provided other reasons why funding of the IIA remained uncertain. One official stated that he knew the Iraqis would have to take responsibility for the IIA but had not received the necessary cost data from the U.S. military in areas such as the number and types of faculty that would be needed to develop operating, maintenance, and sustainment costs. He also said that the GOI had not designated a lead ministry for the IIA and that it was unlikely that any ministry would step up and request funding under its budget until the GOI did so.

ITAM-MOD's planning documents discussed its vision for the IIA but did not address the future operating and sustainment costs, or the need to

obtain a commitment from the GOI. ITAM-MOD officials told SIGIR that its efforts to obtain a financial support commitment to date have been unsuccessful. ITAM-MOD correspondence with the MOD and internal GOI memos and letters between 2009 and 2010 did not discuss any instances where ITAM-MOD raised the issue of the GOI's future responsibilities for the IIA. ITAM-MOD officials said they recognize that the lack of a GOI commitment to fund the IIA is a problem and that they should have addressed this issue earlier, but they are attempting to catch up at this time. Additionally, they said that the seven-month delay in forming a new government has inhibited their efforts to obtain GOI support because the GOI has not decided which ministry will be responsible. ITAM-MOD officials stated that they will continue to work with their GOI counterparts to resolve this issue.

Recommendations

SIGIR recommends that the Commander, U.S. Central Command, direct the Commanding General, USF-I, take no further action to purchase furniture and equipment for the IIA and inform the GOI that it is the GOI's responsibility to do so.

Lessons Learned

As Iraq's ability to function as a sovereign nation improves, a written and signed bilateral agreement between the United States and Iraq should be a prerequisite for development assistance projects to ensure that U.S. funds are not wasted.

Management Comments and Audit Response

Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil

Sons of Iraq Program: Results Are Uncertain and Financial Controls Were Weak (SIGIR 11-010)

Introduction

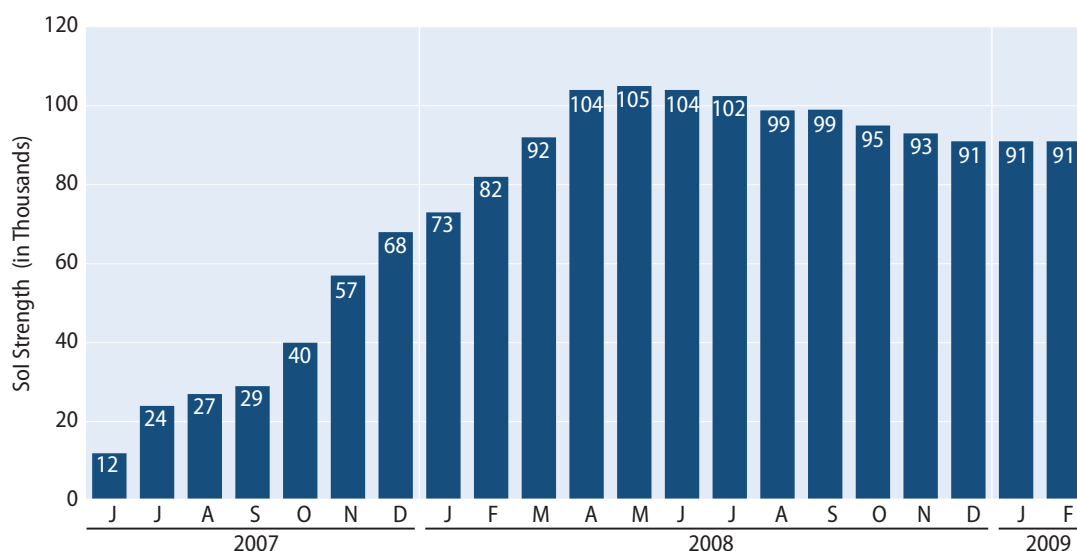
In June 2007, the Multi-National Corps-Iraq (MNC-I) began using Commander's Emergency Response Program (CERP) funds to hire former insurgents and their passive supporters to guard checkpoints, buildings, and key parts of neighborhoods in Iraq. Known as the Sons of Iraq (SOI) program, the effort has been credited with helping reduce the overall levels of violence in Iraq. During the course of the program, MNC-I spent approximately \$370 million drawn from fiscal year 2007-2009 CERP funds. Past SIGIR reports have identified weaknesses in the management of CERP funds.

SIGIR's reporting objectives for the SOI program are to determine (1) the program's contribution to reducing violence in Iraq, (2) the effectiveness of financial management controls, and (3) the status of GOI efforts to integrate SOI personnel into Iraqi ministries.

Results

Insufficient quantifiable program data coupled with the inability to segregate possible SOI effects from other factors precluded SIGIR from drawing empirically reliable conclusions about the program's contribution to the reduction in violence in Iraq that began in the late summer of 2007. Multi-National Force-Iraq (MNF-I) officials and commanders SIGIR spoke with stated that they believe the SOI program was an important factor in reducing violence and provided a number of anecdotal examples in support of their opinions. However, it is not possible to draw more definitive conclusions about the program's effects. Specifically, there was no comprehensive plan for SOI with specific goals, metrics, or milestones from which to measure the individual or collective impact of the effort. Additionally, there was no requirement for commanders to document what SOI groups

FIGURE 5.1
SOI NUMBERS FROM 6/2007–2/2009



Note: By August 2008, there were approximately 779 individual SOI agreements to cover almost 100,000 SOIs over 9 provinces in Iraq. There were 95,120 SOI registered to be transferred to the Iraqi government.

Source: USF-I presentation of monthly SOI numbers.

achieved or for any other organization to assess overall program impact in areas such as reductions in insurgent attacks. Given the absence of detailed information on SOI effects and the reality of many other factors affecting the levels of violence in Iraq during the same time period, such as the influx of large numbers of additional U.S. forces during the surge, SIGIR is unable to draw reliably supportable empirical conclusions about the full extent of SOI contributions in this area.

For a timeline of SOI membership from 2007 to 2009, see Figure 5.1.

Overall, SIGIR found that the MNF-I exercised weak financial controls over its cash payments to the SOI. SIGIR found that payments were often made directly to the SOI leader rather than to individual SOI members. In addition, in some files, the pay agent simply provided the same amount of money each month without determining how many SOI members were actually working and for how many hours they ostensibly worked during the month. For example, for a four-month project

estimated to cost \$331,200, the pay agent simply automatically provided \$82,800 each month for a total of \$331,200. In the few instances where payments were made to individual SOI members, the payments were usually lower than estimated. For example, in one project file, 545 SOI members were on the official registry, but only 454 signed the pay roster and collected their salaries. This reduced actual costs 17%, from an estimated \$62,884 to \$52,384. Furthermore, key financial control documentation including cash controls, receipts, and vouchers were usually missing from project files.

Since assuming full control of the SOI program in April 2009, the GOI has faced difficulties in managing the program, properly paying the SOI, and integrating SOI into Iraqi ministries. The GOI promised to employ 95,120 SOI members, but to date has provided offers to only 39,224. Additionally, it has not offered any jobs since November 2009. The GOI has paid the SOI members on time only 42% of the time. According to USF-I, the perception of broken promises and GOI indifference has

eroded public confidence, furthered SOI distrust of the GOI, and increased fear of insurgent influence over SOI personnel. While the GOI has made progress during a period when it was unable to form a government, such problems raise questions as to whether the GOI can maintain reconciliation with the SOI.

Recommendations

SIGIR recommends that the Secretary of Defense direct the Under Secretary of Defense (Comptroller) to revise CERP guidance to include direction on when related projects should be managed as a program with clearly defined objectives, implementing regulations, and metrics for assessing results.

Management Comments and Audit Response

Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

Commander's Emergency Response Program Obligations Are Uncertain (SIGIR 11-012)

Introduction

The Army Budget Office (ABO) reports that, since 2003, it has allocated about \$3.89 billion for Commander's Emergency Response Program (CERP) projects in Iraq. According to *Money as a Weapon System* (MAAWS), the U.S. Forces-Iraq (USF-I) policy and procedures manual that directs program execution and establishes the goals for CERP funding, two information systems track CERP data: the CERP Project Tracker, which is a resource management tool that identifies the status of each CERP project, and the Army Standard Financial System (STANFINS), which identifies CERP obligations and expenditures. The objective of this review is to determine the extent to which funds appropriated for the CERP have been obligated and liquidated, and how those funds have been used.

Results

As of September 30, 2010, ABO reports that \$3,890,709,000 was allocated for CERP projects in Iraq. Of this amount, \$3,675,323,152 (94.5%) has been obligated. Of the amount obligated, \$3,560,356,040 (96.9%) has been disbursed, and \$114,967,222 (3%) remains unliquidated. The disbursement data provided by ABO agrees with the disbursement reported by USF-I. Further, SIGIR conducted a forensic review of the Department of Defense's electronic disbursements of CERP funds looking for anomalies, which were then given additional review. SIGIR's anomaly testing focused on vouchers that have been paid. SIGIR's testing has not disclosed significant issues.

The CERP fund allocations that USF-I reports it has received do not agree with the amount that ABO reports it provided. According to USF-I, it has received CERP allocations totaling \$4,558,000,000, while ABO reports allocations of \$3,890,709,829—a difference of approximately \$667,290,171. The differences occurred in fiscal years (FYs) 2008, 2009, and 2010. In FY 2008, USF-I reports it received allocations totaling \$1,250,000,000, while ABO reports allocations of \$995,909,000; and in FY 2009, USF-I reports it received allocations totaling \$747,000,000, while ABO reports allocations of \$339,050,000. Finally, in 2010, the ABO report shows an allocation of \$239,850,829, while USF-I reports about \$245,000,000, a difference of about \$5 million.

SIGIR requested supporting documentation from USF-I for its higher reported allocations, but USF-I was unable to provide it. As of September 30, 2010, both ABO and USF-I report CERP obligations of \$3,675,323,152. However, both obtained their obligation data from STANFINS. Several prior SIGIR reports have raised questions about whether STANFINS contains all CERP obligations.

For the reasons discussed above, SIGIR was unable to develop reliable data on how much USF-I spent for specific categories of CERP projects. USF-I provided information on how it has used its CERP funding, such as for protective measures and water and sanitation. However, the largest

category of spending is “No Category Listed,” which accounts for 21% of all of its CERP funding. According to USF-I officials, this category is used when units do not identify a category for their CERP projects.

Recommendations

This report does not contain recommendations.

Management Comments and Audit Response

Because this report contains no recommendations, the responsible agencies were not required to submit comments.

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. Additionally, SIGIR has conducted and will continue to conduct in-depth assessments of grants to include the reasonableness, allowability, and allocability of costs. SIGIR will also closely monitor and review reconstruction activities as the DoD presence declines and the DoS management responsibilities for reconstruction increase.

Ongoing Audits

SIGIR is currently working on these audits:

- Project 1105: Audit of the Department of Defense Use of Iraqi Funds Provided for the Iraqi Commander’s Emergency Response Program
- Project 1104: Audit of the Status of SIGIR Recommendations Made to the U.S. Agency for International Development

- Project 1103: Audit of the Status of SIGIR Recommendations Made to the Department of State
- Project 1102: Audit of the Status of SIGIR Recommendations Made to the Department of Defense
- Project 1101: Audit of the Use of Funds for the Commander’s Emergency Response Program in Iraq for Fiscal Year 2011
- Project 1021: Audit of the Status of International Narcotics and Law Enforcement Funds Appropriated for Iraq Reconstruction
- Project 1020: Audit of the Departments of Justice and State Management of Rule of Law Activities in Iraq
- Project 1019: Audit of the Status of Oversight of Private Security Contractors in Iraq
- Project 1018: Audit of the Cost, Outcome, and Management of the Falluja Wastewater Treatment Plant Project
- Project 1017: Audit of the U.S. Army Corps of Engineers’ Plans and Processes To Transfer Ongoing Reconstruction Projects to the Government of Iraq
- Project 1015: Audit of the Controls Over the Quick Response Fund
- Project 1014b: Audit of the Status of Funds Appropriated for the Iraq Relief and Reconstruction Fund 2
- Project 1013: Audit of Cooperative Agreements Awarded to Cooperative Housing Foundation International
- 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
- 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 20 focused contract and grant audits dealing with outcomes, costs, and the oversight associated with major reconstruction contract in Iraq, as well as vulnerabilities to fraud, waste, and abuse. Additionally, SIGIR conducted two grant audits that looked at outcomes and whether specific costs were reasonable, allowable, and allocable according to federal regulations. From these SIGIR has identified questionable costs. Similar contract or grant audits are ongoing, and others are planned.

