

**INFORMATION ON A SPECIAL
DEPARTMENT OF DEFENSE PROGRAM
TO FOSTER ECONOMIC RECOVERY IN
IRAQ**

**SIGIR-08-024
JULY 29, 2008**



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

July 29, 2008

MEMORANDUM FOR DEPUTY SECRETARY OF DEFENSE
DEPUTY UNDER SECRETARY OF DEFENSE FOR BUSINESS
TRANSFORMATION
U.S. AMBASSADOR TO IRAQ
AMBASSADOR AND SENIOR ADVISOR AND COORDINATOR
FOR IRAQ
COMMANDING GENERAL, MULTI-NATIONAL FORCE-IRAQ

SUBJECT: Information on a Special Department of Defense Program to Foster Economic Recovery in Iraq (Project No. 8029)

We are providing this audit report for your information and use. We performed this audit in accordance with our statutory responsibilities contained in Public Law 108-106, as amended. This law provides for independent and objective audits of policies designed to promote economy, efficiency, and effectiveness of programs and operations and to prevent and detect fraud, waste, and abuse. This report discusses the funding and major areas of economic development assistance of the Department of Defense Task Force to Improve Business and Stability Operations in Iraq. The Task Force is one of the U.S. economic assistance programs designed to stimulate the Iraqi economy. This review was conducted as SIGIR project 8029.

We appreciate the courtesies extended to the staff. For additional information on this report, please contact Mr. Glenn Furbish at 703-428-1058 or (glenn.furbish@sigir.mil).

A handwritten signature in black ink, reading "Stuart W. Bowen, Jr." with a period at the end.

Stuart W. Bowen, Jr.
Inspector General

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Information on a Special Department of Defense Program to Foster Economic Recovery in Iraq

SIGIR-08-024

July 29, 2008

Executive Summary

Introduction

Since 2004, SIGIR's mandate was largely tied to the sizeable Iraq Relief and Reconstruction Fund; therefore, SIGIR focused heavily on audits of Iraq reconstruction projects. But in recent years, the Congress has increased SIGIR's oversight authority over other funds that provide support to Iraq relief and reconstruction activities, such as the Economic Support Fund. To respond to this enlarged mandate, SIGIR has begun audits of these other areas, including U.S. economic assistance programs designed to stimulate the Iraqi economy.

This report provides information on the Department of Defense (DoD) Task Force to Improve Business and Stability Operations in Iraq (Task Force), and its efforts to support economic development and recovery in Iraq. Specifically, it provides information on the financial resources devoted to the Task Force, and the major areas of economic development assistance, along with examples of completed and planned projects. This is the first of several reviews planned by SIGIR to compare, contrast, and otherwise assess the various economic support initiatives in Iraq that are funded by the United States.

Results

Since the beginning of the war in 2003, Iraq's underemployment/unemployment rate has remained at approximately 60 %. DOD believes this is one factor fueling violence in the country. In June 2006, DOD established a Task Force in the Office of the Secretary of Defense to focus on efforts to stimulate economic development and employment in Iraq. In Fiscal Year (FY) 2007 and FY 2008, the Task Force has received about \$180 million in Global War on Terrorism (GWOT) and other related funding, and has requested over \$49 million in the FY 2009 budget to fund its activities. To date, the Task Force reportedly has provided about \$50 million for 53 projects to restart or revitalize 34 state-owned enterprises. State-owned enterprises are factories that played an important role in Iraq's pre-war economy, employing about 15 percent of the Iraqi population, according to DOD officials. The Government of Iraq (GOI) also has reportedly allocated \$400 million in 2008 for the rehabilitation of state-owned enterprises and has requested similar allocations for 2009 and 2010.

To stimulate economic development, the Task Force has focused on such efforts as restarting factories, use of U.S. government contracting, and private investments. Task Force officials told SIGIR that a specific allocation of funding between the key elements is difficult because funds are often placed against efforts that support more than one element. Some of the funding was used for administrative and support services, such as security, life support and travel. Task Force

officials also told SIGIR that is not possible to derive the precise dollar amount allocated to each of the Task Force’s elements. The Task Force’s economic development efforts and a rough estimate of the funds devoted to those areas, where available, are shown in table 1 below.

