Special Inspector General
for Iraq Reconstruction

Quarterly Report and
Semiannual Report to the
United States Congress

[January 30, 2012]

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

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)

December 12, 2011: President Barack Obama and Prime Minister Nuri al-Maliki shake hands
at a joint press conference in Washington, D.C., where they discussed the end of the U.S.
military mission in Iraq and the beginning of a new chapter in the relationship between the
two countries. (White House photo)

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MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

I am pleased to present this 32nd Quarterly Report to the U.S. Congress and the Secretaries of State and Defense.

After nearly nine years, the last U.S. troops departed Iraq in mid-December, leaving behind a young democracy that, while buoyed by increasing oil production, remains imperiled by roiling ethnosectarian tensions and their consequent security threats.

Several events this quarter strained Iraq's governance institutions:

- Tensions between Prime Minister Nuri al-Maliki's Shia-led State of Law coalition and its Sunni-backed coalition partner, al-Iraqiya, came to a head with the issuance of an arrest warrant for Vice President Tariq al-Hashemi and the call by the Prime Minister for a no-confidence vote against Deputy Prime Minister Salih al-Mutlaq. (al-Hashemi and al-Mutlaq are both Sunni Arab members of al-Iraqiya.)
- Several provinces, including the Sunni heartlands of Anbar and Salah Al-Din, pressed for greater autonomy from Baghdad by asking to seek region status, notwithstanding the Prime Minister's clearly stated contention that provincial and local governance institutions are currently too weak to assume the increased powers that would accompany such a change.
- Multiple attacks on members of the Iraqi judiciary killed at least two judges this quarter, and a December 22 car bombing killed 32 employees of the Commission of Integrity (COI), Iraq's main anticorruption agency.

The persistent problem of public corruption affects both governance and security in Iraq. This Quarterly Report's special feature, entitled "Focus on Corruption," provides an overview of the history and mission of Iraqi anticorruption institutions, discusses U.S. assistance to them, and details the largest known criminal fraud to have occurred in Iraq since 2003.

The U.S. Embassy in Baghdad continues to provide broad-based assistance to Iraq. Staffed by almost 14,000 personnel (the vast majority of whom are contractors), the Embassy's operations encompass far more than just traditional diplomacy and development activities. Ambassador James F. Jeffrey leads a mission that is fully responsible for all aspects of the U.S. assistance program, with special focus on supporting the Ministries of Interior (MOI) and Defense (MOD). To that end, the Embassy began implementing last October its largest single assistance effort, the Police Development Program, which supports the MOI chiefly in improving senior management practices. The program faces a number of challenges, including an uncertain security environment that limits the movement of its advisors and skepticism on the part of senior MOI officials about the program's ultimate utility.

Operating under Chief of Mission authority and led by a U.S. Army three-star general, the new Office of Security Cooperation-Iraq (OSC-I) manages continuing U.S. military assistance to Iraq. OSC-I advises the upper echelons of the MOD and administers the Foreign Military Sales program through which the GOI purchases U.S.-made military equipment.

Last November, during my 31st trip to Iraq, I met with President Jalal Talabani and briefed the GOI's High Committee on the Restoration of Iraqi Funds on SIGIR's oversight of the Development Fund for Iraq (DFI). SIGIR issued two more DFI audits this quarter—one finding that the Department of Defense could provide documents to support only about $1 billion of the approximately $3 billion in DFI funds it used for reconstruction work in 2004–2005, and the other confirming that $13.1 million in DFI funds were returned by the United States to the Central Bank of Iraq in March 2009.

The work of SIGIR's investigators yielded significant results this quarter, including:

- the indictment of the former president and CEO of Louis Berger Group, Inc., for allegedly defrauding the U.S. government in connection with hundreds of millions of dollars in overseas reconstruction contracts
- the sentencing of a former U.S. Army major to 12 years in prison for his participation in a conspiracy to defraud the U.S. government that has already led to the convictions of 16 other people
- the sentencing of a former Department of State employee to 33 months in prison for fraud and conspiracy

SIGIR investigators currently have 90 open cases and anticipate multiple indictments arising from these cases in the next few months.

On the lessons-learned front, SIGIR issued its sixth report since 2005, entitled *Iraq Reconstruction: Lessons in Inspections of U.S.-funded Stabilization and Reconstruction Projects* (available at www.sigir.mil). The study details best practices derived from the 170 inspections that SIGIR carried out on projects throughout Iraq. Seeking to apply the lessons of Iraq to the current U.S. approach to stabilization operations, Representative Russ Carnahan (D-MO) and five bipartisan cosponsors recently introduced **H.R. 3660,** ***The Contingency Operations Oversight and Interagency Enhancement Act of 2011***, which would establish the United States Office for Contingency Operations and assign it the duty to plan, manage, and execute future stabilization and reconstruction operations.

With many billions of dollars yet to be spent in Iraq, U.S. efforts to support the country's fledgling democracy remain substantial. I commend my staff, both here in the United States and in Baghdad, for their continuing commitment to carry out our difficult mission to oversee these funds through audits and investigations, and thereby protect the taxpayers' interests while promoting our country's national security.

Respectfully submitted,

Stuart W. Bowen, Jr.

SIGIR Summary of Performance
As of January 30, 2012

Audits	Cumulative	Last 12 Months
Reports Issued	206	24
Recommendations Issued	478	35
Potential Savings if Agencies Implement SIGIR Recommendations to:		
Put Funds to Better Use ($ Millions)	$973.62	$387.00
Disallow Costs SIGIR Questioned ($ Millions)	$635.83	$114.48

Evaluations		
Reports Issued		1
Recommendations Issued		4

Inspections[a]		
Project Assessments Issued	170	-
Limited On-site Assessments Issued	96	-
Aerial Assessments	910	39

Investigations		
Investigations Initiated	578	54
Investigations Closed or Referred	488	72
Open Investigations	90	90
Arrests	36	5
Indictments	70	16
Convictions	61	16
Monetary Results ($ Millions)	$175.2	$34.4

Hotline Contacts, as of December 31, 2011		
Email	410	12
Fax	18	0
Mail	30	1
Referrals	26	0
SIGIR Website	192	23
Telephone	83	4
Walk-in	112	0
Total Hotline Contacts	**871**	**40**

Other Products		
Congressional Testimony	35	3
Lessons Learned Reports Issued	6	1
Quarterly Reports	32	4

[a] The Inspections Directorate ceased conducting project assessments on April 30, 2010.

TABLE OF CONTENTS

Appendices

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

Appendix A cross-references the pages of this Report 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 Commander's Emergency Response Program (CERP), Economic Support Fund (ESF), Iraq Relief and Reconstruction Fund (IRRF), Iraq Security Forces Fund (ISFF), International Narcotics Control and Law Enforcement (INCLE) account, and international support for Iraq reconstruction.

Appendix C contains detailed information on the major U.S. reconstruction funds.

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

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

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

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

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

SIGIR
OBSERVATIONS

SECTION

1

IRAQ 2012: PORTENTS AND POSSIBILITIES

After nearly nine years, the U.S. military mission in Iraq came to an end on December 19, 2011, with the departure of the last U.S. Forces-Iraq (USF-I) personnel on December 19, 2011. The military's withdrawal completed a multiyear transition process that saw the Department of State (DoS) assume a plethora of new responsibilities. Today, DoS's expanded role in Iraq transcends the traditional boundaries of diplomacy and development assistance, forcing it to manage a sprawling mission of unprecedented size and unrivaled complexity amid a still-volatile security environment.

The Iraq the U.S. military left behind is an ethnically and religiously diverse democracy, with one of the world's fastest growing economies, fueled by a reemerging oil sector and fed by growing foreign investment. But serious problems persist. Just hours after the last U.S. troops crossed the Kuwaiti border, a new political crisis erupted when a criminal court in Baghdad issued an arrest warrant for Vice President Tariq al-Hashemi, a Sunni, in connection with his alleged involvement in political assassinations—charges that al-Hashemi quickly and publicly denied.

Prime Minister Nuri al-Maliki, a Shia, has demanded that al-Hashemi return from the Kurdistan Region (where he is currently sheltering) to face justice in a Baghdad courtroom, a proposal that the Vice President refused, asserting that any trial in Baghdad would be politically compromised. Almost at the same time as the al-Hashemi allegations, the Prime Minister sought to have one of his Deputy Prime Ministers, Salih al-Mutlaq, also a Sunni, removed by the Council of Representatives (CoR).[1]

These political eruptions portend what may be a very difficult year, as the Government of Iraq (GOI) faces an array of interconnected challenges, each of which potentially could undermine the country's stability:

- **Governance.** The Iraqi Constitution left ambiguous the precise contours of the relationship between the federal government and its constituent parts. Exacerbating this legal uncertainty is the lack of an accepted power-sharing *modus vivendi* based on mutual consent among the major political blocs. These issues surfaced this quarter when the Sunni provinces of Salah Al-Din and Anbar and the heterogeneous province of Diyala sought greater autonomy from Baghdad by seeking region status, just as the Shia province of Basrah has done in years past. Although the crisis has abated, the federalism questions inherent in apportioning power between Baghdad and the provinces remain unresolved.[2]

- **Security.** While the total number of Iraqis killed in 2011—2,645—is down about 1,000 from the preceding year, this quarter's mass-casualty attacks, many of which targeted Shia communities, stand as a stark reminder of the country's still dangerous security situation.[3] Despite recent indications suggesting that some insurgent groups, such as the Iranian-backed Shia militia Assaib Ahl al-Haq (or "League of the Righteous") may be laying down their arms to join the political

> Just hours after the last U.S. troops crossed the Kuwaiti border, a new political crisis erupted.

At Andrews Air Force Base on December 20, President Barack Obama greets General Lloyd Austin III, the last USF-I commander, upon his arrival from Iraq. (White House photo)

On December 2, USF-I returned Victory Base Complex, its former command center in Iraq, to the GOI. The base was located at al-Faw Palace, which had been built for Saddam Hussein and his family. (Aerial support provided by Embassy Air Operations)

U.S. RECONSTRUCTION PRESENCE, FUNDING, AND OVERSIGHT

U.S. Embassy-Baghdad

Ambassador James F. Jeffrey leads the U.S. mission in Iraq—the largest U.S. diplomatic post in the world—with a staff of almost 14,000 people (mostly contractors), including:[6]

- about 2,000 personnel charged with implementing the U.S. Agency for International Development (USAID) mission, of whom all but about 30 are contractors or grantees
- approximately 4,400 personnel performing tasks relating to the security-assistance mission of the new Office of Security Cooperation-Iraq (OSC-I)
- a planned 115 advisors and 593 management and support personnel for DoS's Police Development Program (PDP)

Several thousand security and life-support contractors working under Chief of Mission (COM) authority support these and other U.S. operations, but the precise number is difficult to determine because of discrepancies in reported data.