In the future, SIGIR will focus on contracts funded by the Iraq Security Forces Fund and the Economic Support Fund. Additionally, SIGIR will continue to 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 182 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 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 reconstruction endeavors.

Moreover, SIGIR has made 444 recommendations to improve reconstruction activities in Iraq, and management has already agreed to and implemented 123 of them. These recommendations are discussed more in depth in the next section.

Much of SIGIR's audit results can be attributed to SIGIR's 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 enable face-to-face communications and relationship building with Department of Defense (DoD), Department of State (DoS), and Government of Iraq (GOI) officials, and they provide an 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 identified for 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 the U.S. presence downsizes and the ministerial capacity of the GOI increases.

Major Issues Addressed in Audits

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. To illustrate, in July 2008, SIGIR issued an audit report that discussed 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.

SIGIR Recommendations To Improve the Management of Reconstruction Activities

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 175 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 and to better share information
- more than 185 recommendations to improve oversight of contracts and contractors to encourage economy and efficiency and minimize the potential for fraud, waste, and abuse
- more than 175 recommendations to improve accountability and internal control weaknesses.

(These involve deficiencies such as inadequate review of contractor invoices, inadequate contractor oversight, missing or incomplete documentation of contract actions, and inadequate staffing.)

- more than 35 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—significant and high-cost programs that will continue even as the U.S. reconstruction effort in Iraq scales back:

- SIGIR has issued 11 reports and made 24 recommendations addressing the need to improve the management of the Commander's Emergency Response Program (CERP). This program authorizes U.S. field commanders to use CERP funds to respond to urgent humanitarian, relief, and reconstruction requirements that immediately assist indigenous populations and achieve focused effects. This quarter, SIGIR completed a review of the CERP-funded Sons of Iraq program and concluded that, because of insufficient data, it was not possible to determine exactly what the program achieved. Another CERP report identified the inability of DoD to reconcile data on the levels of CERP obligations, as well as incomplete information on the uses of CERP funds.
- SIGIR has issued more than 27 reports which, to varying degrees, addressed 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 five recommendations regarding ministerial capacity development, oversight of weapons provided to the ISF, asset

transfer, use of CERP funds, anticorruption efforts, and other topics—including logistics, maintenance responsibilities, and training of security forces personnel. This quarter, SIGIR reported that U.S. efforts to build and create an Iraqi International Academy are vulnerable to waste because the GOI has not agreed to fund and sustain its operation.

In some cases, agencies do not respond to a report's recommendations in a timely manner. For example, in SIGIR's July 2010 audit report "Plans To Preserve Iraq Reconstruction Program and Contract Records Need To Be Improved" (SIGIR 10-021), SIGIR made recommendations to the Secretaries of Defense and State, the Administrator of the U.S. Agency for International Development (USAID), and some DoD organizations in Iraq to improve their management of records documenting the U.S. reconstruction effort. The Secretaries of Defense and State and the Commanding General, USF-I, did not respond to the recommendations in the time required. Ultimately, the DoS Bureau of Near Eastern Affairs, on October 4, 2010, responded on behalf of the Secretary of State and concurred with the recommendations. The Bureau provided the specific measures it was taking to address SIGIR's recommendations to assign an office the responsibility for records preservation, to take those steps that were listed in the recommendation, and to provide the Embassy detailed guidance. The Office of the Secretary of Defense has yet to provide its response to the SIGIR recommendation, as required by Office of Management and Budget (OMB) Circular A-50.

Additionally, SIGIR recommended that the Commanding General, USF-I, direct that plans be developed to preserve Iraq Security Forces Fund and CERP records by means such as developing standard operating procedures. The USF-I Inspector General directed that the U.S. Central Command respond, which it did—but it did so a day after the audit report was issued. USF-I responded that it did not concur with the recommendation

because it had issued guidance on preserving reconstruction records just prior to the publication of the audit report. In this case, SIGIR commends USF-I for issuing the guidance but concludes that the guidance does not fully satisfy the intent of the recommendation to develop a plan to ensure all current and historical records are preserved. Moreover, SIGIR audits continue to find problems with USF-I's maintenance and storage of these vital records, and that there has been little effort to locate missing records—particularly for CERP-funded projects. Therefore, SIGIR is keeping the recommendation open until USF-I can document that it has improved its record management and preservation system.

SIGIR has recently announced reviews of the actions DoD, DoS, and USAID have taken, or plan to take, to address open recommendations and report these actions to the Congress as required by OMB Circular A-50 and the Inspector General Act of 1978, as amended.

Financial Impacts of SIGIR Audits

SIGIR's audits have had financial impacts, as shown in Table 5.2. Through its audits, SIGIR has been able to identify:

- funds that would be put to better use (meaning that funds could be used more efficiently if management took an action such as reducing outlays or deobligating funds from a specific program or operation)
- payments that SIGIR questioned and recommended the agency consider recovering (because SIGIR determined that the payments were either not adequately supported in documentation or did not appear to be allowable, reasonable, or allocable according to regulations and or other agreements governing the expenditure of the funds)
- funds that were saved (because the agency under review accepted SIGIR's recommendation that funds be put to better use by management or to recover monies that were inappropriately spent by a contractor, grant recipient, or other organization receiving U.S. funding)

TABLE 5.2

SIGIR FINANCIAL IMPACTS

\$ Millions

ACCOMPLISHMENTS	THIS QUARTER	CUMULATIVE
Funds To Be Put to Better Use ^a	12.00	586.62
Questioned Costs ^b	0.00	112.63
Saved and Recovered	0.00	610.61

a The Inspector General Act of 1978, § 5. (f) states:

(4) the term "recommendation that funds be put to better use" means a recommendation by the Office that funds could be used more efficiently if management of an establishment took actions to implement and complete the recommendation, including--

- (A) reductions in outlays;
- (B) deobligation of funds from programs or operations;
- (C) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds;
- (D) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee;
- (E) avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or
- (F) any other savings which are specifically identified.

b The Inspector General Act of 1978, § 5. (f) states:

- (1) the term "questioned cost" means a cost that is questioned by the Office because of--
 - (A) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
 - (B) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or
 - (C) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable;
- (2) the term "unsupported cost" means a cost that is questioned by the Office because the Office found that, at the time of the audit, such cost is not supported by adequate documentation.

Source: Analysis of SIGIR audit reports and recommendations, 1/2011.

SIGIR has identified a total of \$586.62 million that could be used more efficiently and effectively if used elsewhere. For example, this quarter SIGIR identified \$12 million planned to furnish and equip the Iraqi International Academy that would be better spent elsewhere because the GOI has not made a commitment to fund the operation and maintenance of the Academy.

SIGIR has also questioned \$112.63 million in payments to contractors and grant recipients under cost-reimbursement contracts or grant agreements because the costs claimed were not supported by adequate documentation, such as receipts or invoices; were unallowable under government regulations; were unreasonably high; or were not allocable to the project. For example, SIGIR found that a recipient of a DoS democracy-building grant did not follow government regulations requiring that it obtain agency approval before purchasing almost \$700,000 in security vehicles, and therefore SIGIR questioned the cost.

Through January 31, 2011, agency management has concurred with certain SIGIR audit findings and recommendations, which has resulted in about \$610.61 million in saved and recovered funds. For example, \$23 million of the funds saved emanated from recommendations regarding improved inventory control of equipment purchased for primary healthcare centers, and \$94 million was saved through improved contractor invoice review procedures in the Iraqi police training program.

Table 5.3 lists SIGIR's financial impact audit reports and the value of the financial accomplishments. ♦

TABLE 5.3
SIGIR FINANCIAL IMPACT REPORTS
\$ Millions

REPORT NUMBER	REPORT TITLE	FUNDS BETTER USED	QUESTIONED COSTS ^a	UNSUPPORTED COSTS	DOLLARS SAVED & RECOVERED
04-003	Federal Deployment Center Forward Operations at the Kuwait Hilton	18.20			18.20
04-011	Audit of the Accountability and Control of Materiel Assets of the Coalition Provisional Authority in Baghdad	19.70			19.70
04-013	Coalition Provisional Authority's Contracting Processes Leading Up To and Including Contract Award		5.19	5.19	
05-008	Administration of Contracts Funded by the Development Fund of Iraq		0.04		0.04
05-015	Management of Rapid Regional Response Program Grants in South-Central Iraq		2.70	2.70	0.05
05-016	Management of the Contracts and Grants Used To Construct and Operate the Babylon Police Academy	1.30			1.30
05-017	Award Fee Process for Contractors Involved in Iraq Reconstruction	7.80			
05-020	Management of the Contracts, Grant, and Micro-Purchases Used To Rehabilitate the Karbala Library		0.15		0.15
05-023	Management of Rapid Regional Response Program Contracts in South-Central Iraq		0.57		0.57
06-009	Review of Task Force Shield Programs	12.80			12.80
06-010	Review of the Multi-National Security Transition Command-Iraq Reconciliation of the Iraqi Armed Forces Seized Assets Fund	1.51	3.46	3.46	4.97
06-016	Interim Audit Report on the Review of the Equipment Purchased for Primary Healthcare Centers Associated with Parsons Global Services, Contract Number W914NS-04-D-0006	23.30			23.3
06-029	Review of DynCorp International, LLC, Contract Number S LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support		5.46		5.46
07-007	Status of U.S. Government Anticorruption Efforts in Iraq	3.80			
08-018	Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with Fluor AMEC, LLC		0.57		
09-003	Cost, Outcome, and Oversight of Local Governance Program Contracts with Research Triangle Institute		0.19		0.19
09-004	Iraq Reconstruction Project Terminations Represent a Range of Actions	16.62			
10-008	Long-standing Weaknesses in Department of State's Oversight of DynCorp Contract for Support of the Iraqi Police Training Program	448.49	93.53		518.11
10-010	Department of State Contract To Study the Iraq Reconstruction Management System	5.00			5.00
10-013	Commander's Emergency Response Program: Projects at Baghdad Airport Provided Some Benefits, but Waste and Management Problems Occurred	16.10			
10-022	Improved Oversight Needed for State Department Grant to the International Republican Institute		0.69		0.69
11-001	National Democratic Institute Grant's Security Costs and Impact Generally Supported, but Department of State Oversight Limited		0.08		0.08
11-009	Iraqi Government Support for the Iraq International Academy	12.00			
Totals		586.62	112.63	11.35	610.61

Note:

a Questioned costs include unsupported costs.