Table 1—Key Areas of Focus

Focus Area	Strategy	Estimated Funding Allocation
Industrial Capacity Restoration	Restart and restore production to idled Iraqi industrial base	\$52.6 million
Private Investment/ Privatization	Facilitate direct investment opportunities from institutions, private equity, and corporations	\$34 million
Communications Infrastructure	Incentivize the development of necessary wireless and wire-line communications infrastructure capable of supporting economic activity	\$17.5 million
Direct Economic Stimulus through DoD Contracts	Policies, processes, and systems to support the Joint Contracting Command-Iraq’s program to direct U.S. government contracts to private Iraqi business	\$13.5 million
Banking and Financial Networks	Incentivize the development of private sector financial services and associated infrastructure	\$6 million

Source: DoD Task Force to Improve Business and Stability Operations – Iraq

The Task Force estimates that their overall efforts, in partnership with other agencies, have created about 100,000 Iraqi jobs.

Management Comments

SIGIR makes no recommendations in this report. SIGIR is issuing this report to provide information on a current DoD effort to foster economic development in Iraq.

While SIGIR provided a draft of this report to affected agencies for review, no official management comments were provided.

Introduction

This report provides information on the Department of Defense (DoD) Task Force to Improve Business and Stability Operations in Iraq (Task Force), with emphasis on its efforts to support economic development and recovery in Iraq. For several years SIGIR has focused heavily on audits of Iraq reconstruction projects under SIGIR's then-existing oversight authority, which was then largely tied to the sizeable Iraq Relief and Reconstruction Fund. Over time, the Congress has provided SIGIR increased oversight authority over other funds that provide support to Iraq relief and reconstruction activities, such as the Economic Support Fund. SIGIR has begun audits of these other areas, including U.S. economic assistance programs designed to stimulate the Iraqi economy.

The Task Force is funded through DoD's Global War on Terrorism funding rather than the State Department's Economic Support Fund; which is the predominant fund used for U.S. funded economic assistance programs in Iraq. Given the unique nature of the Task Force's efforts, we believe it is useful to provide the Congress and others with initial information on this program. This is the first of several reviews planned by SIGIR to compare, contrast, and otherwise assess the various U.S. funded economic support initiatives in Iraq.

Background

The Task Force traces its origin to a tasking the Deputy Secretary of Defense gave to the Deputy Under Secretary of Defense for Business Transformation in June 2006, to lead an effort in accelerating reconstruction and stability operations in Iraq. DoD's Business Transformation Agency was also tasked to streamline and transform the DoD contracting process and systems in Iraq. The Deputy Secretary's June 22, 2006 memorandum establishing the Task Force stated that "Economic development and job creation in Iraq are critical success factors to build a stable country." The memorandum stressed the importance of quick action and noted that every contract that the DoD executes in Iraq for reconstruction or acquisition of goods and services is an opportunity to stimulate and direct economic activity into and among Iraqi businesses and thereby create jobs. The memorandum stipulated that, the Deputy Under Secretary—in leading the Task Force—would draw on the resources of the Business Transformation Agency.¹ DoD believes that the Task Force's efforts support U.S. security interests in Iraq by revitalizing the Iraqi economy and reducing the rampant unemployment/underemployment – a significant factor that had fueled insurgency activities.