DoS Police Development Program

On January 10, 2012, Deputy Secretary of State Thomas Nides told the Inspector General that DoS would use about $500 million from FY 2012 appropriations to implement the PDP—$387 million less than the Administration's FY 2012 request.[7] The change in funding, which Secretary Nides deemed appropriate, followed an October 28, 2011, SIGIR audit that questioned the planning for the PDP.[8]

This quarter, the Ministry of Interior (MOI) noted it remains reluctant to make a long-term commitment to the PDP. In a mid-November meeting with the Inspector General, MOI Principal Deputy Minister Adnan al-Asadi stated that the MOI would "test" the PDP in 2012 and then

process, others, including al-Qaeda-affiliated Sunni groups, remain committed to using violence to achieve their goals. Striking a balance between reconciliation and accountability remains one of the GOI's most vexing challenges.

- **Economy.** The GOI appears to be on the verge of enacting a $100.1 billion budget for 2012, its largest ever. Iraq's economy still depends overwhelmingly on its hydrocarbon sector, and the GOI's nascent efforts at economic diversification remain paltry. High unemployment (estimated at 15%–30%) burdens the economy, with public-sector jobs often the only ones available. Further, the dominant role played by state spending increases the potential risk of inflation, a problem that Iraq has largely managed to avoid since 2003.[4]
- **Corruption.** As this Report's "Focus on Corruption" amply demonstrates, the problem of public corruption remains one of the GOI's foremost challenges. Iraq's anticorruption officials are still regularly targeted by insurgents. This quarter, at least 2 judges were assassinated and 32 anticorruption officials were killed, illustrating the lethal operating environment faced daily by Iraq's rule-of-law institutions.[5]

> Striking a balance between reconciliation and accountability remains one of the GOI's most vexing challenges.

decide whether to continue with the program. However, in mid-January, INL reported to SIGIR that al-Asadi had assured U.S. officials of MOI's support for the program.[9]

This quarter, the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) reported that the three PDP hubs in Baghdad, Basrah, and Erbil were mission capable and that the 91 PDP advisors on the ground had conducted more than 400 meetings with MOI officials. INL stated that it can provide personal security details to transport PDP advisors "as security conditions permit." While the security situation in Erbil is largely permissive, lethal attacks still occur with some frequency in Baghdad and Basrah, making it difficult for PDP advisors to visit MOI locations.[10]

Office of Security Cooperation-Iraq

OSC-I manages security cooperation efforts in support of the GOI, including military-to-military ties, the U.S. Foreign Military Sales (FMS) program, and funds made available through the Foreign Military Financing program. Operating out of 10 sites, OSC-I is currently staffed with 149 military and 7 civilian personnel. OSC-I is expected to support up to 763 Security Assistance Team members. Its mission is supported by several thousand contractors, providing a variety of services.[11]

This quarter, the Defense Security Cooperation Agency notified the Congress of a possible $2.3 billion FMS sale of 18 F-16 aircraft to Iraq. If consummated, this deal would eventually bring to 36 the number of F-16s in the Iraqi Air Force. As of December 31, 2011, the 196 ongoing Iraqi-funded FMS cases (not including the second tranche of F-16s) were valued at about $7.8 billion. In addition, there were an additional 225 "pseudo-FMS" cases funded through the Iraq Security Forces Fund (U.S. funds) valued at approximately $2.5 billion.[12]

OSC-I had planned to work in tandem with the North Atlantic Treaty Organization (NATO) Training Mission-Iraq (NTM-I). NTM-I's primary focus was to have been on professionalizing the Iraqi Security Forces (ISF). But negotiations

between NATO and the GOI to extend its mission broke down in December over the issue of legal protections for NTM-I personnel, causing NTM-I to withdraw from Iraq. To fill some of the gaps left by NTM-I's departure, OSC-I is working with the Ministry of Defense (MOD) on a variety of military-professionalization initiatives, including developing doctrine and improving the curriculum at its military schools. For more on OSC-I operations, see Section 3 of this Report.[13]

Reconstruction Funding

From FY 2003 through FY 2011, the United States had appropriated or otherwise made available $61.83 billion for Iraq reconstruction efforts, primarily through five major funds.[14] The Congress provided additional U.S. reconstruction funding in the Consolidated Appropriations Act, 2012 (P.L. 112-74), but the specific amount of FY 2012 funding for Iraq cannot yet be determined. For further details, see Section 2 of this Report.

SIGIR Oversight Challenges

On January 4, 2012, DoS declined to provide SIGIR with information on activities it conducted pursuant to the U.S.-Iraq Strategic Framework Agreement (SFA). This refusal came almost two years to the day after DoS responded to a similar query with 12 pages of information on SFA-related activities. With the withdrawal of the U.S. military from Iraq, the SFA is now the primary pact governing the ongoing U.S. assistance program. But despite the centrality of the SFA to U.S.-Iraqi ties, DoS stated that "activities under the SFA fall under the purview of numerous other [U.S. government] Inspector Generals [*sic*]. This does not fall under the purview of SIGIR's reconstruction mandate." As of mid-January, no other U.S. inspector general has publicly disclosed any plans to review SFA-related initiatives.[15]

DoS declined to provide SIGIR with information on DoS activities conducted pursuant to the U.S.-Iraq Strategic Framework Agreement.

GOVERNANCE

Stirrings of Regionalism

Iraq's Region Formation Law (Regions Law) provides that any province or group of provinces may choose to form a semi-autonomous federal region via popular referendum. But, before such a vote may occur, one-third of the Provincial Council members (or one-tenth of the voters) in the relevant provinces must submit a request to hold a referendum. If a simple majority of voters approves the measure in the referendum, a region is formed.[16]

This quarter, several provinces revived the issue of region formation, potentially further complicating their relations with Baghdad:

- **Salah Al-Din.** In late October, the Provincial Council issued a statement purporting to declare the overwhelmingly Sunni province to be an administrative and economic region. This move toward regionalism came as the GOI ordered the arrest of hundreds of prominent Sunnis in the

Prime Minister al-Maliki believes that Iraq's national structure is not ready for additional semi-autonomous federal regions
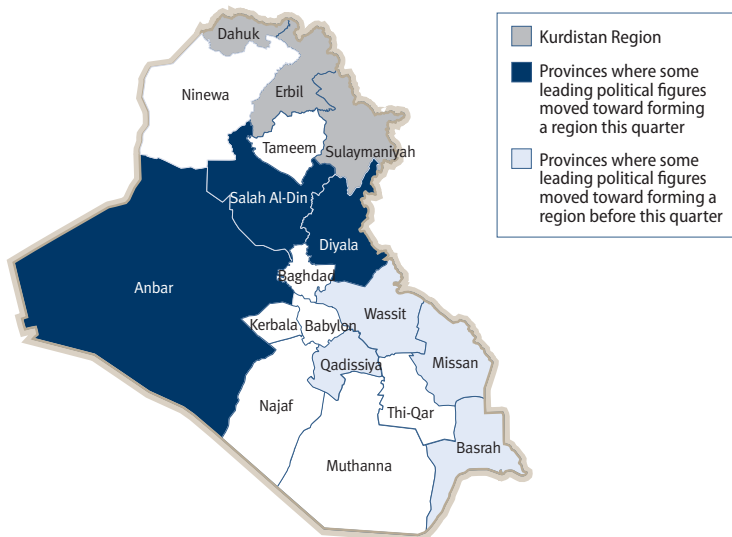
province, accusing them of ties to the outlawed Ba'ath Party.
- **Anbar.** In late November, a Provincial Council member announced that about half of the members had agreed to move toward transforming the province into a region.
- **Diyala.** In December, the Provincial Council voted to declare the province a region unilaterally, setting off demonstrations opposing such a step in many of the ethnically diverse province's Shia areas.

Prime Minister al-Maliki believes that Iraq's national structure is not ready for additional semi-autonomous federal regions. Instead, he has been exploring various options to devolve some powers to the provincial governments. Previous regionalism movements arose in the Shia south. For example, in 2008, officials in the oil-rich province of Basrah made a serious push toward establishing a region. Their efforts failed, and subsequent attempts to transform Basrah into a region have also foundered. By the end of the quarter, efforts toward forming regions in other provinces appeared to have stalled, at least for the moment.[17] Thus, as of mid-January, the Kurdistan Region (comprising Dahuk, Sulaymaniyah, and Erbil provinces) remains Iraq's only federal region. Figure 1.1 shows the provinces that have made at least some move toward obtaining region status.[18]

The GOI after the U.S. Withdrawal

The mid-December issuance of an arrest warrant for Vice President al-Hashemi came shortly after the Prime Minister had asked the CoR to vote to remove Deputy Prime Minister al-Mutlaq. The vote was not held because members of al-Iraqiya bloc walked out of the CoR protesting, among other things, the Prime Minister's opposition to regionalism movements in Salah Al-Din and Diyala. When the CoR reconvened in early January, al-Iraqiya continued its boycott. These events, occurring as they did against the backdrop of the mass arrests of several hundred alleged Ba'athists in October,

FIGURE 1.1
REGIONALISM IN IRAQ

Note: The map is not intended to indicate uniformity of opinion in any province. This quarter, some politicians in Ninewa and Thi-Qar also spoke in favor of obtaining greater autonomy from Baghdad.

Source: SIGIR analysis of open-source documents in Arabic and English, 2008–2012.

underscored the unresolved tensions between the Shia-led government and significant elements of Iraq's Sunni Arab minority.[19]

In an effort to resolve this crisis, President Jalal Talabani proposed a national conference that would bring together all the major blocs for negotiations. As of mid-January, preparations for this conference were proceeding. Figure 1.2 highlights statements made by the key players in this controversy.[20]

New Reports on Quality of Life in Iraq

On January 9, 2012, Gallup released a new poll on how Iraqis perceive their quality of life. Based on face-to-face interviews with 1,000 adults, Gallup found that the percentage of Iraqis who rate their lives poorly enough to be considered as "suffering" rose from 14% in October 2010 to 25% in September 2011.[21]

The results of a 2011 survey conducted for the GOI Ministry of Planning and Development Co-operation illustrate some of the reasons why many Iraqis perceive their quality of life as being low. The Iraq Knowledge Network (IKN) survey found widespread dissatisfaction with essential services, especially the provision of electric power. Of the more than 28,000 households surveyed, 35% of the respondents stated that improving the electricity situation should be the GOI's top priority—a higher number of responses than for any other service, including security (27%).[22] Section 4 presents these surveys' findings in greater detail.