COLLABORATIVE FORENSIC AUDITS/ INVESTIGATIONS INITIATIVE

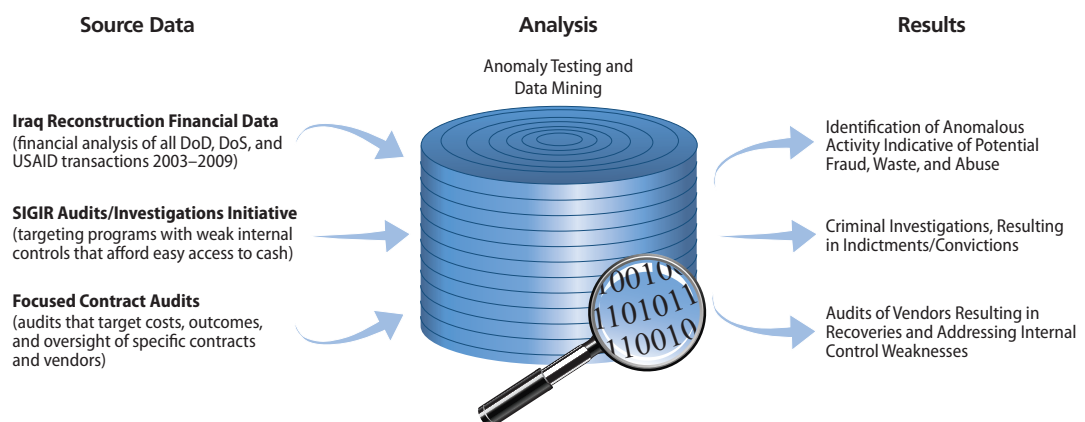
SIGIR's Audits and Investigations Directorates are engaged in a number of collaborative forensic audit and investigation initiatives designed to identify fraud, waste, and abuse. Public Law 108-106, as amended, requires that SIGIR prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq, which totals about \$58 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. The analytic process is portrayed in Figure 5.2.

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 and Investigations Directorates continue 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 54 criminal investigations as a result of this effort. This project has also provided support to ongoing criminal investigations.

Additionally, SIGIR continues to provide support on conducting forensic audits to the Special Inspector General for Afghanistan Reconstruction. ♦

FIGURE 5.2
FORENSIC AUDIT PROCESS



SIGIR INVESTIGATIONS

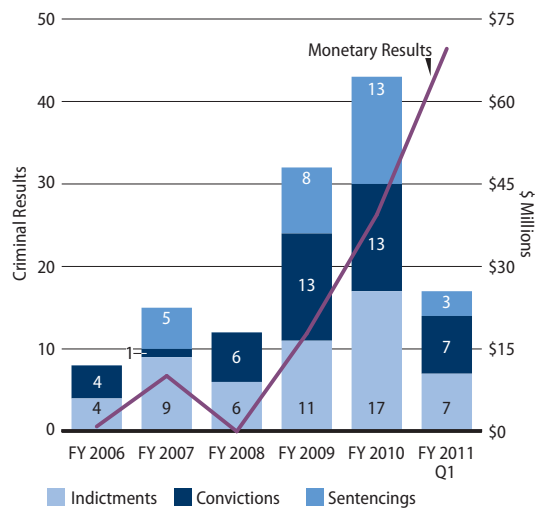
SIGIR Investigations continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 104 open investigations. During this reporting period, SIGIR had 3 investigative personnel assigned to Baghdad; 7 at SIGIR headquarters in Arlington, Virginia; and 13 in offices in Pennsylvania, Florida, Texas, Ohio, New York, Oklahoma, and California. Investigative accomplishments this quarter include, 4 indictments, 3 convictions, and 2 sentencings. To date, the work of SIGIR investigators has resulted in 31 arrests, 54 indictments, 44 convictions, and more than \$140 million in fines, forfeitures, recoveries, restitution, and other monetary results.

This quarter, SIGIR continued to conduct a number of significant criminal investigations related to Iraq reconstruction and 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, 3 defendants are pending indictment based upon arrest complaints, 7 defendants are awaiting trial, and an additional 16 defendants are awaiting sentencing. (Figure 5.3 shows the substantial increases in the number of judicial actions and monetary results achieved in each of the last two years based on SIGIR investigations. This trend is expected to continue, as substantial numbers of additional cases are in the hands of prosecutors.) For a comprehensive list of convictions compiled by the Department of Justice, see Table 5.4 at the end of this section. SIGIR notes these investigative activities this quarter:

- A fraud scheme involving reconstruction contracts resulted in convictions of two high-level employees, a deferred prosecution agreement by the company, and more than \$69 million in criminal penalties and civil settlement.
- An Army contracting officer pled guilty and was sentenced for bribery related to contracts in Iraq, Kuwait, and Afghanistan.

FIGURE 5.3

SIGIR INVESTIGATIONS: CRIMINAL AND MONETARY RESULTS



- An Army officer was charged with conspiracy, accepting gratuities, and converting property of another to his own use.
- A Marine Corps major was sentenced for financial crimes involving more than \$440,000.
- An Army lieutenant colonel was sentenced for acts affecting a personal financial interest.

Fraud Scheme Results in Convictions of Two High-level Employees and More Than \$69 Million in Criminal Penalties and Civil Settlement

On November 5, 2010, the Louis Berger Group, Inc. (LBG), a New Jersey-based engineering consulting company, resolved criminal and civil fraud charges related to its international work on behalf of the United States Agency for International Development (USAID) and the U.S. Department of Defense (DoD).

In addition, two former senior LBG employees pled guilty to their roles in the scheme. Salvatore

Pepe, LBG's former Chief Financial Officer, and Precy Pellettieri, the former Controller, admitted to conspiring to defraud USAID by obtaining contract payments billed at falsely inflated overhead rates. Pepe and Pellettieri pled guilty to separate criminal informations charging them with conspiring to defraud the government with respect to claims.

The components of the settlement include:

- A Deferred Prosecution Agreement (DPA), pursuant to which the U.S. Attorney's Office in New Jersey will suspend prosecution of a criminal complaint charging LBG with a violation of the Major Fraud Statute. In exchange, LBG will, among other things, pay \$18.7 million in related criminal penalties; make full restitution to USAID; adopt effective standards of conduct, internal controls systems, and ethics training programs for employees; and employ an independent monitor who will evaluate and oversee the company's compliance with the DPA for a two-year period.
- A civil settlement that requires the company to pay the government \$50.6 million to resolve allegations that LBG violated the False Claims Act by charging inflated overhead rates that were used for invoicing on government contracts.
- An administrative agreement between LBG and USAID, which was the primary victim of the fraudulent scheme.

According to documents filed in these cases and statements made in court, LBG provides engineering and other consulting services to private and public entities, including federal agencies, state agencies, and foreign governments. Several of LBG's largest contracts were with USAID. USAID awarded several multimillion-dollar contracts to LBG for rehabilitative and reconstructive work in Iraq and Afghanistan. From at least 1999 through August 2007, LBG, through its former executives and management employees, intentionally overbilled the U.S. government in connection with contracts for work performed

overseas. The scheme to defraud the government was carried out by Pepe and Pellettieri, at the direction of a former executive.

Pepe directly supervised Pellettieri, who supervised LBG's general accounting division. Both were responsible for ensuring the integrity of LBG's cost data with respect to the calculation of overhead rates that LBG charged to USAID and other agencies. LBG charged the federal government these rates on "cost plus" contracts, which enabled contractors to pass on their overhead costs to the agency in general proportion to how much labor LBG devoted to the government contracts. Pepe and Pellettieri admitted that from September 2001 through August 2007, they agreed with each other and others to bill USAID and other federal agencies for LBG's overhead costs at falsely inflated overhead rates. They agreed to target an overhead rate above 140%—meaning that for every dollar of labor devoted to a USAID contract, LBG would receive an additional \$1.40 in overhead expenses and total profits allegedly incurred by LBG.

The case against LBG came to light when a former employee who worked in its accounting department filed a whistleblower lawsuit in the District of Maryland charging LBG with several violations of the civil False Claims Act. Under the *qui tam*, or whistleblower, provisions of the False Claims Act, a private party can file an action on behalf of the United States and receive a portion of the government's recovery.

The government's civil investigation, led by the Justice Department's Civil Division and the U.S. Attorney's Office for the District of Maryland, examined LBG's accounting from July 1, 1991, to June 30, 2008. The false claims uncovered by the civil investigation included LBG's mischarging a portion of its headquarters costs and part of its Washington office costs to overhead accounts so they appeared to have originated in LBG's government international division. In addition to mischarging USAID, the false claims also inflated billings on contracts performed overseas for the U.S. Army and U.S. Air Force.

Under the settlement, LBG will pay \$46.3 million in addition to the credits of \$4.3 million it has already provided, commencing in July and August 2007, on contracts performed for USAID. LBG and parent company Berger Group Holdings, Inc., also entered into an administrative agreement with USAID wherein the companies have agreed to continued cooperation and strategies going forward.

The case is being conducted jointly by USAID, Defense Criminal Investigative Service (DCIS), SIGIR, and Federal Bureau of Investigation (FBI).

U.S. Army Contracting Officer Pleads Guilty and Is Sentenced for Bribery

On January 19, 2011, U.S. Army Major Roderick D. Sanchez was sentenced in U.S. District Court, Denver, Colorado, to serve 60 months in prison, with three years supervised release following the prison term, and to pay a fine of \$15,000. In addition, Sanchez was ordered to forfeit Rolex watches, real estate, and other property purchased with the proceeds of the bribery scheme. The sentencing is the result of Sanchez's guilty plea on October 27, 2010, to a one-count criminal information charging him with bribery for accepting money and items of value in return for being influenced in the awarding of Army contracts.

According to court documents, at various times from approximately 2004 through 2007, Sanchez was employed by the U.S. Army and deployed overseas in Iraq, Afghanistan, and Kuwait as a contracting officer. Sanchez's duties included reviewing bids submitted by contractors for Army contracts, recommending the award of Army contracts to specific contractors, and ultimately awarding those contracts to government contractors. Sanchez admitted that during that time period he accepted illicit bribe payments from foreign companies seeking to secure Army contracts. In return, Sanchez used his official position to steer Army contracts to these companies. During the course of this criminal scheme, Sanchez accepted Rolex watches, cash payments, and other things of value totaling more than \$200,000.

The case is being conducted jointly by SIGIR, U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit (CID-MPFU), DCIS, and FBI.

U.S. Army Officer Is Charged with Conspiracy, Accepting Gratuities, and Converting Property of Another to His Own Use

On November 10, 2010, a U.S. Army lieutenant colonel (LTC) was charged in a four-count indictment with conspiracy, accepting gratuities, and, as a public official, converting property of another to his own use. The LTC was deployed to Iraq from October 2003 through April 2004 and during that time served as the "Mayor" of a forward operating base (FOB). In this capacity he had authority over the day-to-day operations of the FOB.

According to the indictment, the LTC used his status to enrich himself by accepting more than \$10,000 in cash, as well as gifts of jewelry and clothing, from contractors. In return, the LTC encouraged awarding contracts to specific contractors, bypassing and relaxing security procedures at the FOB for specific contractors, issuing weapons permits without legal authority and without following proper protocol to contractor employees, directing government employees to use equipment and supplies that benefited specific contractors, and converting government property in control of the LTC for use by these contractors.

The indictment also contained a forfeiture demand for \$12,100 in currency, men's and women's jewelry and clothing, and two prayer rugs.

The case is being conducted jointly by SIGIR, DCIS, and CID-MPFU, and is being prosecuted by a SIGIR Prosecutorial Initiative (SIGPRO) Attorney.

U.S. Marine Corps Major Sentenced for Financial Crime Involving More Than \$440,000

On January 10, 2011, Major Mark R. Fuller, a U.S. Marine Corps fighter pilot, was sentenced in U.S. District Court, Phoenix, Arizona, to serve one year

and one day in prison and to pay a fine of \$198,510 and a special assessment of \$200. The sentencing was the result of Fuller's August 4, 2010, guilty plea to two felony counts of structuring financial transactions. Fuller had been charged in a 22-count indictment returned by a federal grand jury in Phoenix, Arizona, with illegally depositing more than \$440,000 into U.S. bank accounts following a six-month deployment in Iraq in 2005 as a contracting officer.

According to court documents, Fuller was deployed to Iraq from February 15, 2005, to September 27, 2005, where he served as a project purchasing officer for the Commander's Emergency Response Program (CERP) and was assigned to the 5th Civil Affairs Group, Camp Fallujah. In this capacity, Fuller 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.