Also pertinent is DoD Directive 3000.05, issued in November 2005 regarding military support for Stability, Security, Transition, and Reconstruction Operations, which was signed by the Deputy Secretary of Defense. This directive "established DoD policy and assigned responsibilities within the DoD for planning, training, and preparing to conduct and support stability operations pursuant to the authority vested in the Secretary of Defense,..." The directive stated that its authority derived from the Strategic Planning Guidance for Fiscal Years 2006-2011

¹ The Deputy Under Secretary oversees the Business Transformation Agency, which is accountable for delivery of common processes and systems supporting logistics, acquisition, finance, and personnel activity in DoD.

and Sections 113 and 153 of Title 10, U.S. Code. The policy states that stability operations are a core U.S. military mission, and that they are conducted to help establish order that advances U.S. interests and values. The immediate goal is to provide the local populace with security, restore essential services, and meet humanitarian needs. “The long-term goal is to help to develop indigenous capacity for securing essential services, a viable market economy, rule of law, democratic institutions and a robust civil society.”

The Task Force has offices in Arlington, Virginia (Pentagon) and in Baghdad, Iraq, staffed with DoD civilians, members of the U.S. military, and contractor employees. At the time of the review, the task force had 156 members, 26 DoD civilians, 11 military and 119 contractor employees. Contractors provide most of the Task Force’s technical support. Key partners to the Task Force are Computer Sciences Corporation; Grant Thornton; McKinsey and Company; American-Iraqi Solutions Group; and Science Applications International Corporation.

Objectives

The reporting objectives for this information report are to identify:

- the financial resources devoted to the Task Force
- the major areas of economic development assistance, along with examples of completed and planned projects.

Our future work will evaluate a number of issues such as the effectiveness of this and other economic assistance programs and coordination among U.S. economic assistance programs. For a discussion of the scope and methodology of this report, see Appendix A. For the Task Force’s enabling authority, see Appendix B. For the acronyms used in this report, see Appendix C. For a list of state-owned enterprises assisted by the Task Force, see appendix D. For the team members, see Appendix E.

Funding

Over the last 2 years the Task Force has received about \$180 million in funding. Table 1 below shows the status of funds appropriated and obligated by the Task Force in FY 2007 and FY 2008.

Table 1— Funding of the Task Force to Improve Business and Stability Operations – Iraq (dollars in millions)

Source of funds	FY 2007		FY 2008	
	Received	Obligated	Received	Obligated
Iraqi Freedom Funding ^a	\$50.00	\$37.9	\$0.00	\$12.1
Global War on Terrorism ^b	49.30	49.3	77.00	69.9
Emergency and Extraordinary Expense Funds ^c	0.00	0.00	3.00	0.00
Totals	\$99.30	\$87.2	\$80.0	\$82.0

Source: DoD Task Force to Improve Business and Stability Operations – Iraq

Notes:

^a The Iraqi Freedom Fund is a special account providing funds for additional expenses for ongoing military operations in Iraq, and those operations authorized by Public Law 107-40 (September 13, 2001), Authorization for Use of Military Force, and other operations and related activities in support of the Global War on Terrorism. IFF money was approved for transfer until September 2008; the Task Force reprogrammed \$12.1 million from FY 2007 to FY 2008.

^b Global War on Terrorism funds are funds appropriated after the terrorist attacks of September 11, 2001. Since 2001, Congress has provided the DoD with hundreds of billions of dollars in supplemental and annual appropriations for military operations in support of the Global War on Terrorism.

^c Emergency and Extraordinary Expense funds are funds authorized by DoD’s annual operation and maintenance appropriations.

The Task Force has requested over \$49 million for FY 2009. The funds are requested for the following purposes.

- \$19.8 million to complete an analysis of the state-owned enterprises.
- \$ 9.7 million to continue spending and requirements analyses to source goods and services from indigenous suppliers.
- \$ 4.8 million to continue the operations of Iraqi industry assessment teams embedded with U.S. military maneuver divisions throughout Iraq.
- \$ 4.5 million to provide contractor support for deployment of the electronic contracting device, and other contracting business systems efforts.
- \$ 4.1 million to support the Task Force’s Iraq based element of government personnel.

- \$ 3.6 million to sustain a team that develops supply chain relationships with various U.S. and International Industry groups and Iraq sources.
- \$ 3.3 million to support Joint Contracting Command-Iraq/Afghanistan (JCC-I/A)² in executing contracts supporting the Multi-National Force-Iraq³ on behalf of the Government of Iraq.