Electricity

A reliable power supply is essential for sustainable economic growth in Iraq. This quarter's total electricity supply on the national grid averaged about 7,434 megawatts (MW). This represents a 17% increase from the same quarter in 2010.[23]

Iraq increased its reliance on power imported from Iran this quarter with the completion of a fourth transmission line connecting the two countries. Together, these four lines can provide about 17% of the power supply available on the national grid controlled by the Ministry of Electricity (MOE).

FIGURE 1.2

PROMINENT IRAQI POLITICAL LEADERS' COMMENTS ON ALLEGATIONS MADE AGAINST VICE PRESIDENT TARIQ AL-HASHEMI

President **Jalal Talabani** Party: Patriotic Union of Kurdistan	"It is true that Vice President Tariq al-Hashemi has been accused, but he hasn't been proven guilty yet, and as such, by definition of the law, he's still innocent."
Prime Minister **Nuri al-Maliki** Party: Dawa	"We don't want to escalate the situation, but at the same time, we won't show any leniency when it comes to the blood of our civilians."
3rd Deputy Prime Minister–Services **Salih al-Mutlaq** Party: Iraqi National Dialogue Front	"When flurries of accusations are hurled against the leaders of al-Iraqiya, especially in the case of Tariq al-Hashemi, and the results of the investigation were announced before the court trial was even completed, then it's clearly being politicized."
CoR Speaker **Osama al-Nujaifi** Party: al-Hadba	"I implore the parties involved in the political process to embrace the spirit of tolerance and harmony and to utilize the language of dialogue and understanding to help resolve all their disputes and conflicts."
Head of al-Iraqiya **Ayad Allawi** Party: Iraqi National Accord	"Producing many different confessions in such a manner is an alarming matter. It personally reminds me of what Saddam Hussein used to do, since he too used to accuse his political opponents of being conspirators and terrorists."
Head of the Islamic Supreme Council of Iraq (ISCI) **Ammar Al-Hakim** Party: ISCI	"We have to contain the current political crisis through constructive dialogue and a commitment to pledges and agreements away from public escalations in the media."

Coalition Affiliation:
Kurdistani Alliance   State of Law coalition   Al-Iraqiya bloc   Iraqi National Alliance

Sources: Iraq for All News, "Al-Hashemi Is Innocent and His Case Began while Maliki Was Away," 1/9/2012, http://iraq4allnews.dk/ShowNews.php?id=27990, accessed 1/23/2012; Radio Sawa, "Al-Maliki Denies Any Association with the Hashemi Case during an Interview with al-Hurah Station," 1/12/2012, http://www.radiosawa.com/arabic_news.aspx?id=8072602&cid=2, accessed 1/23/2012; GOI, CoR, press release, "The U.S. Vice President Calls the Speaker of the Council of Representatives Nujaifi To Discuss Recent Political Development in the Iraqi Field" 12/21/2011, http://parliament.iq, accessed 1/23/2012; Al-Ahram International North America Inc., "Ayad Allawi: al-Maliki Creates Evidence To Arrest al-Hashemi" 12/20/2011, http://gate.ahram.org, accessed 1/23/2012; Dar al-Hayat, "al-Hakim Establishes Five Rules To Get Out of the Crises and Maliki's Accord to a Government of Majority," 12/31/2011, http://international.daralhayat.com/internationalarticle/345240, accessed 1/23/2012.

A Baghdad traffic circle. (Aerial support provided by Embassy Air Operations)

Still, according to the IKN survey results, the average Iraqi household receives only 7.6 hours of power each day from the public grid (including the separate grid in the Kurdistan Region).[24] To address some of this shortfall, the MOE signed a number of contracts this quarter, including a deal valued at almost $1.2 billion with the China Machinery Engineering Corporation to build a 1,260 MW thermal power plant in Salah Al-Din province. The MOE also finalized a contract with South Korea's Hyundai Corporation to build an even larger combustion-turbine plant in Basrah province.[25]

SECURITY

USF-I's departure was the final step in a deliberate and gradual repositioning of forces that began with the signing of the U.S.-Iraq Security Agreement in November 2008. U.S. troops had not conducted regular patrols in Iraqi cities and towns since June 2009 and ended active combat operations in August 2010, turning over responsibilities to the ISF each step of the way. Thus, as Principal Deputy Minister of Interior al-Asadi noted in his November meeting with the Inspector General, the

ISF has been taking the lead in securing most of Iraq—albeit with support from USF-I—for more than two years.

GOI Security Ministries

This quarter, the operations of both the MOD and MOI continued to be run on an interim basis by officials appointed by Prime Minister al-Maliki. One of several unresolved issues left over from the March 2010 election, the lack of permanent ministers has lengthened the time it takes for the security ministries to make decisions on certain matters, especially those involving purchases of foreign-made systems. As of mid-January, Sa'adoun al-Dulaimi manages the MOD while Principal Deputy Minister al-Asadi oversees the MOI.[26]

MOD and MOI personnel continued to be targeted with disturbing regularity in 2011. For the year, about 40% of Iraqis killed were ISF members, including 609 Iraqi police personnel and 458 soldiers.[27]
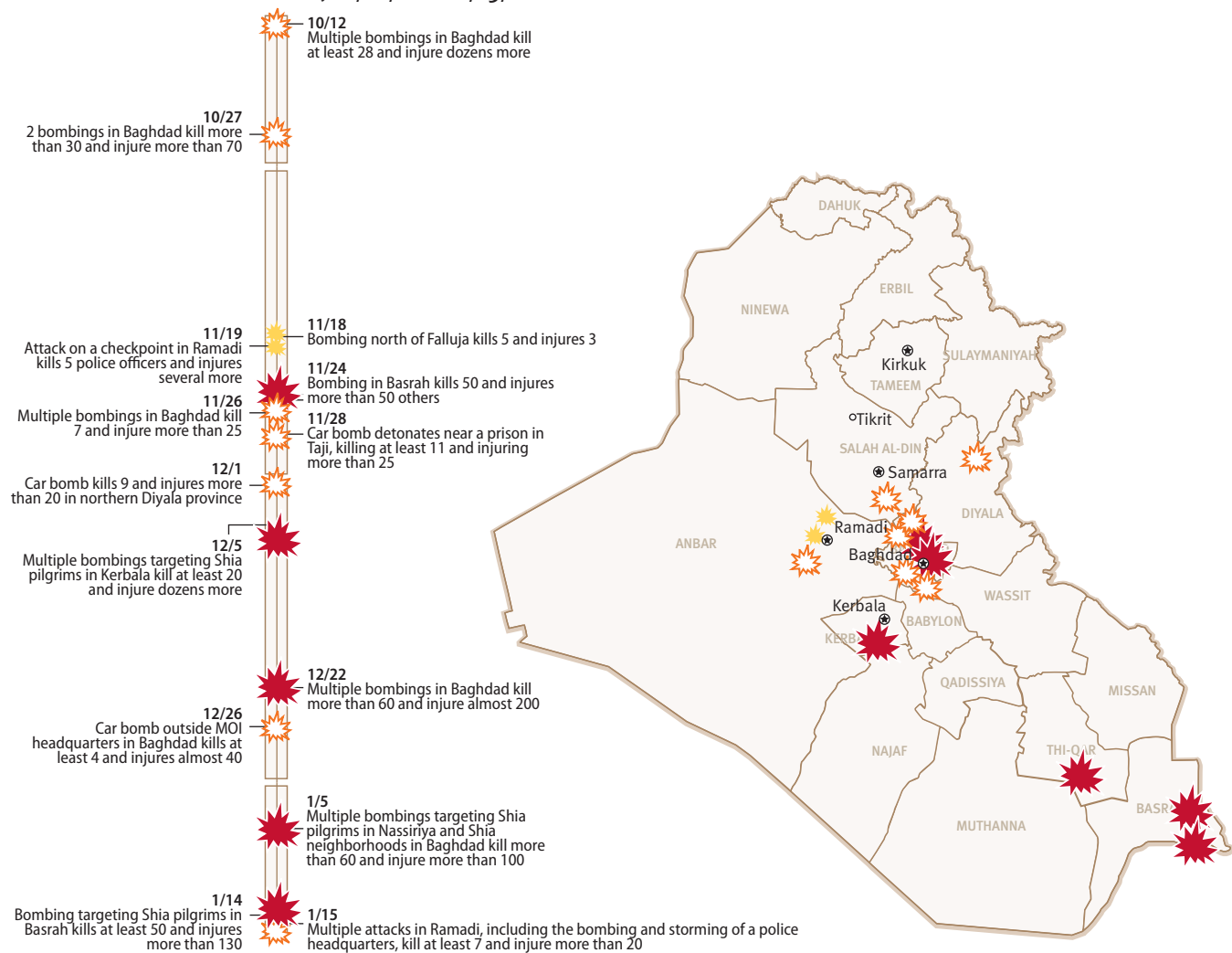
Major Security Incidents This Quarter

On December 22, 2011, and again on January 5, 2012, insurgents launched a series of mass-casualty attacks. The December 22 incidents killed more than 60 people and injured more than 200. The January 5 attacks targeted mostly Shia neighborhoods in Baghdad and Shia pilgrims traveling toward the holy city of Kerbala. The attacks killed at least 67 people and injured well more than 100. Shia pilgrims were again targeted on January 14, when a bombing in Basrah killed at least 50 people.

Iraqi Army personnel drive U.S.-built M1 Abrams tanks through the parade grounds near the Crossed Swords monument in the International Zone, January 2012. (GOI photo)

FIGURE 1.3
SIGNIFICANT SECURITY INCIDENTS, 10/12/2011–1/15/2012

10/12
Multiple bombings in Baghdad kill at least 28 and injure dozens more

10/27
2 bombings in Baghdad kill more than 30 and injure more than 70

11/18
Bombing north of Falluja kills 5 and injures 3

11/19
Attack on a checkpoint in Ramadi kills 5 police officers and injures several more

11/24
Bombing in Basrah kills 50 and injures more than 50 others

11/26
Multiple bombings in Baghdad kill 7 and injure more than 25

11/28
Car bomb detonates near a prison in Taji, killing at least 11 and injuring more than 25

12/1
Car bomb kills 9 and injures more than 20 in northern Diyala province

12/5
Multiple bombings targeting Shia pilgrims in Kerbala kill at least 20 and injure dozens more

12/22
Multiple bombings in Baghdad kill more than 60 and injure almost 200

12/26
Car bomb outside MOI headquarters in Baghdad kills at least 4 and injures almost 40

1/5
Multiple bombings targeting Shia pilgrims in Nassiriya and Shia neighborhoods in Baghdad kill more than 60 and injure more than 100

1/14
Bombing targeting Shia pilgrims in Basrah kills at least 50 and injures more than 130

1/15
Multiple attacks in Ramadi, including the bombing and storming of a police headquarters, kill at least 7 and injure more than 20

Note: All casualty data based on best-available information at time of publication.