Soon after returning from his deployment in Iraq, Fuller began making cash deposits with brand-new \$100 U.S. currency notes. Between October 2005 and April 2006, Fuller made 91 cash deposits, totaling more than \$440,000, into bank accounts with Bank of America, Chase Bank, and the Navy Federal Credit Union. Fuller made multiple cash deposits under \$10,000 into various bank accounts for the purpose of evading the reporting requirements under federal law.

This investigation was conducted jointly by SIGIR, Internal Revenue Service-Criminal Investigation, DCIS, and the Naval Criminal Investigative Service (NCIS).

U.S. Army Lieutenant Colonel Sentenced for Acts Affecting a Personal Financial Interest

On January 11, 2011, U.S. Army Reserves Lieutenant Colonel Bruce Gillette was sentenced in U.S. District Court, New York, New York, to one year probation, a \$2,000 fine, and 160 hours of

community service; and he is prohibited from possessing a firearm for the period of probation. The sentencing was the result of Gillette's guilty plea on October 6, 2010, to a one-count criminal information charging acts affecting a personal financial interest.

According to the court documents, on June 28, 2004, the CPA transferred power to a sovereign Interim Iraqi Government, which was responsible for holding an election for a 275-member Transitional National Assembly, with the help of the United Nations (UN). The election transpired on January 30, 2005. The Independent Electoral Commission of Iraq (IECI) was established in May 2004 and tasked with administering one of the largest electoral logistics operations, as more than 1 million tons of election materials—including ballots, polling kits, and voting screens—had to be delivered from various locations around the world to more than 20 warehouses throughout Iraq. To assist the IECI with the election, the UN established a logistics support operation to aid in coordinating the support, planning, and supervision of the delivery of electoral equipment.

To help Iraq prepare for both this election and future elections, including a planned constitutional referendum and political election, the United States obligated approximately \$130 million to provide non-security assistance to the IECI and other Iraqi entities. In addition, as part of the Multi-National Force-Iraq (MNF-I), the United States provided both security and logistical support to the Iraqi government in connection with the elections. This support included, among other things, transporting election materials to polling places and counting stations throughout Iraq.

In December 2004, the UN Office of Project Services (UNOPS) invited bids for a freight-forwarding contract and awarded the contract in January 2005 to a freight forwarder in New York. The contractor received in excess of \$40 million for successfully completing the terms of the UNOPS contract.

According to court documents, Gillette was on active duty in Iraq from August 2004 to August

2005 and was assigned as the Chief of the Election Cell for the MNF-I, Civil Military Operations Directorate. In that position, Gillette served as the MNF-I's liaison to the IECE, the Department of State, and Iraqi government entities. He also participated in the UN's decision to award the UNOPS contract. Gillette helped develop and implement the plan to move election materials from different parts of the world to Iraq, including among other things, coordination with the contractor. In March 2005, Gillette was awarded the Bronze Star Medal for his service in Iraq "while serving as the chief to [the] Election Cell," during which he "developed the strategy, and orchestrated the largest elections cargo move in history."

Gillette engaged in discussions and negotiations concerning prospective employment with the contractor at the same time that negotiations between UNOPS and the contractor were taking place through the time that the contract was awarded.

This investigation was conducted by CID-MPFU, FBI, DCIS, and SIGIR.

SIGPRO Update

The SIGIR Prosecutorial Initiative continues to make a substantive impact. 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. The SIGPRO attorneys are now firmly ensconced at DoJ with full dockets of criminal fraud matters emanating from the Iraq reconstruction context. They are currently leading or significantly

involved in approximately 40 prosecutorial matters and continue to play integral roles in the development and prosecution of 104 cases being worked by the SIGIR Investigations Directorate.

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. Between October 1 and December 31, 2010, the Army suspended 5 contractors based on allegations of fraud in Iraq and Kuwait. In addition, the Army proposed 4 contractors for debarment and finalized 11 debarments of individuals and companies during that period. To date, the Army has suspended 101 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait; and 136 individuals and companies have been proposed for debarment, resulting in 114 finalized debarments that range in duration from 9 months to 10 years. PFB is aggressively pursuing additional companies and individuals associated with fraud related to Army contracts in Iraq, Kuwait, and other locations in Southwest Asia, with additional suspension and debarment actions projected during 2011. 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). For a list of debarments, see Table 5.5. For a complete list of suspensions and debarments, see Appendix E ♦

TABLE 5.4
CONVICTIONS (AS COMPILED BY THE DEPARTMENT OF JUSTICE)

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Salvatore Pepe	Conspiracy to defraud	11/5/2010	Pending
Precy Pellettieri	Conspiracy to defraud	11/5/2010	Pending
Maj. Roderick Sanchez, USA	Bribery	10/27/2010	5 years in prison; 3 years supervised release; and \$15,000 fine
Maj. Richard Harrington, USMC	Receiving illegal gratuities	10/18/2010	Pending
Lt. Col. Bruce Gillette, USAR	Acts affecting a personal financial interest	10/6/2010	1 year probation; \$2,000 fine; 160 hours community service; and inability to possess a firearm
Mariam Steinbuch, former USMC staff sergeant	Bribery	10/5/2010	Pending
Ismael Salinas	Kickbacks	10/1/2010	Pending
Dorothy Ellis	Conspiracy	9/2/2010	Pending
Wajdi Birjas, former DoD contract employee	Bribery, money laundering	8/11/2010	Pending
Maj. Mark Fuller, USMC	Structuring financial transactions	8/4/2010	1 year and 1 day in prison; \$198,510 fine; and \$200 special assessment
Maj. Charles Sublett, USA	False statements	7/7/2010	21 months in prison; 2 years of supervised release; and ordered to forfeit \$107,900 and 17,120,000 in Iraqi dinar
Capt. Faustino Gonzales, USA	Receipt of a gratuity by a public official	6/24/2010	15 months in prison; 1 year supervised release; ordered to pay a fine of \$10,000; ordered restitution in the amount of \$25,500; and ordered a special assessment of \$100
MSGT Terrance Walton, USMC	Bribery, graft, failure to obey a direct order	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	42 months in prison; 3 years supervised release; and ordered to pay a fine of \$1,725 and to forfeit \$5,775
SFC Ryan Chase, USA	Illegal gratuities, money laundering, 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	Five years probation and ordered to pay \$31,000 in restitution
Capt. 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

Continued on the next page

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
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, and \$36,000 restitution
Nyree Pettaway	Conspiracy to obstruct justice	7/28/2009	12 months and 1 day in prison; 2 years of supervised release; and \$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	24 months in prison; 3 years supervised release; \$100,000 fine; and \$100 special assessment
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; and \$70,000 restitution
Benjamin R. Kafka	Misprision of a felony	5/18/2009	Pending
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 Greene \$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; and \$3.1 million restitution
Michael Carter, Project Engineer, Force Protection Industries	Violating the Anti-Kickback Act	1/25/2009	61 months in prison and 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; and \$245,000 restitution
Maj. Theresa Baker, USAR Contracting Officer	Conspiracy and bribery	12/22/2008	70 months in prison and \$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; and \$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; and \$100 special assessment

Continued on the next page

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
David Ramirez, contractor, Readiness Support Management, Inc.	Bulk currency smuggling and structuring transactions	10/9/2008	50 months in prison; 3 years supervised release; and \$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; and \$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; and \$366,640 restitution
Capt. Cedar Lanmon, USA	Accepting illegal gratuities	7/23/2008	1 year in prison and 1 year supervised release
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; and \$9.6 million restitution
Melissa Cockerham, Wife of Maj. John Cockerham	Conspiracy and money laundering	6/24/2008	41 months in prison; 3 years of supervised release; and \$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	24 months confinement; 2 years supervised release; and ordered to pay a \$600 assessment and forfeit \$108,000
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; and \$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; and \$200,504 restitution
Jesse D. Lane, Jr. USAR 223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months in prison and \$323,228 restitution
Steven Merkes, DoD Civilian, Operational Support Planner	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison and \$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 and \$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; and \$100 assessment

Continued on the next page

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Sgt. Carlos Lomeli Chavez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$28,107 restitution; and \$100 assessment
Sgt. Derryl Hollier, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$83,657.47 restitution; and \$100 assessment
Sgt. Luis Lopez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$66,865 restitution; and \$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 and 2 years supervised release
Gheevarghese Pappen, USACE civilian	Soliciting and accepting illegal gratuities	10/12/2006	2 years in prison; 1 year supervised release; and \$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; and \$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; and \$100 special assessment
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; and \$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; and \$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; and \$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; and \$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; and \$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; and \$200 assessment

Note: Does not include non-U.S. court results from joint SIGIR/foreign law enforcement investigations.

TABLE 5.5
DEBARMENT LIST

NAME	DEBARRED
Liberty Al-Ahlia General Trading and Contracting Company	12/13/2010
Bronze Al-Taqaos Al-Afjan	12/13/2010
International Quality Kitchens Ardiya	12/13/2010
John Napolian	12/13/2010
Joseph Sebastian	12/13/2010
N.K. Ismail	12/13/2010
Biju Thomas	12/13/2010
Combat General Trading Company	12/13/2010
Jank Singh	11/24/2010
Blue Marine Services	11/24/2010
Blue Marines General Trading, LLC	11/24/2010
Blue Marines	11/24/2010
Blue Marines Group	11/24/2010
BMS Logistics	11/24/2010
BMS Group	11/24/2010
BMS General Trading, LLC	11/24/2010
Christopher Murray	11/10/2010
Curtis Whiteford	10/22/2010
William Driver	10/22/2010
Allied Arms Company, Ltd.	9/28/2010
Allied Arms Company, W.L.L.	9/28/2010
Shahir Nabih Fawzi Audah	9/28/2010
Defense Consulting and Contracting Group, LLC	9/28/2010
Amwaj Al-Neel Company	9/22/2010
Baladi Company	9/22/2010
Desert Moon Company	9/22/2010
Ameer S. Fadheel	9/22/2010
Oday Abdul Kareem	9/22/2010
Maytham Jassim Mohammad	9/22/2010
Michael Dung Nguyen	8/19/2010
Michael Wheeler	7/28/2010
Austin Key	7/14/2010
Ashraf Mohammad Gamal	4/16/2010
Triple A United General Trading and Contracting	4/16/2010
Jeff Thompson	3/29/2010
John Cockerham	3/17/2010
Melissa Cockerham	3/17/2010

Continued next column

NAME	DEBARRED
Carolyn Blake	3/17/2010
Nyree Pettaway	3/17/2010
Robert Young	3/9/2010
Elbert Westley George III	1/21/2010
Roy Greene	1/21/2010
Ofelia Webb	1/21/2010
Patrick Faust	1/21/2010
Ali N. Jabak	9/30/2009
Liberty A. Jabak	9/30/2009
Liberty's Construction Company	9/30/2009
Tharwat Taresh	9/30/2009
Babwat Dourat Al-Arab	9/30/2009
Dourat Al-Arab	9/30/2009
Hussein Ali Yehia	9/30/2009
Amina Ali Issa	9/30/2009
Adel Ali Yehia	9/30/2009
Javid Yousef Dalvi	9/25/2009
Mohamed Abdel Latif Zahed	9/10/2009
Gerald Thomas Krage	9/4/2009
Andrew John Castro	9/4/2009
Airafidane, LLC	9/4/2009
Kevin Arthis Davis	8/20/2009
Jacqueline Fankhauser	8/7/2009
Debra M. Harrison, LTC, USAR	8/7/2009
Nazar Abd Alama	7/1/2009
San Juan Company	7/1/2009
Mississippi Company for the General Contract	7/1/2009
Lee Dynamics International	6/17/2009
Lee Defense Services Corporation	6/17/2009
George H. Lee	6/17/2009
Justin W. Lee	6/17/2009
Oai Lee	6/17/2009
Mark J. Anthony	6/17/2009
Levonda J. Selph	6/17/2009
Starcon Ltd., LLC	6/17/2009
Cedar J. Lanmon, CPT, USA	6/3/2009
D+J Trading Company	5/14/2009
Jesse D. Lane, Jr.	1/30/2009