² The JCC-I/A was created by DoD to provide contracting services in support of relief and reconstruction efforts in Iraq and Afghanistan.

³ Before the transfer of power to the Iraqi Interim government in late June 2004, The U.S. Central Command's Baghdad-based Combined Joint Task Force 7—which had been responsible for executing security and military operations in Iraq—became a multinational coalition forces headquarters, Multi-National Force-Iraq.

Economic Development Assistance Efforts

Since the inception of the war in 2003, Iraq reportedly has had an approximate 60 % underemployment/unemployment rate. DoD believes this is one factor fueling insurgency in the country. Thus, the Task Force has focused on efforts aimed at stimulating economic development and employment and also supports the national security interests in Iraq. The Task Force estimates that its efforts, in partnership with other agencies, have created about 100,000 Iraqi jobs.

The Task Force's economic development efforts cover the areas shown in Table 2. Task Force officials told SIGIR that a specific allocation of funding between the key elements is difficult because funds are often placed against efforts that support more than one element. Some of the funding was used for administrative and support services, such as security, life support and travel. Task Force officials also told SIGIR that it is not possible to derive the precise dollar amount allocated to each of the Task Force's elements. That being said, a rough estimate of funds allocated to some of the efforts, where available, is shown in Table 2.

Table 2—Key Areas of Focus

Focus Area	Strategy	Estimated Funding Allocation
Industrial Capacity Restoration	Restart and restore production to idled Iraqi industrial base	\$52.6 million
Private Investment/Privatization	Facilitate direct investment opportunities from institutions, private equity, and corporations	\$34 million
Communications Infrastructure	Incentivize the development of necessary wireless and wire-line communications infrastructure capable of supporting economic activity	\$17.5 million
Direct Economic Stimulus through DoD Contracts	Policies, processes, and systems to support JCC-I/A to direct U.S. government contracts to private Iraqi business	\$13.5 million
Banking and Financial Networks	Incentivize the development of private sector financial services and associated infrastructure	\$6 million

Source: DoD Task Force to Improve Business and Stability Operations – Iraq

The status of each effort is described below.

Industrial Capacity Restoration

The restoration of industrial capacity is focused on the restart of the state-owned enterprises (factories) in Iraq. Before the war, state-owned enterprises employed about 15 % of the Iraqi

population, according to DOD officials. This workforce was largely idled as a result of the war and its aftermath. The Task Force has assessed the viability of 71 of the 200 or so state-owned enterprises based on economic vitality, difficulty of revitalization, and the time required for economic impact. Based on this assessment, the Task Force has provided about \$50 million to restart 34 factories, which they estimate will employ about 25,000 Iraqi's. The GOI also has reportedly allocated \$400 million in 2008 for the rehabilitation of state-owned enterprises and has requested similar allocations for 2009 and 2010.

According to DoD officials, the Task Force has restarted or significantly increased production in 34 state owned enterprises, as summarized in Table 3.

Table 3—State-Owned Enterprises Assisted by DoD Task Force

Sector	Number Assisted	Funding (in millions)
Textile	12	\$14.30
Engineering	9	12.60
Chemical	4	10.37
Food and Drug	3	4.60
Construction	2	2.44
Industrial	3	0.45
Other ^a	3	3.33
Total	36	\$48.09

Source: DoD Task Force to Improve Business and Stability Operations – Iraq

Note:

^a This includes 2 non-state-owned enterprises that provide support to state-owned enterprises.

An example of a project initiated by the Task Force is the State Company for Handmade Carpet in Baghdad. The Task Force provided \$750,000 to purchase production equipment, spares and repair parts, and raw materials to restart production. Task Force officials estimate that about 300 employees have returned to work. Another example is the State Company for Mechanical Industries. The Task Force provided \$5.4 million to procure equipment and initiate a supply chain for sustainment. The company has since begun assembling tractors, greenhouses, and irrigation equipment. Task Force officials estimate that about 1,000 people have returned to work at this facility. For a list of the state-owned enterprises being assisted by the Task Force, see appendix D.