Source: SIGIR analysis of open-source documents in Arabic and English, 10/2011–1/2012.

Figure 1.3 displays information on some of this quarter's major terrorist attacks.[28]

Assassinations

In late November, a bomb exploded near the CoR building inside the International Zone, killing one person and injuring at least two others, including a member of the CoR. (As of mid-January, the GOI investigation into the attack on the CoR had not been completed, but initial reports suggested that the bomb's target was either the Prime Minister or the CoR Speaker.) On December 1, the Minister of the Environment escaped unharmed when an improvised-explosive device (IED) detonated near the car in which he was traveling. In early January, Minister of Finance (and former Deputy Prime Minister) Rafi al-Eissawi escaped unharmed when an IED detonated near his convoy.

Overall, at least 23 senior GOI officials were assassinated between October 16, 2011, and January 14, 2012, down from about 40 killed from mid-July to mid-October 2011. For additional details on recent assassinations, see Section 4 of this Report.[29]

In early January, Minister of Finance Rafi al-Eissawi escaped unharmed when an IED detonated near his convoy.

President of Iraq on U.S. Reconstruction Legacy and the Future of Iraq

On November 15, 2011, the Inspector General met with Iraqi President Jalal Talabani at his residence in Baghdad to discuss the impact of the U.S. reconstruction program and the future of U.S.-Iraq relations. An enduring presence on the Iraqi political scene for more than 40 years, the 78-year-old Kurd has served as President of Iraq since he was elected to that post by the Iraqi National Assembly in April 2005. President Talabani has figured significantly in almost all aspects of Iraq's political affairs since 2003. In a wide-ranging discussion with the Inspector General, President Talabani discussed:[30]

- **Security.** The GOI's foremost priority in 2012 will continue to be domestic security. President Talabani said he expects insurgent groups—in particular, ex-Ba'athists—to test the ISF now that all U.S. troops have departed Iraq. He predicted that U.S.-trained ISF would weather these challenges, adding that the withdrawal of U.S. forces would, in some instances, encourage Iraqi soldiers to operate with fewer inhibitions against terrorists and anti-government forces.

- **National Development Plan.** The President expressed frustration with the slow implementation of Iraq's *National Development Plan (2010–2014)* (NDP). The $186 billion NDP, which was drafted with assistance from the United States and United Nations, outlines development priorities in various economic sectors, including agriculture, energy, and infrastructure. But, according to President Talabani, the GOI has made little progress in implementing it, and the need to move forward with these development objectives is second only to security in terms of national priorities. He stated that rapid progress in moving forward may be possible because Chinese, South Korean, Japanese, and Russian

firms have expressed serious interest in investing in NDP-related projects.

- **Legacy of U.S.-led intervention.** President Talabani discussed several positive effects of the U.S.-led assault that toppled the Ba'athist regime in 2003. These included the successful holding of multiple national elections, regarded by most observers as free and fair, and the introduction of many elements of a free-market economy. The President cited the multiplicity of parties that have participated in Iraq's post-2003 parliamentary elections as perhaps the best example of the strength of Iraqi democracy. He added that Iraq has provided inspiration for the regional uprisings commonly referred to as the "Arab Spring." He also praised the burgeoning free press that has arisen since 2003, noting there are now so many daily newspapers that he "only has time to read the headlines."

- **U.S. reconstruction program.** The President cited the failure to control widespread looting in Baghdad in the immediate aftermath of Saddam Hussein's fall as one of the major factors negatively affecting the perception of the U.S. reconstruction efforts that followed. President Talabani said that he had specifically warned very senior U.S. leaders during a secure video-teleconference shortly before the invasion that looting could be the most serious problem the United States would face in Iraq after Saddam was toppled. President Talabani also complained that U.S. officials often undertook projects without consulting local Iraqi leaders. According to President Talabani, this failure to coordinate U.S. reconstruction efforts with indigenous needs and capacities resulted in many failed projects.

- **Economic reform.** Although Iraq's economy has grown significantly since 2003, the President noted multiple areas where reform is still needed. He

The Inspector General meets with President Jalal Talabani, November 15, 2011.

advocated reducing the burdensome regulations that continue to stifle entrepreneurship in much of Iraq. He added that Iraq's public sector needs to be reduced in size, emphasizing that having at least 6 million state employees was costly and inefficient.

- **Disputed territories.** Describing the ongoing dispute among Kurds, Arabs, and Turkmen over control of Kirkuk as a "very difficult problem" that will "not be easy to solve," the President stated that only the passage of time will allow the parties to resolve their differences and achieve a solution. He said that the first step in the process should be reaching a national consensus on all provincial boundaries—not just the border between Tameem (Kirkuk) and the Kurdistan Region. He added that a census alone will not be sufficient to resolve these issues because of the former regime's efforts at "Arabizing" Kirkuk and its environs by evicting Turkmen and Kurds from their homes and resettling Arabs there. President Talabani de-emphasized the importance of oil to the Kirkuk problem, noting that the new discoveries in both northern and southern Iraq have made Kirkuk's oil less important to both the GOI and KRG. However, President Talabani acknowledged that the Arabs residing in Tameem know no other home and that their needs must be taken into account as negotiations for control of Kirkuk continue.

ECONOMY

In a joint press conference on December 12 with Prime Minister al-Maliki, President Barack Obama noted that "in the coming years, it's estimated that Iraq's economy will grow even faster than China's or India's." According to one preliminary report, foreign commercial activity in Iraq during 2011 surged to about $70 billion from just over $42 billion in 2010.[31] After years of hesitating because of concerns about the uncertain security situation, aging infrastructure, and complex bureaucracy, U.S. companies are gradually taking steps to enter this growing market, as evidenced by this quarter's Baghdad Trade Fair, which featured more than 80 U.S. participants—the largest number from any country.[32] The Iraqi economy remains dependent on its hydrocarbon sector, with crude oil exports accounting for more than 95% of its export earnings and 90% of government income in 2011.[33] Thus, at least for the near term, Iraq's economic development will be inextricably intertwined with both the exigencies of domestic Iraqi politics and the vicissitudes of the global oil market.

Oil Production and Export Levels

The Common Seawater Supply Project (CSSP), stepped up efforts to capture more natural gas, and the ongoing infrastructure improvements to port facilities are all crucial to increasing the amount of oil and gas Iraq can harness from the major southern fields. While oil production rose somewhat in 2011, the GOI missed its ambitious annual production target. For 2011, production averaged 2.54 million barrels per day (MBPD), 7% higher than in 2010, but 8% lower than the GOI's projection of 2.75 MBPD. This quarter, oil production averaged 2.51 MBPD, 2% lower than the previous quarter. Iraq's exports in October and November averaged 2.14 MBPD, about 2% less than last quarter's average.[34]

U.S. Ambassador James F. Jeffrey at the Baghdad Trade Fair, November 2011. (DoS photo)

ExxonMobil Deal with the KRG

International oil companies operating in Iraq's southern oil fields have long been reluctant to enter pacts with the Kurdistan Regional Government (KRG). Engendering this reluctance has been the GOI's oft-repeated threat to bar any company working in the Kurdistan Region from also working in the southern 15 provinces, home to several of the world's largest fields. The GOI's position is based on its reading of the Iraqi Constitution, which it maintains provides the central government with control over Iraq's hydrocarbon resources. Consequently, until this quarter, smaller foreign firms have predominated among the more than 40 oil companies working in the Kurdistan Region, as the major international oil giants—most with extant interests or future ambitions in the southern fields—have shied away.

All this changed in November when ExxonMobil announced that it had signed six production-sharing agreements with the KRG. Shortly thereafter, the Ministry of Oil banned ExxonMobil from participating in Iraq's upcoming fourth licensing auction for the rights to explore 12 new oil and gas blocks, which is currently scheduled for later this year. As of mid-January, it remained

U.S. companies are gradually taking steps to enter this growing market, as evidenced by this quarter's Baghdad Trade Fair, which featured more than 80 U.S. participants.

uncertain what effect the KRG-ExxonMobil agreements would have on the company's involvement in the planned multibillion-dollar CSSP, which would pump water into the southern fields to raise oil-recovery rates.[35]

FIGURE 1.4

MONTHLY OIL PRICE, GOI BUDGET, AND OIL PRICE ASSUMPTIONS, 2005–2012

Sources: "GOI Budget" (as approved by TNA and written into law December 2005); U.S. Treasury, responses to SIGIR data calls, 1/4/2008, 4/9/2009, 4/10/2009, 2/25/2010, 4/12/2011, and 1/10/2012; GOI, "Cabinet of Ministers," www.cabinet.iq, accessed 10/14/2009; GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2010," 1/27/2010, Article 2 and Annex Schedule B; GOI, Presidential Council, "Federal Public Budget Law for the Fiscal Year 2010," 2/10/2010; IMF, Report No. 10/72, "Iraq: Staff Report for the 2009 Article IV Consultation and Request for Stand-By Arrangement," 3/16/2010; GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2011," 2/23/2011; GOI, CoM, "Council Of Ministers Approved Draft Law of the GOI Federal Budget for 2012 Financial Year," 1/9/2012, Schedule C.