Continued next column

NAME	DEBARRED
Jennifer Anjakos	1/30/2009
Carlos Lomeli Chavez	1/30/2009
Derryl Hollier	1/30/2009
Luis A. Lopez	1/30/2009
Mohammed Shabbir Kahn	10/10/2008
Kevin Andre Smoot	9/30/2008
Green Valley Company	9/17/2008, 5/18/2007
Triad United Technologies, LLC	9/17/2008
Dewa Europe	9/17/2008
Dewa Trading Establishment	9/17/2008
Al Ghannom and Nair General Trading Company	9/17/2008
Dewa Projects (Private), Ltd.	9/17/2008
Future AIM United	9/17/2008
First AIM Trading and Contracting	9/17/2008
Vasanthan Nair	9/17/2008
K. V. Gopal	9/17/2008
Falah Al-Ajmi	9/17/2008
Trans Orient General Trading	9/17/2008
Zenith Enterprises, Ltd.	9/17/2008
Peleti "Pete" Peleti, CWO, USA	6/15/2008
Al Sawari General Trading and Contracting Company	3/13/2008
John Allen Rivard, MAJ, USAR	1/14/2008
Samir Mahmoud	11/29/2007
Robert Grove	10/30/2007
Steven Merkes	9/27/2007

Continued next column

NAME	DEBARRED
Bruce D. Hopfengardner, LTC, USAR	9/20/2007
Robert J. Stein, Jr.	8/16/2007
Philip H. Bloom	8/8/2007
Global Business Group S.R.L.	8/8/2007
Stephen Lowell Seamans	7/27/2007
Gheevarghese Pappen	6/28/2007
Faheem Mousa Salam	6/28/2007
QAH Mechanical and Electrical Works	6/27/2007
Abdullah Hady Qussay	6/27/2007
Al Riyadh Laboratories and Electricity Co.	1/26/2007
Thomas Nelson Barnes	1/24/2007
Danube Engineering and General Contracting	12/28/2006
Alwan Faiq	12/28/2006
Christopher Joseph Cahill	11/9/2006
Ahmed Hassan Dayekh	9/26/2006
Diaa Ahmen Abdul Latif Salem	5/14/2009, 6/2/2006
Jasmine International Trading and Service Company	5/14/2009, 6/2/2006
Custer Battles	3/17/2006
Robert Wiesemann, CW2, USA	3/6/2006
Glenn Allen Powell	2/16/2006
Amro Al Khadra	1/12/2006
Dan Trading and Contracting	1/12/2006
Steven Ludwig	9/29/2005
DXB International	9/29/2005

SIGIR EVALUATIONS

SIGIR's Evaluations Directorate has implemented a multifaceted approach to evaluating the impact of programs that the U.S. government funded to support the stabilization and reconstruction of Iraq. SIGIR plans to evaluate a cross-section of the major U.S. programs initiated for this purpose. 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.

This quarter, SIGIR Evaluations continued its work, both in the U.S. and in Iraq, on its evaluation of the Commander's Emergency Response

Program in Iraq. SIGIR expects to report on this evaluation, announced in September 2010, in the near future.

This quarter, SIGIR Evaluations also issued its fourth evaluation announcement: "Review of Ministerial Capacity Building Efforts in Iraq." The objectives of this study are to determine the status of U.S. government-funded programs for building capacity in selected ministries of the Government of Iraq and to assess whether the programs have enhanced the capacity of the ministries to perform critical government functions. SIGIR expects to report on this evaluation by the end of April 2011. ♦

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. The SIGIR Hotline receives walk-in, telephone, mail, fax, and online contacts from people in Iraq, the United States, and throughout the world. Most cases are received through SIGIR's website and electronic mail. When a case received by the SIGIR Hotline is not related to a program or operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq, SIGIR refers that case to the appropriate entity.

Fourth Quarter Reporting

As of December 31, 2010, the SIGIR Hotline had initiated 831 cases. Of these cases, 765 have been closed, and 66 cases remain open. For a summary of these cases, see Table 5.6.

New Cases

During this reporting period, the SIGIR Hotline received 9 new complaints, bringing the cumulative total to 831 Hotline cases. The new complaints were classified in these categories:

- 7 involved contract fraud.
- 2 involved miscellaneous issues.

Of the 9 new Hotline complaints, 4 were received through the SIGIR website, 3 were received through electronic mail, 1 was received by telephone, and 1 was received through the U.S. Postal Service.

Closed Cases

During this quarter, SIGIR closed 9 Hotline cases:

- 4 were referred to other inspector general agencies.
- 3 were dismissed.
- 1 was closed by SIGIR Investigations.
- 1 was closed as an assist.

TABLE 5.6

SUMMARY OF SIGIR HOTLINE CASES, AS OF 12/31/2010

OPEN CASES				
Investigations				54
Audits				12
Total Open				66
CLOSED CASES	2ND QTR 2010	3RD QTR 2010	4TH QTR 2010	CUMULATIVE*
FOIA	0	0	0	4
OSC Review	0	0	0	2
Assists	0	0	1	47
Dismissed	2	2	3	136
Referred	7	15	4	360
Inspections	1	0	0	80
Investigations	0	0	1	119
Audits	1	0	0	17
Total Closed	11	17	9	765
Cumulative* Open & Closed				831

*Cumulative totals cover the period since the SIGIR Hotline began operations—from 3/24/2004 to 12/31/2010.

Referred Complaints

After a thorough review, SIGIR referred 4 complaints to outside agencies for proper resolution:

- 2 were sent to the Department of State Office of Inspector General.
- 1 was sent to the Department of Defense Office of Inspector General.
- 1 was sent to the Department of Justice Office of Inspector General. ♦

SIGIR WEBSITE

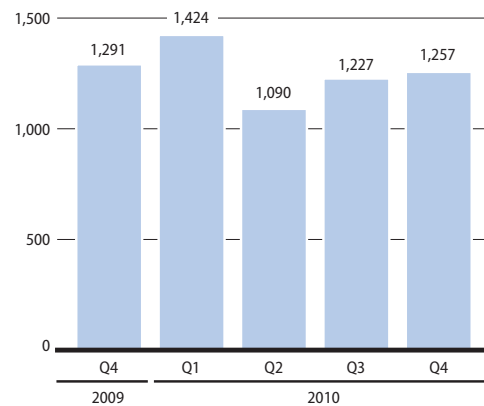
This quarter, the SIGIR website (www.sigir.mil) recorded these activities:

- More than 115,000 users visited the SIGIR website—more than 1,250 users per day.
- The Arabic language section of the site received more than 3,350 visits.
- The most frequently downloaded documents were SIGIR's most recent Quarterly Reports.
- More than 26,000 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 5.4. ♦

FIGURE 5.4

AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, BY QUARTER, 10/1/2009–12/31/2010



Source: DoD, IMCEN, response to SIGIR data call, 1/19/2011.

LEGISLATIVE UPDATE

Appropriations

Several laws were enacted this quarter that provided for “continuing,” for various periods in FY 2011, appropriations used to fund various reconstruction activities in Iraq, generally at levels contained in fiscal year 2010 appropriations. The most recent such law, the “Continuing Appropriations and Surface Transportation Extensions Act, 2011” (Public Law 111-322) generally provided such appropriations through March 4, 2011.

Ike Skelton National Defense Authorization Act for Fiscal Year 2011

During this quarter, Congress completed work on the Ike Skelton National Defense Authorization Act (NDAA) for Fiscal Year 2011, Public Law 111-383, which was signed by the President on January 7, 2011. The following provisions affect Iraq reconstruction programs or matters related to them.

CERP

Section 1212 extends and modifies the Commander’s Emergency Response Program (CERP).

Subsection (a) authorizes the obligation in fiscal year 2011 of up to \$100 million in operation and maintenance funds for CERP in Iraq.

Subsection (b) is a permanent provision that amends the existing reporting requirement to require that reports be submitted in a searchable electronic form that permits the sorting of the amount expended, the location of projects, the “type of project, or any other field of data that is included in the report.”

Subsection (c) is a permanent provision that funds may not be obligated or expended under the authorization provided for “to carry out any project if the total amount of funds made available for the purpose of carrying out the project, including any ancillary or related elements of the project, exceeds \$20,000,000.”

Subsection (d) redefines the CERP as the program that

(1) authorizes United States military commanders to carry out small-scale projects designed to meet urgent humanitarian relief requirements or urgent reconstruction requirements within their areas of responsibility; and

(2) provides an immediate and direct benefit to the people of Iraq or Afghanistan.

The change from the previous definition, among other things, removes any ambiguity about whether the word “urgent” modified both “humanitarian relief” and “reconstruction.” (The statute previously referred to “urgent humanitarian relief and reconstruction.”) The new definition also introduces the expression “small-scale” and clarifies that any benefit to the people of Afghanistan or Iraq must be “direct” in addition to being “immediate” (as had previously been provided). Finally, the definition omits a reference to the original CPA CERP program, which had been used to justify a range of activities no longer considered consistent with the Congress’ current views of CERP’s purpose.

ISFF

Section 1510 authorizes \$63.2 billion for operation and maintenance for the Army for fiscal year 2011. It also authorizes \$9.4 billion for operation and maintenance, defense-wide, and \$1.5 billion for the Iraqi Security Forces Fund (ISFF).

Section 1532 provides a series of new limitations on the use of the ISFF. It places the ISFF under the strictures of previous authorizations for the ISFF, such as section 1512 of the NDAA for FY 2008, as amended.

One new limitation on the ISFF is that if funds are made available for the purchase of any item or service, the funds may not cover more than 80 percent of the cost of the item or service. By way of exception, this rule does not apply (a) to items determined by the Secretary of Defense to be “an item

of significant military equipment” as defined by a cited provision of the Arms Export Control Act, or (b) to items on the United States Munitions List.

A second new limitation is that not more than \$1 billion may be obligated in fiscal year 2011 until the Secretary of Defense certifies to Congress that the Government of Iraq has demonstrated a commitment to each of the following:

- (A) To adequately build the logistics and maintenance capacity of the Iraqi security forces.
- (B) To develop the institutional capacity to manage such forces independently.
- (C) To develop a culture of sustainment for equipment provided by the United States or acquired with United States assistance.

The certification must include a description of the actions taken by the Iraqi government that the Secretary has determined support the certification.

The requirement that at least 5 days’ notice be given to Congress before funds may be obligated from the ISFF is changed to require 15 days’ notice.

Other Iraq-related Provisions

Title VIII—Acquisition Policy, Acquisition Management, and Related Matters

Section 835 amends section 863 of the NDAA for FY 2008 to modify the annual joint report and Comptroller General review on contracting in Iraq and Afghanistan. This provision requires a wide-ranging (that is, not reconstruction-specific) “joint report on contracts in Iraq or Afghanistan” from the Secretaries of State and Defense and the Administrator of USAID. The Comptroller General is to review the joint report and make a report on the review.

Title XII—Matters Relating to Foreign Nations

Section 1211 repeats past language providing that no funds appropriated pursuant to an authorization of appropriations in the Act may be obligated or expended (a) to establish any military base or installation for the purpose of providing for the permanent stationing of United States Armed

Forces in Iraq, or (b) to exercise United States control over Iraq’s oil resources.

Sections 1213, 1214, and 1218 extend and modify provisions originally contained in section 1233 and 1234 of the NDAA for FY 2008 relating to the reimbursement of certain coalition nations for support to U.S. military operations, to the transfer of defense articles and the provision of defense services to the military and security forces of Iraq and Afghanistan, and to the extension of logistical support for coalition forces supporting operations in Iraq and Afghanistan. Section 1234 requires the provision of a report on the implementation of coalition support authorities for Operation Iraqi Freedom and Operation Enduring Freedom.