In conducting our review, SIGIR visited two state-owned enterprises that received funding from the Task Force; a ceramics and glass factory in Ramadi and the Abu Ghraib Dairy in Baghdad. The ceramics and glass factory received \$935,000 to train 15 plant managers, purchase spare parts, and conduct some maintenance and repairs. At the Abu Ghraib Dairy, which produces powdered milk, the Task Force provided \$3.4 million to construct a 9,000 square foot production facility. DoD officials expect the new facility to open in November 2008 and employ about 600 Iraqi's.

Figure 1. Abu Ghraib Dairy Project, June 2008



Figure 2. Planned Abu Ghraib Dairy When Completed



Source: SIGIR photographs

The GOI plans to transfer some state-owned enterprises to the private sector to develop a mixed economy. The GOI has allocated \$400 million in 2008 for the rehabilitation of state-owned enterprises and has requested similar allocations for 2009 and 2010. The Ministry of Industry and Minerals (MIM) is also providing support to some of the Task Force's state owned enterprise initiatives. In the Ministry's proposed 2008 Capital Investment Plan, \$299 million (58 %) is allocated to 11 of the Task Force projects.

Private Investment/Privatization

The private investment strategy initially focused on bringing executives of U.S. and international companies to Iraq to discuss potential investment opportunities with Iraqi government and business officials. In January and March 2007, the Task Force hosted industrial development visits with American and International business executives, bringing over 50 senior business executives to Iraq to tour industry operations in Baghdad, Fallujah, Ramadi, Iskandariyah, Bayji, Baqubah, Irbil, and Basra. This has resulted in increased awareness of investment and supply relationship opportunities across the regions. The Task Force has sponsored economic development conferences in Amman, Dubai, and Kuwait City for Al Anbar, Kurdistan Regional Government, and Iraqi business leaders and GOI officials. According to DoD officials, some of these companies have transacted business and others have submitted proposals to the GOI that are under review.

In October 2007, the Task Force established a foreign direct investment team to facilitate engagement of foreign investors by identifying opportunities for new business in partnership with the GOI. According to DoD officials, initial interest is in construction and management of hotel, retail, and office space as seen in table 4.

Table 4—Foreign Direct Investment Priority Areas and Opportunities

Geographic Area	Initial Areas of Investor Interest
Baghdad – International Zone, Abu Nawas, Haifa Street	Hotels, office and retail construction and management, food services, food processing, construction services.
Baghdad Airport	Hotels, office and retail, convention services.
Iskandariyah	Industrial assembly and fabrication, maintenance.
Najaf	Hotels and tourism infrastructure and services.
Karbala	Hotels and tourism infrastructure and services, agribusiness.
Basra (including Airport)	Hotels, office and retail, professional services, petrochemical sector support services.
Kurdistan Region	Broad-based investment across industrial sectors underway. Vibrant market economy emerging.

Source: Military Review, March-April 2008, Restoring Hope: Economic Revitalization in Iraq Moves Forward, page 16.

The Task Force reports having facilitated a contract for the construction of a new hotel with retail space in the International Zone in Baghdad and another \$5.9 billion contract to purchase 40 Boeing and 10 Bombardier aircraft for Iraqi Airways.

The privatization effort is designed to help transition Iraq to a free market based economy that is linked to the global marketplace. The Task Force is supporting the Iraqi MIM efforts to solicit bids from private investors for joint ventures or direct investment in operational state-owned enterprises. In February 2007, the MIM issued a public solicitation for investors in 13 state-owned enterprises and another solicitation in May 2008 for more state-owned enterprises. The Task Force provided accountants and legal advisers to MIM to establish auditable financial

statements. On January 10, 2008, the GOI announced the first awards to three Iraqi-European financial consortiums for cement-manufacturing plants. The joint ventures average more than \$100 million each in foreign direct investment. Under each joint venture, operational management of each cement factory will be turned over to the respective investors group, and the GOI will retain ownership of the facility.