New single-point mooring facilities being installed off al-Faw Peninsula are expected to start increasing Iraq's crude oil export capacity in 2012. (Leighton Offshore photo)

GOI Budget for 2012

This quarter, the CoM approved a draft budget of $100.1 billion for 2012. The CoM's draft, which requires CoR approval to become law, calls for $31.8 billion in new capital spending (a 24% increase from 2011) and proposes $68.3 billion for operating expenses, including salaries and food subsidies (a 20% increase from 2011).[36]

Two crucial assumptions underpin the CoM draft: the price of oil remaining above $85 per barrel and exports averaging 2.625 MBPD, or almost a half million barrels per day above the average export level achieved for the first 11 months of 2011. Figure 1.4 shows the size of the GOI's budgets and the price of oil since 2005.[37] For more on the CoM 2012 draft budget, see Section 4.
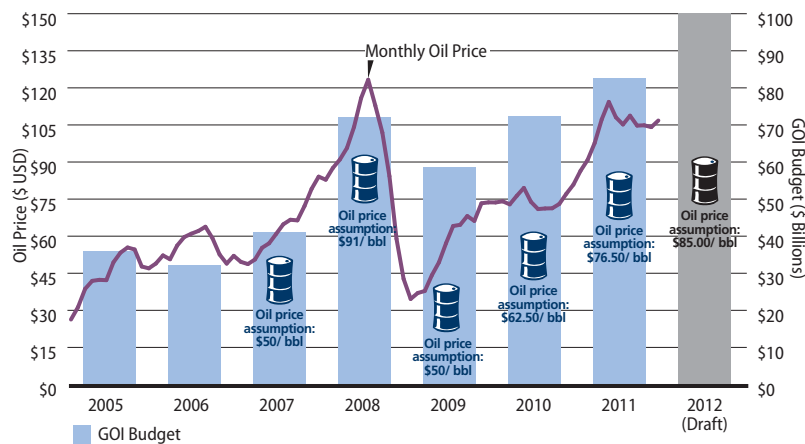
Iraq Releases Information about Oil Payments

The GOI released its first Extractive Industries Transparency Initiative (EITI) report on January 9, 2012. The EITI is an international coalition of countries that have pledged to adhere to a set of common standards governing the transparent use of wealth derived from the extraction and sale of natural resources, such as oil and gas. Iraq's EITI report disclosed detailed information about the $41 billion in revenue it received from oil and gas exports in 2009.[38]

CORRUPTION AND THE RULE OF LAW

It is difficult to quantify the effect of public corruption on both the quality of life within Iraq and the international perception of the country. But those perceptions, which affect investment, remain dim. This quarter, the World Bank released its "Doing Business 2012" survey, ranking Iraq 164 of 183 nations listed in the category "Ease of Doing Business"—four spots lower than Afghanistan.[39]

Attacks on Judges and Anticorruption Officials

Attacks on Higher Judicial Council (HJC) personnel increased this quarter. In mid-October, a judge working on terrorism cases in Ninewa province was assassinated, the first in a spate of attacks against HJC officials this quarter. During an eight-day period in mid-December, three more attacks targeted judges in Anbar, Baghdad, and Tameem provinces.

Meeting with the Inspector General shortly after the killing of the Ninewa judge, Chief Justice Medhat al-Mahmoud stated that upgrading judicial security would remain his top priority in 2012. Foreshadowing the circumstances of the December attacks—all three of which struck judges in their cars—Chief Justice Medhat noted that judges were especially vulnerable when traveling to and from their workplaces. He added that he was still trying to obtain weapon permits from the MOI for HJC personnel-security details, but expressed doubt that any progress on this issue was imminent.[40] The Inspector General raised this issue with Principal Deputy Minister al-Asadi, who now leads the MOI, and he promised to take action on the matter.[41]

In the largest attack on GOI anticorruption officials since the fall of Saddam Hussein, a car bomb detonated outside a Commission of Integrity (COI) office in eastern Baghdad on December 22, killing 32 COI personnel in the deadliest attack ever on Iraq's chief anticorruption agency.[42]

Commission of Integrity

On November 1, SIGIR met with the new COI acting Commissioner, Judge Alla'a Jwad Hameed. He informed SIGIR that he had frozen the COI's investigatory work while he conducted an internal review of its operations. As of early January, however, this freeze appeared to have come to at least a partial end, with COI personnel informing SIGIR that the new acting Commissioner had decided to go forward with investigations on a case-by-case basis.

Aftermath of attack on COI facility in Baghdad, December 22, 2011. (GOI photo)

Prime Minister al-Maliki appointed Judge Alla'a as acting Commissioner in September after his predecessor, Judge Raheem al-Ugaili resigned, citing interference with his work by senior GOI officials "with strong political connections [who had] become more powerful than even the law or Constitution."[43] For more on the myriad challenges facing GOI and U.S. anticorruption efforts, see the Insert to this Report and the "Focus on Corruption" feature in Section 4.

Status of the Repeal of Article 136(b) of the Iraqi Criminal Procedure Code

In April 2011, the CoR repealed Article 136(b), which had allowed ministers to shield their subordinates from legal action. Subsequently, the CoM appealed the measure that revoked Article 136(b) on the grounds that the bill originated in the CoR and not in the CoM. As of early January, the appeal was still pending before Iraq's highest constitutional court. If the appeal succeeds, Article 136(b) could, once again, be the law of the land.[44]

A car bomb detonated outside a COI office in eastern Baghdad on December 22, killing 32 COI personnel in the deadliest attack ever on Iraq's chief anticorruption agency.

SIGIR OVERSIGHT

SIGIR Operations in 2012

The Consolidated Appropriations Act, 2012, provides SIGIR with $19.5 million for FY 2012 to "sustain [its] current level of operations." SIGIR and the Office of Management and Budget had submitted a request that included a planned draw-down through December 2012, but the conference committee did "not support the proposed draw-down" and directed that "SIGIR should continue to exercise oversight over the assistance programs in Iraq, including the support costs associated with programs funded under the International Narcotics Control and Law Enforcement heading." The conference committee report also directed "the Secretary of State to cooperate with the Office of Inspector General for the Department of State and SIGIR, including requests from the SIGIR for information and documentation involving operations in support of foreign assistance programs."[45]

> SIGIR's fourth major DFI report found that DoD could provide documentation supporting only about $1 billion of the approximately $3 billion in DFI funds made available to it by the GOI.

Audits

Since 2004, SIGIR has issued 206 audit reports, 5 of which were issued this quarter:

- **DoD oversight of the DFI.** SIGIR's fourth major Development Fund for Iraq (DFI) report found that DoD could provide documentation supporting only about $1 billion of the approximately $3 billion in DFI funds made available to it by the GOI for making payments on contracts the Coalition Provisional Authority (CPA) awarded prior to its dissolution.
- **DFI funds returned to the Central Bank of Iraq.** This report addressed a letter from

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The Inspector General Briefs GOI Officials on SIGIR Oversight of the DFI

On November 14, 2011, the Inspector General briefed the GOI's High Committee on the Restoration of Iraqi Funds on SIGIR's oversight of the DFI. Iraq's oil revenues have been deposited in the DFI since its creation by the United Nations in May 2003. Formed in 2011, the High Committee is chaired by Deputy Prime Minister for Economic Affairs Rowsch Shaways and includes representatives from the Office of the Prime Minister, the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of Justice, and the CBI, among others. Its mission is to obtain a complete accounting for all Iraqi funds deposited in DFI accounts at the FRBNY. The High Committee also seeks to restore to the GOI any unspent DFI funds still under U.S. control.[46]

In response to the High Committee's questions, the Inspector General stated that the CPA controlled about $20.7 billion in DFI funds, most of which was provided to the interim Iraqi ministries for salaries, pensions, and operating costs or used to finance reconstruction projects. He added that, of this $20.7 billion in DFI funds, $10.2 billion was flown to Baghdad, and $5.8 billion was expended by electronic funds transfers from FRBNY.[47]
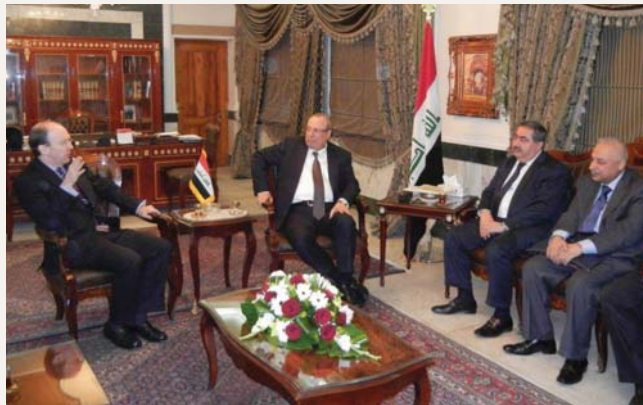
The Inspector General meets with members of the High Committee on the Restoration of Iraqi Funds, November 14, 2011.

The Inspector General briefed the High Committee on SIGIR's third major DFI audit, published in October 2011, which accounted for almost all of the $6.6 billion that the CPA controlled when it dissolved on June 28, 2004. Contrary to some media reports, the Inspector General told the High Committee that this money was neither lost nor stolen. Later this year, the Inspector General will confer with members of the High Committee to discuss the results of two more DFI audits, one of which was released this quarter.[48]

Prime Minister al-Maliki that stated the GOI could not locate records supporting a previous SIGIR report that $13.1 million from the DFI was returned to the Central Bank of Iraq (CBI) in March 2009. SIGIR determined that the funds in question were transferred to a Federal Reserve Bank of New York (FRBNY) account under the control of the GOI on March 3, 2009. The documents supporting this transfer included an instruction sheet that the FRBNY stated it received from a GOI Ministry of Finance official detailing the process for returning the funds to the ministry. In addition, SIGIR found a wire transfer form showing that the U.S. Army Corps of Engineers (USACE) followed this procedure and transferred the funds to the CBI-DFI account at the FRBNY. In a January 12 meeting with Prime Minister al-Maliki that was conducted after the conclusion of all audit work, SIGIR was informed that, following its investigation into the matter, the CBI had located the deposit and confirmed that the $13.1 million had been deposited in the proper account.

- **Status of SIGIR audit recommendations to DoD.** In 2011, SIGIR published audits on actions taken by USAID and DoS in response to SIGIR audit recommendations. The purpose of this audit, the third in the series, was to determine whether DoD addressed the 37 remaining open recommendations made primarily to the Secretary of Defense and other senior DoD officials. Based on information provided to it by DoD and data contained in other SIGIR audits, SIGIR closed 32 recommendations and will continue to track the remaining 5. DoD has a tracking system in place, and the DoD Inspector General will track all open and future SIGIR recommendations to DoD.

- **Contracts terminated by the U.S. Army Corps of Engineers.** This report examined the 55 contracts USACE terminated from June 2008 through April 2011 to determine if these terminations resulted in wasted funds. SIGIR could not determine if there was waste in 22 of the 55

terminations because of either missing or incomplete contract files. Out of the remaining 33 terminated contracts, SIGIR determined that 10 resulted in waste of approximately $3.8 million and 8 had waste in amounts that were indeterminate. SIGIR did not find that any waste occurred in the 15 other terminated contracts. SIGIR concluded that better planning and coordination could have avoided much of the waste. The waste found by this audit, however, occurred in such a small number of projects that it does not indicate systemic problems in USACE.

- **DoS process to provide project information to the GOI.** This letter report addressed the DoS process for providing information on completed and transferred reconstruction projects to the GOI. In a previous report, SIGIR found that each U.S. agency was using its own procedures for turning over completed projects to the GOI and, consequently, the GOI did not have complete information on what the U.S. government had provided to it. This report concluded that the GOI is still receiving only a partial inventory of all completed and transferred reconstruction projects because DoS, which is now responsible for providing all such data, uses a narrowly focused definition of what constitutes a reconstruction project and obtains its project information from a database that contains incomplete and inaccurate information.