Section 1233 modifies the Defense Secretary’s report on “responsible redeployment of United States Armed Forces from Iraq” including by requiring:

[a]n assessment of progress to transfer responsibility [of] programs, projects, and activities carried out in Iraq by the Department of Defense to other United States Government departments and agencies, international or nongovernmental entities, or the Government of Iraq [and] [a]n assessment of progress toward the goal of building the minimal essential capabilities of the Ministry of Defense and the Ministry of the Interior of Iraq, including ... the level of commitment, both financial and political, made by the Government of Iraq to develop such capabilities, including a discussion of resources used by the Government of Iraq to develop capabilities that the Secretary determines are not minimum essential capabilities for purposes of this paragraph.

The section also requires that the report be provided to the Secretary of State, who may include an appendix containing comments or additional information.

Section 1236 requires a report on the situation of certain Iraqis who have been affiliated with the United States, including the status of those who have applied for resettlement in the United States under certain provision of law. The Secretaries of Defense, State, and Homeland Security are required to develop a plan “to expedite the processing of those applications in the case of Iraqis at risk as the United States withdraws from Iraq.”

Title XV—Authorization of Additional Appropriations for Overseas Contingency Operations

Section 1533 applies the prohibition on the use of U.S. funds in section 1508(a) of Public Law 110-417 (the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009) to funds authorized to be appropriated by Title XV (most relevantly, ISFF and operation and maintenance funds for FY 2011). Section 1508(a) prohibited the use of funds “for the acquisition, conversion, rehabilitation, or installation of facilities in Iraq for the use of the Government of Iraq, political subdivisions of Iraq, or agencies, departments, or forces of the Government of Iraq or such political subdivisions.” (The prohibition does not apply to, among other things, amounts authorized to be appropriated for CERP.)

Section 1235, which generally requires reporting police training activities in or related to Afghanistan, also requires a broad (not Afghanistan-specific) report by the President on U.S. government police training and equipping programs outside the United States, including an assessment of “what changes, if any, are required to improve the capacity of the United States ... to meet ... requirements” for such training and equipping, an “evaluation of the appropriate role of United States Government departments and agencies in coordinating on and carrying out police training and equipping programs,” attention to the role of and oversight over contractors, and “recommendations for legislative modifications ... to existing authorities relating to police training and equipping.”

Congressional Appearances

Since the last Quarterly Report, the Inspector General appeared before a congressional committee on one occasion:

- November 18, 2010—**Senate Committee on Homeland Security and Governmental Affairs, Ad Hoc Subcommittee on Contracting Oversight—Hearing on “Oversight of Reconstruction Contracts in Afghanistan and the Role of the Special Inspector General.”** The Inspector General testified on the advantages of Special Inspectors General in the oversight of contingency operations. Responding to an inquiry in the Chairman’s letter of invitation, the Inspector General noted that it has been difficult for standing Inspectors General to free up and deploy the resources required to deal with contingency operations. It has also proven expensive and time-consuming to establish, staff, and deploy new Special Inspectors General for specific overseas contingencies. As an alternative, the Inspector General supported establishing a small, standing “Special Inspector General for Overseas Contingency Operations” (SIGOCO), which would have the task of preparing to quickly expand and deploy auditors, investigators, and other professionals in contingency situations. With its leadership chosen and procedures established in advance, effective oversight could be provided at the earliest possible moment, saving taxpayer money and helping to ensure more effective outcomes.

The complete prepared statements of SIGIR officials who have testified before the Congress can be found at www.sigir.mil/publications/testimony/index.html. ♦

OTHER AGENCY OVERSIGHT

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SECTION

6

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 have met quarterly to exchange details about current and planned audits, to identify opportunities for collaboration, and to minimize redundancies.

In light of the continuing scale-down of efforts in Iraq, the IIGC is transitioning its work under the umbrella of the Department of Defense Office of Inspector General (DoD OIG) Southwest Asia Joint Planning Group. As such, the quarterly IIGC meetings will no longer take place. SIGIR plans to continue close cooperation with the entire oversight community engaged in Iraq oversight and anticipates the creation of a sub-group within the Joint Planning Group that will ensure continued focus on the Iraq mission. In November 2010, the Joint Planning Group held its fifteenth meeting.

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 the following organizations:

- DoD OIG
- Department of State Office of Inspector General (DoS OIG)
- Government Accountability Office (GAO)
- U.S. Army Audit Agency (USAAA)
- U.S. Agency for International Development Office of Inspector General (USAID OIG)

For Defense Contract Audit Agency (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 2011. 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 Southwest Asia Joint Planning Group, 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. ♦

OTHER AGENCY AUDITS

This section updates the audits that IIGC member agencies reported to SIGIR:

- For recently completed oversight report activity, see Table 6.1.
- For ongoing oversight report activity of other U.S. agencies during this reporting period, see Table 6.2.
- For more information on other agency audits, including audit summaries, see Appendix F.
- For a complete historical list of audits and reviews on Iraq reconstruction by all entities, see Appendix G. ♦

TABLE 6.1

RECENTLY COMPLETED OVERSIGHT REPORTS OF OTHER U.S. AGENCIES, AS OF 12/31/2010

AGENCY	REPORT NUMBER	REPORT DATE	REPORT TITLE
DoD	D-2011-028	12/23/2010	Contract Oversight for the Broad Area Maritime Surveillance Contract Needs Improvement
DoD	D-2011-019	11/24/2010	Live Fire Testing of Light Tactical Wheeled Vehicles was Effective for the Portions Completed
DoD	SPO-2011-001	11/17/2010	Assessment of U.S. Government Efforts to Develop the Logistics Sustainment Capability of the Iraq Security Forces
DoD	D-2011-014	11/2/2010	Weaknesses in Awarding Fees for the Broad Area Maritime Surveillance Contract
GAO	GAO-11-124	12/2/2010	Displaced Iraqis: Integrated International Strategy Needed to Reintegrate Iraq's Internally Displaced and Returning Refugees
GAO	GAO-11-63	10/15/2010	DoD Should Improve Adherence to Its Guidance on Open Pit Burning and Solid Waste Management
GAO	GAO-11-1	10/1/2010	Iraq and Afghanistan: DoD, State, and USAID Face Continued Challenges in Tracking Contracts, Assistance Instruments, and Associated Personnel
USAAA	A-2011-0047-ALL	12/22/2010	Container Management in Iraq—Condition and Contents
USAAA	A-2011-0048-ALL	12/17/2010	Excalibur Accountability Gap
USAAA	A-2011-0030-ALL	12/1/2010	Management and Visibility of Government Property Provided to the Contractor Performing Base Support Operations in Kuwait
USAAA	A-2011-0020-ALL	11/16/2010	Commander's Emergency Response Program (CERP), U.S. Forces-Afghanistan (USFOR-A)
USAAA	A-2011-0010-ALL	11/16/2010	Fuel Farm Operations, Camp Buehring, Kuwait
USAID	E-267-11-002-S	12/12/2010	Review of USAID/Iraq's Contractors' Compliance With the Trafficking Victims Protection Reauthorization Act of 2008
USAID	E-267-11-001-S	11/29/2010	Survey of Incidents Reported by Private Security Contractors of USAID/Iraq's Contractors and Grantees
USAID	E-267-11-001-P	11/22/2010	Audit of USAID/Iraq's Payroll Payments to Foreign Service Nationals, Third Country Nationals, and U.S. Personal Services Contractors

OTHER AGENCY OVERSIGHT

TABLE 6.2

ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 12/31/2010

AGENCY	PROJECT NUMBER	DATE INITIATED	REPORT TITLE
DoD	D2011-D000JB-0098.000	12/8/2010	Contracting for Force Protection for U.S. Installations in Iraq
DoD	D2011-D000LF-0041.000	11/2/2010	Follow-up of Health Care Provided by Military Treatment Facilities to Contractors in Southwest Asia
DoD	D2011-D000CH-0032.000	10/19/2010	Contractor Logistics Support Contract for Stryker Vehicles with General Dynamics Land Systems
DoD	D2010-D000LD-0264.000	8/30/2010	Controls and Processes Pertaining to the Defense Logistics Agency's Procurement Automated Contract Evaluation System
DoD	D2010-D000AS-0266.000	8/9/2010	Army Warfighter Field Operations Customer Support Contract
DoD	D2009-DIPOE3-0260.000	8/5/2010	Evaluation of the DoD Combating Trafficking in Persons (CTIP) Program
DoD	D2010-D000JA-0241.000	7/21/2010	Special Operations Forces Plans for the Drawdown and Reset of Property in Iraq
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-D000JB-0158.000	2/17/2010	Contracting for U.S. Facilities in Iraq
DoD	D2010-D000AE-0139.000	1/29/2010	DoD Countermines and Improvised Explosive Device Defeat Systems Interrogation Arm
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-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	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—Part II
DoD	D2009-D005PO-0287.000	8/5/2009	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-D000AS-0266.000	7/31/2009	Contracts Supporting Base Operations in Kuwait
DoD	D2009-D000CH-0244.000	7/7/2009	International Oil Trading Company Contracts to Supply Fuel to U.S. Troops in Iraq
DoD	D2009-D005PO-0242.00	6/11/2009	Assessment of the Defense Hotline Allegations Concerning Traumatic Brain Injury Research Integrity in Iraq
DoD	D2009-D000AE-0210.000	4/28/2009	Marine Corps Fulfillment of Urgent Universal Need Statements for Laser Dazzlers
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-D000AS-0163.000	3/2/2009	Army and Navy Small Boats Maintenance Contracts
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	D2008-D000CD-0256.000	8/7/2008	DoD Body Armor Contracts
DoD	D2007-D000FL-0252.000	8/31/2007	Internal Controls and Data Reliability in the Deployable Disbursing System
DoS	11MERO3004	12/1/2010	Review of Embassy Baghdad's Operations and Maintenance Contract with PAE
DoS	10MERO3016	7/1/2010	Review of Embassy Baghdad Transition Planning—Phase II (DoD Downsizing)
GAO	351552	10/21/2010	Marine Corps Equipping Strategies to Reset Equipment Returning from Iraq and Afghanistan

Continued on next page

AGENCY	PROJECT NUMBER	DATE INITIATED	REPORT TITLE
GAO	351559	10/8/2010	Army's Strategies to Reset Non-Standard Equipment Returning from Iraq
GAO	351525	8/2/2010	DoD Task Force on Business
GAO	351514	6/14/2010	Army Advise and Assist Brigades
GAO	351476	4/1/2010	DoD Iraq Drawdown Planning
GAO	351431	1/7/2010	Army's Equipping Strategies to Reset Equipment Returning from Iraq
GAO	320734	11/1/2009	U.S. Strategy and Joint Campaign Plan for Iraq
GAO	351393	8/15/2009	DoD Medical Wartime Personnel Requirements
GAO	120931	7/1/2009	Close-out of Iraq Contracts
USAAA	A-2011-ALL-0135.000	1Q/FY 2011	Micro-Purchases of Field Ordering Officers—Afghanistan
USAAA	A-2011-ALL-0107.000	1Q/FY 2011	The U.S. Equipment Transfer to Iraq (USETTI) Program—Phase II
USAAA	A-2011-ALL-0098.000	1Q/FY 2011	Bulk Fuel Operations in Afghanistan
USAAA	A-2011-ALL-0087.001	1Q/FY 2011	Management Controls Over Payments for Overseas Contingency Operations Transportation—ARCENT
USAAA	A-2011-ALL-0087.000	1Q/FY 2011	Audit of Management Controls over Department of Defense Activity Address Codes (DODAAC), U.S. Army Central Command
USAAA	A-2010-ALL-0541.000	4Q/FY 2010	Bulk Fuel Operations in Iraq
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-0260.000	3Q/FY 2010	Followup Audit of 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	Followup Audit of Retrograde Operations – Class VII Equipment in Iraq
USAAA	A-2010-ALC-0125.003	3Q/FY 2010	Human Capital Issues—Current Plans (Reachback Capabilities)
USAAA	A-2010-ALL-0421.000	2Q/FY 2010	LOGCAP IV Contract Requirements Determination—Afghanistan
USAAA	A-2010-FFF-0372.000	2Q/FY 2010	Improvised Explosive Device Defeat (IED-D) Home Station Training
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-0103.000	2Q/FY 2010	Controls Over Vendor 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-2009-ALL-0593.000	4Q/FY 2009	Controls over Shipping Container Accountability and Visibility—Iraq
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-0118.000	2Q/FY 2009	Controls over Vendor Payments – Southwest Asia (Phase II)
USAAA	A-2009-ALC-0093.000	1Q/FY 2009	Logistics Civil Augmentation Program (LOGCAP) III, Contract Close-out
USAID	Not reported	4Q/FY 2010	Survey of USAID/Iraq's Prime Recipients Compliance with Audit Requirements for Its Sub-Recipients
USAID	Not reported	3Q/FY 2010	Audit of Audit of USAID/Iraq's Microfinance Activities Under its Provincial Economic Growth Program
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 Agribusiness Program