Communications Infrastructure

In collaboration with Multi-National Corps-Iraq,⁴ Defense Information Systems Agency, and the U.S. Embassy, the Task Force has several initiatives to help integrate Iraqi industry with the global economy. These initiatives include an analysis of the fiber-optic circuits from Baghdad to Kuwait, support for infrastructure improvements, and Geographical Information System support to architecture planning. The Task Force completed a report that reviewed current and future communications efforts in Iraq. According to Task Force officials, many communications planning elements and project managers supporting Operation Iraqi Freedom use the report as a reference. Further, the Task Force developed a Geospatial Information System tool that GOI and MNF-I will use for country-wide and city-wide infrastructure planning and urban renewal and design.

Direct Economic Stimulus Through DoD Contracts

Under this strategy, DoD purchases materials and services from Iraqi businesses that were previously imported into Iraq. In November 2006, the Task Force, in support of the JCC-I/A,⁵ implemented the Iraqi First Program, which mandates that DoD contracts in Iraq go to Iraqi businesses whenever possible. As of April 2008, more than 3,900 Iraqi-owned private businesses have registered with the Iraqi First Program and received more than \$1 billion in U.S. government contracts for construction, material goods, and professional services across a variety of sectors. The Task Force estimated that the Iraqi First Program has created more than 80,000 sustained Iraqi jobs. The Task Force is currently partnering with JCC-I/A to field systems for online contracting and bid management.

Banking and Financial Network

In collaboration with Department of Treasury, Department of State, and the U.S. Agency for International Development, the Task Force seeks to leverage DoD contracts with Iraqi firms to force transition to automated private banking. The Task Force works closely with the Central Bank of Iraq and is creating a consortium of private banks and international financial institutions to automate financial transactions. The Task Force developed direct and indirect methods that encourage the adoption of modern banking across Iraq.

⁴ Multi-National Corps-Iraq, is subordinate to MNF-I and is responsible for command and control of military operations in Iraq.

⁵ The JCC-I/A was created by DoD to provide contracting services in support of relief and reconstruction efforts in Iraq and Afghanistan. .

The Task Force has also helped Iraq work toward changing from a cash-based economy to more modern, electronic banking practices and also reports successes in this area. Over 80 % of payments for DoD contracts to private Iraqi businesses are now being executed electronically, up from less than 20 % in July 2007. This action has removed more than \$100 million in cash from the battlefield since October 2007. A private banking consortium has been established among ten private financial institutions with 150 bank branches distributed across Iraq with electronic funds transfer capability and associated links to international financial networks. A total of \$175,000 has been contributed to the consortium from the Iraqi banks.

Management Comments

SIGIR makes no recommendations in this report. SIGIR is issuing this report to provide information on a current DoD effort to foster economic development in Iraq.

While SIGIR provided a draft of this report to affected agencies for review, no official management comments were provided.

Appendix A—Scope and Methodology

The audit was performed under the authority of Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978, as amended. In June 2008, SIGIR initiated the audit (Project No. 8029) to provide information on DoD’s Task Force to Improve Business and Stability Operations in Iraq (Task Force). This report will provide Congress and the administration initial information on the task force. We obtained and reviewed copies of the Task Force program management documentation to include, funding appropriations, funding obligations and expenditures, initial enabling documents, task force members, a listing of projects, briefings, and Congressional testimony. In addition we obtained and reviewed databases of state owned enterprise projects and contracts awarded. To gain an overall knowledge of the Task Force projects and activities we attended briefings and interviewed personnel assigned to the Task Force. We also obtained and reviewed the relevant enabling authority documentation. In addition, we made site visits to two Task Force projects.

Use of Computer-Processed Data

We did not rely on computer-processed data in the preparation of this information report..

Internal Controls

This report provides initial information only and as a result we did not review internal controls. Internal controls will be addressed in future work in this area.