Investigations

Since 2004, SIGIR investigative work has resulted in 70 indictments, 61 convictions, and more than $175 million in fines, forfeitures, and other monetary penalties. As a result of SIGIR investigations, 7 defendants are awaiting trial, and an additional 16 defendants are awaiting sentencing. This quarter, significant investigative accomplishments included:

- On October 20, the former president and CEO of New Jersey-based international engineering consulting company Louis Berger Group, Inc., surrendered to face a six-count indictment alleging he led a scheme to intentionally overbill

The former president and CEO of Louis Berger Group, Inc., surrendered to face a six-count indictment alleging he led a scheme to intentionally overbill the U.S. government.

the U.S. government in connection with hundreds of millions of dollars in overseas reconstruction contracts over a nearly 20-year period. The indictment charges him with one count of conspiring to defraud USAID and five counts of making false claims in connection with those billings. The conspiracy charge carries a maximum penalty of 10 years in prison, and the false-claims charges each carry a maximum penalty of 5 years in prison. In 2010, two other corporate officers of the company pled guilty to defrauding the government in a related matter.

- On October 21, a former U.S. Army sergeant was placed in a pre-trial diversion program as a result of a one-count indictment charging the former sergeant with receiving more than $12,000 in stolen cash from Iraq. The cash was intended for an Iraqi contractor who never picked it up. The funds were then stolen by a co-conspirator, concealed in a stuffed animal, and sent through the U.S. postal system to the former Army sergeant in California.

- On November 10, a retired U.S. Army sergeant working as a DoS contractor pled guilty to conspiring to steal DoS equipment, including a truck and a generator, and sell them on the Iraqi black market. The contractor faces up to 5 years in prison and a maximum fine of $250,000. He has already agreed to pay $12,000 in restitution to the U.S. government.

- On December 9, a former USACE employee was sentenced to 1 year and 8 months in prison and 3 years of supervised release for conspiring to receive bribes from Iraqi contractors involved in U.S.-funded reconstruction efforts. He admitted to using his official position to conspire with Iraqi contractors to accept cash bribes in exchange for recommending that USACE approve contracts and other requests for payment submitted by the contractors.

- On December 13, a retired U.S. Army major was sentenced to 2 years in prison and 3 years of supervised release and ordered to pay $400,000

in restitution for engaging in monetary transactions connected to unlawful activity. He received four wire transfers of approximately $100,000 each from a contractor involved in fraudulently obtaining U.S. government contracts to provide bottled water to troops serving in Iraq.

- On December 21, a U.S. contractor was sentenced to 3 months confinement followed by 2 years of supervised release for lying to federal agents during the course of an investigation. The agents were investigating a fraud scheme involving the theft and resale of generators in Iraq to various entities, including the U.S. government. When he was initially interviewed in Iraq, he denied any involvement in the fraud scheme. The investigation demonstrated that he had in fact signed fraudulent U.S. documents and received money on several occasions for his part in the scheme.

- On January 5, another former U.S. Army major and contracting official was sentenced to 12 years in prison and 3 years of supervised release for his participation in a wide-ranging bribery and money-laundering scheme related to DoD contracts awarded in support of the Iraq war. In addition, he was ordered to forfeit $21 million and several automobiles and parcels of real estate. His wife was also convicted for her participation in this scheme and is awaiting sentencing. The major and his wife are 2 of 17 people convicted as a result of this investigation.

- On January 19, a former DoS employee was sentenced to 2 years and 9 months in prison and 2 years of supervised release for wire fraud and wire-fraud conspiracy for fraudulently providing Iraqi contractors with confidential bidding information. He was also ordered to pay $106,820 in restitution.

At the end of January, SIGIR had 90 open investigations. For more details on SIGIR's recent investigative accomplishments, see Section 5 of this Report.

A former U.S. Army major and contracting official was sentenced to 12 years in prison for his participation in a wide-ranging bribery and money-laundering scheme.

Lessons Learned

In December, SIGIR released its sixth lessons learned report, summarizing the key findings of its Inspections Directorate's 170 project assessments. Conducted between 2005 and 2010, these real-time reports on U.S.-funded reconstruction projects illustrated the profound difficulties inherent in conducting reconstruction under fire. SIGIR found at least some deficiencies at 94 of the 170 projects it reviewed. These problems usually resulted from poor planning, a lack of robust U.S. government oversight, and the uncertain security environment that prevailed throughout much of Iraq during that time period.

This spring, SIGIR plans to issue the first in a three-volume series of new reports assessing the value of the U.S. reconstruction effort. Whereas previous reports have looked at specific projects, types of projects, or funding sources, the first report in this series will focus on the human cost of the U.S. reconstruction program. The second report will summarize the views of former DoD, DoS, and USAID leaders involved in reconstruction regarding the effectiveness of the U.S. effort. The third and final report will take a comprehensive look at one area—the Rusafa Political District in Baghdad—and examine all of the U.S.-supported reconstruction efforts there to determine their collective effectiveness.

REFORMING THE U.S. APPROACH TO STABILIZATION AND RECONSTRUCTION OPERATIONS

Bureau of Conflict and Stabilization Operations

This quarter, DoS announced the establishment of the new Bureau of Conflict and Stabilization Operations (CSO). President Obama announced his intention to nominate Ambassador Frederick ("Rick") Barton to head it. CSO will subsume the Office of the Coordinator for Reconstruction and Stabilization, which had struggled to gain its footing within the Department since its creation in 2004. CSO represents DoS's latest attempt at creating an integrated management structure to lead U.S. stabilization and reconstruction operations.

Civilian Security, Democracy, and Human Rights

CSO will be supervised by the Under Secretary for Civilian Security, Democracy, and Human Rights. The Under Secretary will also supervise INL; the Bureau of Counterterrorism; the Bureau of Population, Refugees, and Migration; and several smaller offices.

U.S. Office for Contingency Operations

Taking the concept of reorganization one step further to its logical culmination, on December 14, 2011, Representatives Russ Carnahan (D-MO), Dan Burton (R-IN), Gerald Connolly (D-VA), Renee Ellmers (R-NC), Walter Jones (R-NC), and Peter Welch (D-VT) introduced the Contingency Operations Oversight and Interagency Enhancement Act of 2011. This bill would establish a United States Office for Contingency Operations (USOCO), which would be responsible

CSO will subsume the Office of the Coordinator for Reconstruction and Stabilization, which had struggled to gain its footing within the Department.

USOCO would combine existing offices from DoS, USAID, DoD, and other federal agencies involved in stabilization and reconstruction operations.

for planning and executing overseas stabilization and reconstruction operations. Unlike CSO, which is essentially yet another in a long line of DoS internal reorganizations, USOCO would combine existing offices from DoS, USAID, DoD, and other federal agencies involved in stabilization and reconstruction operations. Oversight would be provided by a newly created Inspector General, who would have jurisdiction over USOCO and certain other activities of the federal government. The bill was referred to the Committee on Foreign Affairs in addition to the Committees on Armed Services and Oversight and Government Reform.
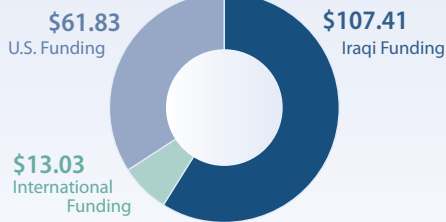
In his December 7 appearance before the House Subcommittee on National Security,

Homeland Defense, and Foreign Operations of the House Committee on Oversight and Government Reform, the Inspector General testified on the current state of oversight in Iraq and on ways to improve contingency oversight in the future. The Inspector General supported the idea of a standing Special Inspector General for stabilization and reconstruction operations, as recommended in the final report of the Commission on Wartime Contracting for Iraq and Afghanistan. He noted that the advantages of such an entity would include continuous oversight from the inception of such operations, as well as cross-jurisdictional oversight, similar to the authorities SIGIR possesses. ◆

QUICK FACTS

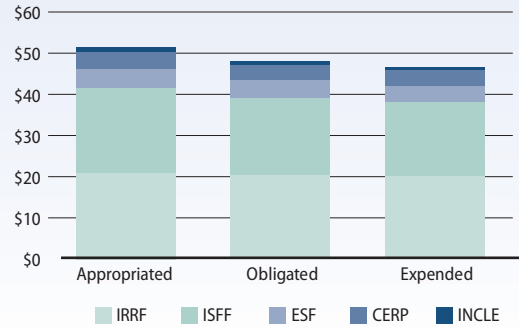### $ Reconstruction Funding

Cumulative Funding
$ Billions

$61.83
U.S. Funding

$107.41
Iraqi Funding

$13.03
International Funding

Recent Funding

FY 2011	2011	2011
$3.71 B	**$25.70 B**	**$471 M**
U.S. Funding	Iraqi Capital Budget	International Commitments

Major U.S. Funds
$ Billions

$60
$50
$40
$30
$20
$10
$0

Appropriated   Obligated   Expended

IRRF   ISFF   ESF   CERP   INCLE

Total Oil Receipts, by Quarter (10/2010–12/2011)
$ Billions

$13.22 $16.31 $20.11 $19.64 $19.35

Q4 | Q1 | Q2 | Q3 | Q4
2010 | 2011

Oil

Crude Oil Production and Exports, by Month (10/2010–12/2011)
MBPD

Production
2.36 ... 2.65 ... 2.60

Exports
1.89 ... 2.45 2.29 ... 2.13
2.00
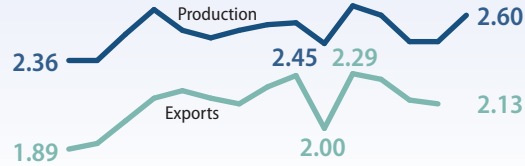
Security

Average Daily Security Incidents, by Week (10/2010–12/2011)

23 ... 38 ... 13 ... 3
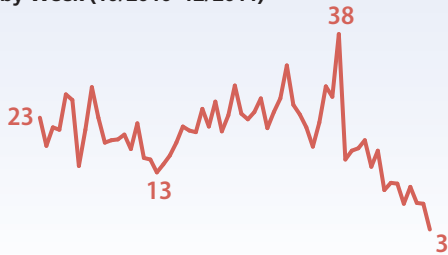
Electricity

Electricity Supply, by Quarter (10/2010–12/2011)
MW

8,000
6,000
4,000
2,000
0

Q4 | Q1 | Q2 | Q3 | Q4
2010 | 2011

Imports
KRG Production
MOE Production
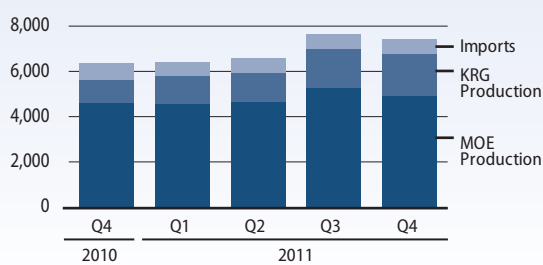
U.S. Deaths (2003–2011)

Military   4,474

Contractors   1,521

Note: Contractor number represents personnel working under contract for the U.S. government who died as a result of both combat and non-combat incidents. U.S. military figures are through January 9, 2012. For the sources of this information, see the last page of the endnotes section.