OTHER AGENCY INVESTIGATIONS

SIGIR regularly coordinates with other government agencies conducting investigations in Iraq. For statistics of investigative activities from other agencies, see Table 6.3. ♦

TABLE 6.3

STATUS OF INVESTIGATIVE ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 12/31/2010

AGENCY	INVESTIGATORS IN IRAQ	INVESTIGATORS IN KUWAIT	OPEN/ONGOING CASES*
U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit	3	2	114
Defense Criminal Investigative Service	6	1	178
DoS OIG	1	0	16
FBI	5	1	81
Naval Criminal Investigative Service	0	1	3
U.S. Air Force Office of Special Investigations	2	0	4
USAID	1	0	14
Total	18	5	410

* Numbers include pending cases worked with other agencies within the Joint Operations Center.

ENDNOTES AND ACRONYMS AND DEFINITIONS

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SOURCES AND NOTES FOR THE INSERT

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Notes

Data source: Data from the IRMS *Global Benchmark* report formed the basis of the great majority of charts, tables, descriptive statistics, and other quantitative analysis in this Insert. SIGIR chose to use the IRMS because it is the most complete data source available for the CERP, accounting for \$3.45 billion (94%) of the \$3.68 billion in CERP obligations reported by the U.S. Army Budget Office (ABO) and \$3.43 billion (96%) of the \$3.56 billion in CERP expenditures reported by ABO, as of September 30, 2010.

USF-I disagreed with SIGIR's conclusion that IRMS was the most complete data source available for the CERP. According to USF-I vetting comments on the Insert:

USF-I is unable to validate/verify the numbers used in the insert as it is data SIGIR pulled from IRMS before IRMS was shut down August 2010. The report implies the reporting covers all FY 2004–FY 2010 CERP projects. However, the IRMS data from August 2010 is incomplete and does not include the remainder of FY 2010 CERP data.

As an example, the draft report shows 35,000 in total projects; USF-I tracks 51,000 in total projects from FY 2004–FY 2010. The draft report also shows expenditures of \$3.4 billion while USF-I tracks \$3.7 billion in obligations and \$3.6 billion in disbursements. The breakouts by project categories and provinces do not match USF-I numbers either.

Both USF-I and ABO have previously provided SIGIR with data pulled from ODS/STANFINS and our quarterly CERP Trackers, which provide more accurate information regarding CERP expenditures than IRMS. Additionally, the data in IRMS is subjective to what the USDs input into the system and only contains supporting documentation to the project. ODS/STANFINS tracks all of the dollar amounts associated with an individual project, including partial payments, final disbursement date and the dates funds were obligated and/

or disbursed. USF-I feels this is more accurate than IRMS or CIDNE data.

USF-I's response to the data contained in draft insert is that it is not representative, is missing roughly 11K in projects, \$224 million in obligations and \$141 million in disbursements, and contains incomplete project category information and provincial breakouts.

SIGIR has long recognized and reported on the limitations of the IRMS. SIGIR agrees with USF-I that the IRMS is limited by the accuracy and completeness of what U.S. Divisions input into the system, and SIGIR acknowledges that the quarterly and total fiscal-year appropriation values for obligations and expenses as reported in the IRMS do not equal top-line values provided through ABO. The discrepancy is explained in detail in Section 2 of this Quarterly Report.

However, SIGIR disagrees with the assertion that the USF-I CERP Project Tracker is a better source of data. In any given fiscal year, the USF-I CERP Project Tracker only tracks data for the respective fiscal-year appropriation. Creating a complete data set would necessitate matching project details from the USF-I CERP Project Tracker with financial records provided by ABO. However, SIGIR has identified potentially unresolvable obstacles to creating a new database by this method. Without the ability to match the CERP Project Tracker to ABO financial data—and in so doing correct mistakes apparent in the CERP Project Tracker and accurately record project completion or cancellation—the CERP Project Tracker is not an adequate source of CERP data for SIGIR's analysis. As of September 30, 2010, the USF-I CERP Project Tracker accounted for \$3.89 billion (106%) of the \$3.68 billion in CERP obligations reported by ABO and \$1.59 billion (45%) of the \$3.56 billion in CERP expenditures reported by ABO. In other words, the USF-I CERP Project Tracker overstates obligations (presumably because some obligations were canceled after the end of the respective fiscal years) and understates expenditures (because not all projects were completed before the end of the respective fiscal years).

For details, see Section 2 of this Quarterly Report. In the absence of complete and accurate project reporting from USF-I, SIGIR believes that the IRMS remains the least problematic available source of CERP data.

Data processing: Data has not been audited, and numbers are affected by rounding. The IRMS was shut down on September 1, 2010, after which date no new data was inputted into the system. SIGIR pulled all CERP records from the IRMS *Global Benchmark* report on September 3, 2010, for use in this Insert; it is therefore the most complete data set available from the IRMS. SIGIR then took the following steps to prepare the data for use:

- SIGIR excluded all CERP funding sources that were not U.S. appropriations—specifically those identified as "Interim Iraq Government Funds" [sic] and "Iraqi Cmdr's Emrgcy Resp Prog" in the *Fund Type* field.
- SIGIR excluded all records that did not strictly belong to the CERP program—specifically those identified as "FY05 – CHRRP" and "FY06 – CHRRP" in the report's *Fund Type* field.
- SIGIR excluded all projects (238 in total, valued at \$42.7 million) that did not have a start date.

Each of these projects was listed as "planned" or "proposed" in the report's *Status* field.

Project start and completion dates: Project costs are treated as obligated as of the date indicated in the *Actual Start* field and expended as of the date indicated in the *Actual Completion* field. In most graphics and tables, SIGIR included all projects that were started (that is, obligated) even if they had not been completed by the September 1, 2010, cut-off date. Projects with no project completion dates were assumed to be ongoing for the purposes of analysis in the box-plot chart. The CERP data used did not include any canceled projects, so there is, by definition, no counting of obligations that were terminated prior to completion. In one record, SIGIR replaced the date provided in the *Actual Start* field with the date provided in the *Projected Start* field because the former fell two years before CERP funding was available and therefore was clearly incorrect.

Project categories: Not all of the project categories defined in the DoD's FMR were contained in the IRMS database. Specifically, "Temporary Contract Guards for Critical Infrastructure" and "Hero Payments" were not represented. Analysis of individual records shows that projects that should have been classified as "Temporary Contract Guards for Critical Infrastructure"—particularly those supporting the Sons of Iraq and Daughters of Iraq programs—were classified under the project category "Protective Measures." SIGIR did not attempt to identify which projects belong in the former category; projects of both types are reported in the Insert under the "Protective Measures" heading. It is not clear under what project category in the IRMS "Hero Payments" were recorded.

A total of 161 projects, valued at \$24.7 million, were not assigned a CERP project category in the IRMS database; manual review indicated that they were exclusively irrigation or canal projects, and SIGIR classified them under the "Agriculture" project category.

In four records, the IRMS database incorrectly listed an IRRF Benchmark Category in place of a CERP Project Category. Based on the project descriptions in those four records, SIGIR reclassified:

- "Roads & Bridges (82000)" as "Transportation"
- "Nationwide Hospital & Clinic Improvements (90000)" as "Health Care"
- "Public Buildings - Construction & Repair (81000)" as "Civic Infrastructure Repair"
- "Security & Law Enforcement (900000)" as "Protective Measures"

Districts and provinces: There were several inconsistencies and apparent mistakes in assigned districts and provinces for records in the IRMS database. Based on analysis of project descriptions and actual locations of districts in Iraq, SIGIR reclassified:

- "HAMZA" district in "AN NAJAF" province as "Hamza" district in "Qadissiya" province
- "KHANAQIN" district in "BAGHDAD" province as "Khanakin" district in "Diyala" province
- "BAGHDAD INTERNATIONAL AIRPORT" district in "BAGHDAD" province as "Karkh" district in "Baghdad" province
- "NAJAF" district in "NINAWA" province as "Sinjar" district in "Ninewa" province

ACRONYMS AND DEFINITIONS

This section contains all of the abbreviations and acronyms found in this Report.

ACRONYM	DEFINITION
ABO	Army Budget Office
ABOT	al-Basrah Oil Terminal
ACCO	Anti-Corruption Coordination Office (U.S. Embassy-Baghdad)
AFAA	Air Force Audit Agency
AQI	al-Qaeda in Iraq
AQM	Bureau of Administration's Office of Acquisition Management (DoS)
ARCENT	Army Central
Army	Department of the Army
ATF	Bureau of Alcohol, Tobacco, Firearms, and Explosives (DoJ)
BBG	Broadcasting Board of Governors
BIC	Basrah Investment Commission
BP	British Petroleum
BPA	blanket purchase agreement
BPD	barrels per day
BRU	Bank Reconciliation Unit
BSA	Board of Supreme Audit
BTA	Business Transformation Agency (Army)
CAG	community action group
CAP	Community Action Program
CBI	Central Bank of Iraq
CCC-I	Central Criminal Court of Iraq
CEFMS	Corps of Engineers Financial Management System
CENTCOM	U.S. Central Command
CERP	Commander's Emergency Response Program
CHF	Cooperative Housing Foundation
CID-MPFU	U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit

Continued next column

ACRONYM	DEFINITION
CIDNE	Combined Information Data Network Exchange
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CMC	CERP Management Cell
CMIR	currency or monetary instruments transaction report
CMM	Capability Maturity Model
CNPC	China National Petroleum Company
COFE	Committee of Financial Experts (Board of Supreme Audit)
COI	Commission of Integrity (previously known as Commission on Public Integrity)
COIN	counterinsurgency
CoM	Council of Ministers
COM	Chief of Mission
CoR	Council of Representatives (GOI)
COSIT	Central Organization for Statistics and Information Technology (GOI)
COSQC	Central Organization for Standardization and Quality Control (GOI)
CPA	Coalition Provisional Authority
CPA	Civilian Police Advisor
CPJ	Committee to Protect Journalists
CRS	Congressional Research Service (Library of Congress)
CSG	CERP Steering Committee
CSH	Child Survival and Health Programs Fund
CWG	CERP Working Group
DAD	Development Assistance Database (United Nations Development Program)
DBE	Department of Border Enforcement (GOI)
DCAA	Defense Contract Audit Agency
DCG-O	Deputy Commanding General for Operations
DCIS	Defense Criminal Investigative Service
DDR	Office of Disarmament, Demobilization, and Reintegration (GOI)
DDS	Deployable Disbursing System (DoD)