Prior Coverage

There has been no prior audit coverage of the Task Force to Improve Business and Stability Operations – Iraq. SIGIR’s prior reports on economic development in Iraq can be accessed on our website <http://www.sigir.mil>.

We performed our work in Arlington, Virginia and Baghdad, Iraq. We conducted this performance audit from June 5 through June 28, 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient information, appropriate evidence to provide a reasonable basis for our results based on our audit objectives. Based on those objectives, we believe that the evidence obtained provide a reasonable basis for our results.

Appendix B—Enabling Authority



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

June 22, 2006

MEMORANDUM FOR: DISTRIBUTION

Subject: Accelerating Reconstruction and Stability Operations in Iraq

With the recent completion of Cabinet appointments for the elected government of Iraq, there is now a short window of opportunity to accelerate stabilization and reconstruction operations. Economic development and job creation in Iraq are critical success factors to build a stable country. It is vitally important that this occur rapidly.

Fundamental to the Department's success to stimulate economic growth within Iraq is the contracting process and associated systems. Every contract, executed by the DoD in Iraq for reconstruction or acquisition of goods and services, is an opportunity to stimulate and direct economic activity into and among Iraqi businesses and thereby create jobs. To ensure that our contracted demand for goods and services is available as appropriate to Iraqi industry and US Government organizations assisting in provincial reconstruction, I am tasking the Business Transformation Agency (BTA) to streamline and transform the DoD contracting process and systems in Iraq.

Accordingly, I have tasked Paul Brinkley, the Deputy Under Secretary of Defense for Business Transformation, to lead the Task Force to Support Improved DoD Contracting and Stability Operations in Iraq ("the Task Force"), reporting to me and drawing on resources from within the BTA. The Task Force will evaluate DoD business enterprise processes and associated systems in Iraq affecting contracting, logistics, fund distribution and financial management, and will ensure alignment to theater commanders' goals for reconstruction and economic development. The Task Force will not be responsible for contracting, but will advise existing DoD contracting offices on improved contracting processes and associated systems solutions consistent with applicable statutory and regulatory requirements as a means to create economic opportunity.

Toward these ends, the Task Force will provide recommendations and implementation plans for the following specific areas for my final approval:

- a) The deployment of a common system and business process for (most) contingency contract management in Iraq.



- b) The establishment of appropriate contracting authority to meet the requirements of the Commander, United States Central Command.
- c) Policy, process, and as required, systems support to ensure effective and rapid command utilization of Commander's Emergency Response Program funds.
- d) Potential changes to the Federal Acquisition Regulations and DoD Federal Acquisition Regulations Supplement to address future contingency operations.
- e) Appropriate legislative strategies to address statutory issues impacting contingency contracting capability.
- f) Acceleration of contingency operations doctrine definition in the business mission area.

Kindly provide your full support to Paul Brinkley and his team and also to Tom Modly, the Deputy Under Secretary of Defense for Financial Management. Paul and Tom are both co-directors of BTA, and Paul's new assignment will place additional responsibilities on Tom.



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DIRECTOR, OPERATIONAL TEST AND EVALUATION
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ASSISTANTS TO THE SECRETARY OF DEFENSE
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DIRECTORS OF DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

Appendix C—Acronyms

Acronym	Description
DoD	Department of Defense
GOI	Government of Iraq
GWOT	Global War On Terrorism
IFF	Iraq Freedom Fund
JCC-I/A	Joint Contracting Command – Iraq/Afghanistan
MIM	Ministry for Industry and Minerals
MNF-I	Multi National Force-Iraq
SIGIR	Special Inspector General for Iraq Reconstruction

Appendix D—State-Owned Enterprises Assisted by the Task Force (dollars in millions)