FUNDING
FOR IRAQ

SECTION

2

FUNDING OVERVIEW

Since 2003, the United States has appropriated or otherwise made available $61.83 billion through FY 2011 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.[49]

In the Consolidated Appropriations Act, 2012 (P.L. 112-74), the Congress made additional funds available to the Department of State (DoS), U.S. Agency for International Development (USAID), Department of Defense (DoD), and other agencies. However, the specific amount of FY 2012 funding for Iraq cannot be determined until the various federal agencies submit their operating and spend plans.

Of the $61.83 billion made available through FY 2011, $51.38 billion has been made available through five major funds:[50]

Active Funds

These funds are available for obligation to new projects:[51]
- Iraq Security Forces Fund (ISFF)—$20.54 billion appropriated, $18.62 billion obligated, $17.91 billion expended, and $1.31 billion available for obligation to new projects
- Economic Support Fund (ESF)—$4.83 billion appropriated, $4.44 billion obligated, $3.95 billion expended, and $132 million available for obligation to new projects
- International Narcotics Control and Law Enforcement (INCLE)—$1.18 billion appropriated, $979 million obligated, $815 million expended, and $204 million available for obligation to new projects

Inactive Funds

These funds are not available for obligation to new projects:
- Iraq Relief and Reconstruction Fund (IRRF)—$20.86 billion appropriated, $20.36 billion obligated, and $20.07 billion expended
- Commander's Emergency Response Program (CERP)—$3.96 billion appropriated, $3.73 billion obligated, and $3.73 billion expended

The United States has appropriated or otherwise made available $61.83 billion through FY 2011 for reconstruction efforts in Iraq.

FIGURE 2.1

STATUS OF MAJOR U.S. FUNDS, AS OF 12/31/2011
$ Billions
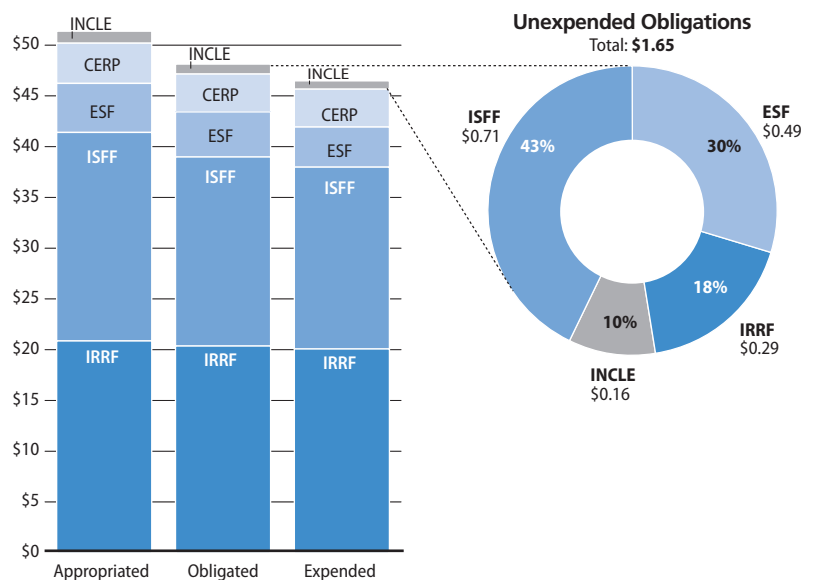
Note: Data not audited. Numbers affected by rounding.

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. 112-10; ABO, response to SIGIR data call, 1/18/2012; DoS, response to SIGIR data call, 4/5/2007; INL, response to SIGIR data call, 1/10/2012; NEA-I, responses to SIGIR data calls, 9/28/2011, 12/29/2011, 12/30/2011, and 1/3/2012; OUSD(C), responses to SIGIR data calls, 4/10/2009 and 1/18/2012; SIGIR Audit 11-007, "Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Cancelled Funds," 12/28/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USACE, response to SIGIR data call, 1/3/2012; USAID, responses to SIGIR data calls, 12/29/2011 and 1/16/2012; USTDA, response to SIGIR data call, 4/2/2009.

As of December 31, 2011, $1.65 billion of the total obligated from the five major funds remained unexpended.[52] For the status of the five major funds, see Figure 2.1. For additional details on the five major funds, see Appendix C.

The Congress also made $10.45 billion available through several smaller funding streams.[53] For an overview of all U.S. appropriations supporting Iraq reconstruction, see Table 2.1.

FIGURE 2.2

U.S., IRAQI, AND NON-U.S. INTERNATIONAL SUPPORT FOR RECONSTRUCTION, 2003–2011
$ Billions

- Iraqi
- U.S.
- Non-U.S. International

Note: Data not audited. Numbers affected by rounding. U.S. contributions are represented by U.S. fiscal year. Iraqi and non-U.S. international contributions are represented by calendar year. Iraqi funding reflects capital budgets for 2003–2005 and 2011 and actual capital expenditures for 2006–2010. The earliest available data for non-U.S. international contributions dates from 2004; therefore, all 2003–2004 non-U.S. international contributions are represented as having been made in 2004.

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. 112-10; ABO, response to SIGIR data call, 10/18/2011; BBG, response to SIGIR data call, 3/7/2011; DCAA, response to SIGIR data call, 10/4/2011; DRL, response to SIGIR data call, 4/12/2011; ECA, response to SIGIR data call, 4/14/2010; INL, response to SIGIR data call,10/14/2011; Justice Management Division, response to SIGIR data call, 10/4/2011; NEA-I, responses to SIGIR data call,10/4/2010, 10/6/2010, 4/15/2011, 9/30/2011, 9/28/2011, 9/30/2011, and 10/6/2011; OMB, response to SIGIR data call, 6/21/2010; OTA, "Office of Technical Assistance Overview," 12/30/2005, ustreas.gov/offices/international-affairs/assistance/, accessed 10/16/2009; OUSD(C), responses to SIGIR data call, 10/4/2010 and 10/14/2011; PM, response to SIGIR data call, 7/6/2011; TFBSO, response to SIGIR data call, 1/4/2011; USACE, response, to SIGIR data calls, 10/6/2008 and 10/4/2011; USAID, responses to SIGIR data calls, 1/12/2009, 4/8/2009, 10/11/2011, and 10/12/2011; USAID, "Congressional Budget Justification: Foreign Assistance Summary Tables, FY 2009–2011;" U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009; GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2011," 2/23/2011, Article 2; GOI, MOF, information provided to SIGIR, 6/27/2011; U.S. Treasury, responses to SIGIR data calls, 1/4/2008 and 4/9/2009; "GOI Budget" (as approved by TNA and written into law December 2005); GOI, Presidency of the Iraqi Interim National Assembly, "The State General Budget for 2005," 2005; GOI, "Budget Revenues and Expenses 2003, July–December," 2003; SIGIR Audit 11-007, "Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Cancelled Funds," 12/28/2010; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–7/2011.
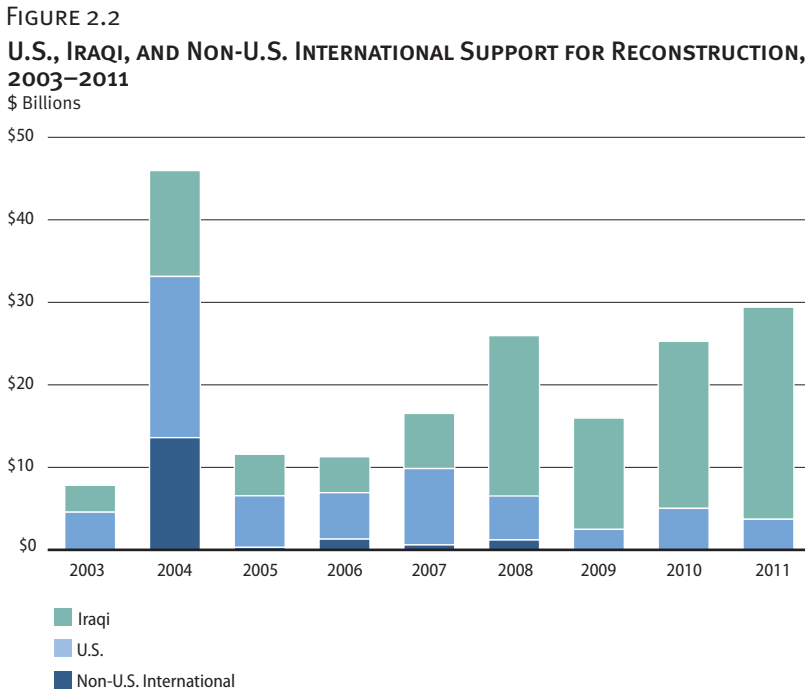
U.S. Funding in Context

In addition to the $61.83 billion that the United States has made available, funding for the relief and reconstruction of Iraq has also come from two other main sources:[54]

- Iraqi funds overseen by the Coalition Provisional Authority (CPA) and the Iraqi capital budget—$107.41 billion
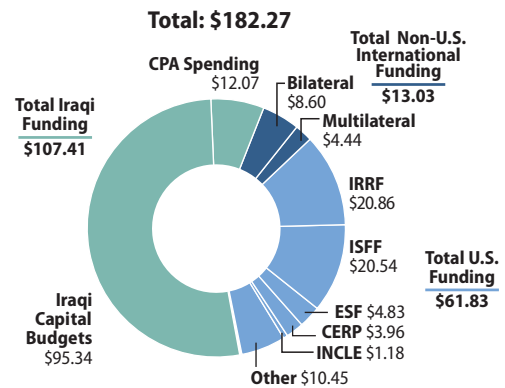- International commitments of assistance and loans from non-U.S. sources—$13.03 billion

For a historical comparison of U.S., Iraqi, and international support for Iraq reconstruction, see Figure 2.2. For an overview of all funding sources, see Figure 2.3. For a summary of international commitments and pledges, by type and donor, see Appendix D. ◆

FIGURE 2.3

FUNDING SOURCES, 2003–2011
$ Billions

Total: $182.27

CPA Spending $12.07
Total Iraqi Funding $107.41
Bilateral $8.60
Total Non-U.S. International Funding $13.03
Multilateral $4.44
IRRF $20.86
ISFF $20.54
Total U.S. Funding $61.83
ESF $4.83
CERP $3.96
INCLE $1.18
Iraqi Capital Budgets $95.34
Other $10.45

Note: Data not audited. Numbers affected by rounding.