Continued next column

ACRONYM	DEFINITION
DFI	Development Fund for Iraq
DoD	Department of Defense
DoD OIG	Department of Defense Office of Inspector General
DoE	Department of Energy
DoJ	Department of Justice
DoL	Department of Labor
DoS	Department of State
DoS OIG	Department of State Office of Inspector General
DoT	Department of Transportation
DPA	Deferred Prosecution Agreement
DRL	Bureau of Democracy, Human Rights, and Labor (DoS)
DRN	Document Reference Number
EBO	Embassy Branch Office
ECA	Bureau of Educational and Cultural Affairs (DoS)
ECP	entry control point
EIA	Energy Information Administration (DoE)
EPC	engineering, procurement, and construction
ERMA	Emergency Refugee & Migration Assistance
ESF	Economic Support Fund
FAO	Food and Agriculture Organization (United Nations)
FBI	Federal Bureau of Investigation
FMF	Foreign Military Finance program
FMR	Financial Management Regulation (DoD)
FMS	Foreign Military Sales
FOB	forward operating base
FP	Federal Police (GOI)
FPS	Facilities Protection Service (GOI)
FY	fiscal year
GAD	Government Assistance Database
GAO	U.S. Government Accountability Office
GDP	gross domestic product
GE	General Electric

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ACRONYMS AND DEFINITIONS

ACRONYM	DEFINITION
GM	General Motors
GOI	Government of Iraq
GOR	grant officer representative
GRD	Gulf Region District (USACE)
HJC	Higher Judicial Council
H.R.	House Resolution
HQDA	Headquarters, Department of the Army
IA	Iraqi Army
IACA	International Anti-Corruption Academy
IAMB	International Advisory and Monitoring Board for Iraq
IAU	UN Inter-Agency Information and Analysis Unit
IBI	Iraq Business Initiative
ICAA	Iraq Civil Aviation Authority
ICAO	International Civil Aviation Organization
ICE	U.S. Immigration and Customs Enforcement
ICI	International Compact with Iraq (GOI and UN) - replaced with UNDAF in May 2010
ICITAP	International Criminal Investigative Training Assistance Program (DoJ)
ICOEE	Iraq Crude Oil Export Expansion Project
ICS	Iraqi Correctional Service
IDA	International Development Association (World Bank)
IDA	International Disaster Assistance (USAID humanitarian trust fund)
IDFA	International Disaster and Famine Assistance
IDMS	Iraq Development Management System
IDP	internally displaced person
IEA	International Energy Agency
IECI	Independent Election Commission of Iraq (later IHEC)
IED	improvised explosive device
IFCNR	Implementation and Follow-Up Committee for National Reconciliation (GOI)
IFF	Iraq Freedom Fund

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ACRONYM	DEFINITION
IFMIS	Iraq Financial Management Information System
IG	inspector general
IHEC	Independent High Electoral Commission
IHSES	<i>Iraq Household Socio-Economic Survey</i>
IIA	Iraq International Academy (ISFF)
IIGC	Iraq Inspectors General Council
IILHR	Institute for International Law and Human Rights
IMET	International Military Education and Training program
IMF	International Monetary Fund
INA	Iraqi National Alliance
INCLE	International Narcotics Control and Law Enforcement account (INL)
INL	Bureau of International Narcotics and Law Enforcement Affairs (DoS)
<i>Inma</i>	"Growth" in Arabic—Agribusiness Program (USAID)
IOCs	international oil companies
IOM	International Organization for Migration
IP	Iraqi Police
IPP	independent power producer
IRFFI	International Reconstruction Fund Facility for Iraq
IRI	International Republican Institute
IRMS	Iraq Reconstruction Management System
IRR	Iraqi Republic Railway Company
IRRF	Iraq Relief and Reconstruction Fund
IRS-CI	Internal Revenue Service-Criminal Investigation
ISCI	Islamic Supreme Council of Iraq
ISF	Iraqi Security Forces
ISFF	Iraq Security Forces Fund
ISOF	Iraqi Special Operations Force (also, Counter-Terrorism Force)
ISP	Infrastructure Security Program
ISPO	Iraq Strategic Partnership Office (replaces ITAO)

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ACRONYM	DEFINITION
ITAM	Iraq Training and Advisory Mission
ITAO	Iraq Transition Assistance Office
ITAO/ESD	Iraq Transition Assistance Office/Electric Services Division
JIATF	Joint Interagency Task Force
KA	Kurdistani Alliance
KAAOT	Khawr al-Amaya Oil Terminal
KDP	Kurdistan Democratic Party
KEC	Kuwait Energy Company
km	kilometer
Kogas	Korean Gas Corporation
KRG	Kurdistan Regional Government
kV	kilovolt
LAOTF	Law and Order Task Force
LBG	Louis Berger Group, Inc.
LGP	Local Governance Program (USAID)
LOGCAP	Logistics Civil Augmentation Program
LOJ	Letter of Justification
LOS	Letter of Sustainment
LPG	liquefied petroleum gas
LSA	Logistical Support Area
m3	cubic meter
MAAWS	<i>Money as a Weapon System</i> (USF-I)
MBPD	million barrels per day
MCD	Ministerial Capacity Development Program (formerly MCTD)
MCF	million cubic feet
MEC	Minimum Essential Capability
MEES	<i>Middle East Economic Survey</i>
MEPI	Middle East Partnership Initiative (DoS)
MFI	microfinance institution
MIST	Military Information Support Team (U.S. Embassy-Baghdad)
MMQA	Maturity Model Quarterly Assessment
MNC-I	Multi-National Corps-Iraq
MNF-I	Multi-National Force-Iraq
MOA	Memorandum of Agreement
MOD	Ministry of Defense

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ACRONYM	DEFINITION
MoDM	Ministry of Displacement and Migration
MOE	Ministry of Electricity
MOF	Ministry of Finance
MOH	Ministry of Health
MoHR	Ministry of Human Rights
MOI	Ministry of Interior
MOJ	Ministry of Justice
MoPDC	Ministry of Planning and Development Cooperation
MOT	Ministry of Transportation
MOU	Memorandum of Understanding
MRA	Migration and Refugee Assistance
MRAP	Mine Resistant Ambush Protected vehicle
MSC	major subordinate command
MTOE	Modified Table of Organization and Equipment
MW	megawatt
MWh	megawatt-hour
NACS	<i>Iraq's National Anti-Corruption Strategy for 2010–2014</i>
NADR	Nonproliferation, Anti-terrorism, Demining, and Related Programs
NCD	National Capacity Development Program (USAID) (also referred to as <i>Tatweer</i>)
NCHP	National Council for Higher Policies (GOI)
NCIS	Naval Criminal Investigative Service
NCSC	National Center for State Courts
NDAA	National Defense Authorization Act
NDI	National Democratic Institute
NDP	<i>Iraq's National Development Plan (2010–2014)</i>
NEA-I	Bureau of Near Eastern Affairs-Iraq (DoS)
NGO	non-governmental organization
NMC	National Media Center (GOI)
NPSB	National Police Sustainment Brigade complex (Baghdad)
NRRRF	Natural Resources Risk Remediation Fund

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ACRONYM	DEFINITION
O&M	Army Operation and Maintenance funds
O&M	operations and maintenance (general terms)
OASD	Office of the Assistant Secretary of Defense
OASD(LA)	Office of the Assistant Secretary of Defense (Legislative Affairs)
OASD(PA)	Office of the Assistant Secretary of Defense (Public Affairs)
OCHA	Office for the Coordination of Humanitarian Affairs (UN)
OFDA	Office of Foreign Disaster Assistance (USAID)
OGC	Office of the General Counsel (Army)
OHDACA	Overseas Humanitarian, Disaster and Civic Aid
OIF	Operation Iraqi Freedom
OMB	Office of Management and Budget
OP	Oil Police (GOI)
OPA	Office of Provincial Affairs (U.S. Embassy-Baghdad)
OPDAT	Office of Overseas Prosecutorial Development and Assistance Training (DoS)
OPIC	Overseas Private Investment Corporation
OSC-I	Office of Security Cooperation-Iraq
OSD	Office of the Secretary of Defense
OTA	Office of Technical Assistance (U.S. Department of the Treasury)
OUSD(AT&L)	Office of the Under Secretary of Defense (Acquisition, Technology and Logistics)
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)
OUSD(P)	Office of the Under Secretary of Defense (Policy)
OUSD(P&R)	Office of the Under Secretary of Defense (Personnel and Readiness)
P.L.	Public Law
PA	Pay Agent
PC	Provincial Council
PCO	Project and Contracting Office

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ACRONYM	DEFINITION
PDP	Police Development Program (INL)
PDS	Public Distribution System
PEZ	Pipeline Exclusion Zone
PFB	Procurement Fraud Branch (Army Legal Services Agency)
PII	personally identifiable information
PM	Prime Minister
PM	Bureau of Political-Military Affairs (DoS)
PR&C	purchase request and commitment
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
PUK	Patriotic Union of Kurdistan
PwC	PricewaterhouseCoopers
QRF	Quick Response Fund
RAC	Return Assistance Center (GOI)
RAISE PLUS	Rural and Agricultural Incomes with a Sustainable Environment (USAID)
RMT	Resource Management Tool
RoLC	Office of the Rule of Law Coordinator (U.S. Embassy-Baghdad)
ROO	al-Rumaila Operations Organization
RRT	Regional Reconstruction Team
RSO	Regional Security Office
RTI	Research Triangle Institute
SA	Security Agreement (U.S.-Iraq)
Sadrist	Independent Liberals Trend
SATs	Security Assistance Teams
SBA	Stand-By Arrangement (IMF)
SCIRI	Supreme Council for Islamic Revolution in Iraq
SDR	Stability Development Roadmap
SECDEF	U.S. Secretary of Defense
SFA	Strategic Framework Agreement

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ACRONYMS AND DEFINITIONS

ACRONYM	DEFINITION	ACRONYM	DEFINITION
S/GWI	Office of Global Women's Issues (DoS)	UNDP	UN Development Programme
SIGAR	Special Inspector General for Afghanistan Reconstruction	UNESCO	United Nations Educational, Scientific and Cultural Organization
SIGIR	Special Inspector General for Iraq Reconstruction	UNHCR	UN High Commissioner for Refugees
SIGPRO	SIGIR Prosecutorial Initiative	UNOPS	UN Office of Project Services
SIV	special immigrant visa	UNSC	United National Security Council
SME	Small- and Medium-Enterprise	UNSCR	United Nations Security Council Resolution
SOC	South Oil Company (Iraq)	USAAA	U.S. Army Audit Agency
SOE	state-owned enterprise	USACE	U.S. Army Corps of Engineers
SOI	Sons of Iraq	USAID	U.S. Agency for International Development
SoL	State of Law Coalition (headed by Nuri al-Maliki)	USAID OIG	U.S. Agency for International Development Office of Inspector General
SOMO	State Oil Marketing Organization	USD-C	United States Division-Central
SPM	single-point mooring	USD-N	United States Division-North
SPOT	Synchronized Predeployment and Operational Tracker	USD-S	United States Division-South
STANFINS	Army Standard Financial System	USF-I	U.S. Forces-Iraq
STT	Stability Transition Team	USF-I DCG-O	U.S. Forces-Iraq Deputy Commanding General for Operations
<i>Tatweer</i>	National Capacity Development Program (USAID)	USFOR-A	U.S. Forces-Afghanistan
TFBSO	Task Force for Business and Stability Operations (DoD)	USMC	U.S. Marine Corps
TGA	Total Government Allegiance	USRAP	U.S. Refugee Admissions Program
<i>Tijara</i>	Provincial Economic Growth Program (USAID)	USSOF	U.S. Special Operations Forces
TNA	Transitional National Assembly	USTDA	U.S. Trade and Development Association
Treasury	U.S. Department of Treasury	VCJCS	Vice-Chairman, Joint Chiefs of Staff
TWISS	Theater-wide Internal Security Services (DoD)	WG	working group
UK	United Kingdom	WTO	World Trade Organization
UN	United Nations	WTP	water treatment plant
UNAMI	UN Assistance Mission for Iraq		
UNCT	United Nations Country Team		
UNDAF	UN Development Assistance Framework for Iraq 2011–2014		

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