State Owned Enterprise	Sector	Province	Funding Amount	Start Date	Estimated Completion Date
Abu Ghraib Dairy	Food and Drug	Baghdad	\$3.43	Jan 2008	Dec 2008
Al Faris State Company	Engineering	Baghdad	0.97	Sep 2007	Aug 2008
Al Furat Company	Chemical	Babil	1.50	Sep 2007	Oct 2008
Anna Ready to Wear	Textiles	Babil	0.27	Aug 2007	Oct 2008
Bajji Fertilzer	Chemical	Tikrit	6.60	Sep 2007	Jul 2008
Basrah Petrochem	Chemical	Basrah	0.25	Aug 2007	Sep 2008
Diyala Electric	Engineering	Diyala	1.55	Dec 2007	Oct 2008
Enterra ⁶	Non-SOE	n/a	0.98	Dec 2007	
Fallujah Cement	Construction	Al Anbar	1.50	Sep 2007	Feb 2009
FESTO ⁷	Non-SOE	n/a	1.95	Dec 2007	
General Systems Company	Industrial	Baghdad	0.15	May 2008	Nov 2008
State Company for Heavy Industrial Engineering	Engineering	Baghdad	1.46	Aug 2007	Dec 2008
KRG Carpet	Textiles	Kirkuk	0.05	May 2008	
Mosul Ready to Wear	Textiles	Ninewa	1.82	Aug 2007	Nov 2008
Najaf Ready to Wear	Textiles	Najaf	1.50	Sep 2007	Aug 2008
NASSR Company for Mechanical Industries	Engineering	Salah Ad Din	0.46	Sep 2007	Aug 2008
National Steel and Bicycle	Engineering	Najaf	0.13	Dec 2007	Aug 2008
State Company for Agricultural Supplies	Agriculture	Baghdad	0.40	Feb 2008	Sep 2008
State Company for Automotive Industries	Engineering	Babil	1.50	Sep 2007	Aug 2008
State Company for Cotton Industries (Khadamiya)	Textiles	Qadislyah	2.35	Oct 2007	Sep 2008
State Company for Design and Engineering Consultation	Industrial	Baghdad	0.15	May 2008	Nov 2008
State Company for Drug Nineveh	Food and Drug	Nineveh	1.00	Sep 2007	Sep 2008

Note: Not a state-owned-enterprise (SOE) but provides support to state-owned enterprises.

⁶ Call Center Support

⁷ Vocational Training Support

State Owned Enterprise	Sector	Province	Funding Amount	Start Date	Estimated Completion Date
State Company for Electrical Industries	Engineering	Baghdad	0.63	Aug 2007	Aug 2008
State Company for Furniture – Ninewa	Textiles	Ninewa	0.64	Sep 2007	Aug 2008
State Company for Furniture Industry	Textiles	Baghdad	0.57	Aug 2007	Sep 2008
State Company for Glass and Ceramics Ramadi	Construction	Al Anbar	0.94	Sep 2007	Aug 2008
State Company for Hand Made Carpets	Textiles	Baghdad	0.75	Aug 2007	Sep 2008
State Company for Industrial Design and Construction	Industrial	Baghdad	0.15	May 2008	Nov 2008
State Company for Leather Industries	Textiles	Baghdad	1.00	Aug 2007	Sep 2008
State Company for Mechanical Industries	Engineering	Babil	5.40	Sep 2007	Aug 2008
State Company for Rubber Industry	Chemical	Diwaniyah	2.02	Sep 2007	Jul 2009
State Company for Textile Industry – Wasit	Textiles	Wasit	1.35	Aug 2007	Sep 2008
State Company for Textile Industry-Hilla	Textiles	Babil	2.00	Sep 2007	Sep 2008
State Company for Woolen Industries	Textiles	Baghdad	2.00	Aug 2007	Sep 2008
State Company for Electronic Industries	Engineering	Baghdad	0.50		
Tikrit Flour	Food and Drug	Salah Ad Din	0.17	Aug 2007	Jul 2008
Total			\$48.09		

Source: DoD Task Force to Improve Business and Stability Operations – Iraq

Appendix E—Audit Team Members

This report was prepared, and the review conducted, under the direction of David R. Warren, Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction. The staff members who contributed to this report include:

Nancee K. Needham

Milton L. Naumann

SIGIR's Mission

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