Sources: See Figure 2.2.

TABLE 2.1

U.S. Appropriated Funds, FY 2003–FY 2011
$ 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. 110-5, 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]				1,469	1,554	562	542
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	**2,475**	**18,529**	**6,208**	**5,275**	**8,017**	**4,643**	**1,901**
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	
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	24		7		45	85	51
Democracy Fund (Democracy)					190	75	
Iraq Freedom Fund (TFBSO)					50	50	74
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)[f]					19	16	36
Department of Justice (DoJ)	37		6	11	23	25	7
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[g]			1	3	2	2	1
International Military Education and Training (IMET)					1	2	2
Alhurra-Iraq Broadcasting		5					
Subtotal	**2,069**	**21**	**20**	**33**	**416**	**563**	**437**
RECONSTRUCTION-RELATED OPERATING EXPENSES							
Diplomatic and Consular Programs[h]							
Coalition Provisional Authority (CPA)[i]		908					
Project and Contracting Office (PCO)[j]				200	630		
USAID Operating Expenses (USAID OE)	21		24	79	37	41	48
U.S. Contributions to International Organizations (CIO)						38	30
DoD OSC-I Support							
Iraq Freedom Fund (PRT Administrative Costs)					100		
Subtotal	**21**	**908**	**24**	**279**	**767**	**79**	**78**
RECONSTRUCTION OVERSIGHT							
Special Inspector General for Iraq Reconstruction (SIGIR)		75		24	35	3	44
Defense Contract Audit Agency (DCAA)[k]				16	14	14	13
USAID Office of the Inspector General (USAID OIG)	4	2	3		3	7	4
DoS Office of the Inspector General (DoS OIG)				1	3	4	6
DoD Office of the Inspector General (DoD OIG)				5		21	
Subtotal	**4**	**77**	**3**	**46**	**55**	**48**	**67**
Total	**4,569**	**19,535**	**6,255**	**5,634**	**9,255**	**5,333**	**2,483**

a   The Congress initially appropriated $18,649 million to the 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   P.L. 108-11 provided $10 million for war crimes investigations and $40 million to reimburse the ESF account for resources advanced to fund supplies, commodities, and services prior to the conflict in Iraq.
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   The $20 million reported for FY 2009 was appropriated by P.L. 111-8.
g   DoJ reported that $24 million was made available under P.L. 111-118 and P.L. 111-212.
h   Diplomatic and Consular Programs includes FY 2010 supplemental funding to support U.S. Embassy-Baghdad in establishing an enduring provincial presence.
i   Excludes $75 million for the Special Inspector General for Iraq Reconstruction under P.L. 108-106.
j   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.
k   DCAA reported that $1.98 million was made available in FY 2006 under P.L. 109-108.

	FY 2010					Status of Funds		
	P.L. 111-117	P.L. 111-118	P.L. 111-212	FY 2011 P.L. 112-10				
	12/16/2009	12/19/2009	7/29/2010	4/15/2011	Total Appropriated	Obligated	Expended	Expired
Major Funds								
Iraq Relief and Reconstruction Fund (IRRF 1 and IRRF 2)					20,864	20,360	20,068	504
Iraq Security Forces Fund (ISFF)			1,000	1,500	20,539	18,617	17,912	616
Economic Support Fund (ESF)	383			326	4,835	4,442	3,955	260
Commander's Emergency Response Program (CERP)		263		44	3,958	3,728	3,728	230
International Narcotics Control and Law Enforcement (INCLE)	52		650	115	1,183	979	815	
Subtotal	**435**	**263**	**1,650**	**1,984**	**51,379**	**48,126**	**46,477**	**1,611**
Other Assistance Programs								
Migration and Refugee Assistance (MRA) and Emergency Refugee & Migration Assistance (ERMA)	300		16	280	1,252	1,243	1,151	
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	
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	33		9	17	272	255	232	
Democracy Fund (Democracy)					265	265	245	
Iraq Freedom Fund (TFBSO)					174	86	65	
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)	30			30	131	62	62	
Department of Justice (DoJ)	9			9	127	116	112	
Child Survival and Health Programs Fund (CSH)					90	90	90	
Education and Cultural Exchange Programs (ECA)	7			7	40			
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			2	9	9	6	
Alhurra-Iraq Broadcasting					5	5	5	
Subtotal	**382**		**25**	**345**	**4,313**	**4,058**	**3,852**	
Reconstruction-Related Operating Expenses								
Diplomatic and Consular Programs	1,122		1,030	1,119	3,271			
Coalition Provisional Authority (CPA)					908	832	799	
Project and Contracting Office (PCO)					830			
USAID Operating Expenses (USAID OE)	52			46	349			
U.S. Contributions to International Organizations (CIO)	33			31	132			
DoD OSC-I Support				129	129			
Iraq Freedom Fund (PRT Administrative Costs)					100			
Subtotal	**1,207**		**1,030**	**1,326**	**5,720**	**832**	**799**	
Reconstruction Oversight								
Special Inspector General for Iraq Reconstruction (SIGIR)	23			22	225	213	203	
Defense Contract Audit Agency (DCAA)		24		30	111	111	111	
USAID Office of the Inspector General (USAID OIG)	7				29			
DoS Office of the Inspector General (DoS OIG)	7			5	26			
DoD Office of the Inspector General (DoD OIG)					26			
Subtotal	**37**			**57**	**416**	**324**	**314**	
Total	**2,060**	**263**	**2,705**	**3,712**	**61,828**	**53,340**	**51,442**	**1,611**

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. 112-10; ABO, response to SIGIR data call, 1/18/2012; INL, response to SIGIR data call, 1/10/2012; USAID, responses to SIGIR data call, 10/11/2011 and 10/12/2011; NEA-I, responses to SIGIR data call, 9/28/2011, 9/30/2011, 12/29/2011, 12/30/2011, and 1/3/2012; OUSD(C), response to SIGIR data call, 10/4/2011; SIGIR Audit 11-007, "Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Cancelled Funds," 12/28/2010; USACE, responses to SIGIR data calls, 10/6/2008 and 1/3/2012; USAID, responses to SIGIR data calls, 1/12/2009, 4/8/2009, 12/29/2011, and 1/16/2012; DRL, response to SIGIR data call, 4/12/2011; TFBSO, response to SIGIR data call, 1/4/2011; 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; OMB, response to SIGIR data call, 6/21/2010; ECA, response to SIGIR data call, 4/14/2010; OUSD(C), response to SIGIR data call, 1/18/2012; U.S. Treasury, OTA, "Office of Technical Assistance Overview," 12/30/2005, ustreas.gov/offices/international-affairs/assistance/, accessed 10/16/2009; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009; Justice Management Division, response to SIGIR data call, 10/4/2011; PM, response to SIGIR data call, 7/6/2011; BBG, response to SIGIR data call, 3/7/2011; USAID, "Congressional Budget Justification: Foreign Assistance Summary Tables, FY 2009–2011"; DCAA, response to SIGIR data call, 10/4/2011.

FY 2012 APPROPRIATIONS

On December 23, 2011, President Barack Obama signed into law the Consolidated Appropriations Act, 2012 (P.L. 112-74), which appropriated funds for DoS, USAID, and DoD, among other agencies.[55]

The Consolidated Appropriations Act includes funds for "enduring" programs as well as Overseas Contingency Operations and the Global War on Terrorism (OCO) in Iraq, Afghanistan, Pakistan, and several other countries. The total made available for Iraq remains unclear because, in most cases, amounts for each country are not specifically identified either in legislation or in the conference report. Actual funding for Iraq will likely be below the Administration's request for $6.83 billion. Specific amounts for Iraq will be identified in operating and spend plans that the various departments are required to submit to the Congress. Once those plans are submitted, SIGIR will report on the allocation, obligation, and expenditure of funds made available for Iraq programs from the FY 2012 appropriations. For details of the FY 2012 appropriations and the Administration's request, see Table 2.2.

The Senate Committee on Appropriations approved the DoS and USAID provisions on September 21, 2011. The relevant House Subcommittee approved a bill on July 8. Neither was considered further. The DoD provisions were passed on the House floor on July 8, but in the Senate, they were approved only in Committee, on September 15. All the provisions were combined into P.L. 112-74.

2012. However, the conferees stated that they did "not support the proposed drawdown of SIGIR in fiscal year 2012 as proposed in the request." They directed that "SIGIR should continue to exercise oversight over the assistance programs in Iraq, including the support costs associated with programs funded under the International Narcotics Control and Law Enforcement heading."

The conference report further noted that "the conferees direct the Secretary of State to cooperate with the Office of Inspector General for the Department of State and SIGIR, including requests from the SIGIR for information and documentation involving operations in support of foreign assistance programs." The Senate report stated that "the Committee supports SIGIR's investigation of security sector reform in Iraq, including the management of resources for the program and related mission support, transition strategy, and potential for sustainability, and directs SIGIR to consult with the Committee on the status of this investigation."

The conferees directed the inspectors general of DoS and USAID, SIGIR, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) "to coordinate audit plans and activities to minimize unnecessary duplication, ensure comprehensive oversight plans, and maximize the effective use of resources." The conferees directed that the DoS Office of Inspector General "continue to plan for increased responsibilities when SIGIR draws down its oversight operations."

SIGIR Funding, Jurisdiction, and Related Matters

P.L. 112-74 provides $19.5 million for SIGIR to "sustain [its] current level of operations." SIGIR and OMB had submitted a request that included a planned drawdown by the end of December

Other DoS, Foreign Operations, and Related Programs for Iraq

In the explanatory statement accompanying the Consolidated Appropriations Act conference report, the conferees noted, "as the Government of Iraq's oil revenues continue to increase, the

The conference report noted that "the conferees direct the Secretary of State to cooperate with SIGIR, including requests from the SIGIR for information and documentation involving operations in support of foreign assistance programs."

TABLE 2.2
PRELIMINARY STATUS OF U.S. APPROPRIATIONS FOR IRAQ, FY 2012
$ Millions

			FY 2012 Request				
		Fund	Base	OCO	Total	Senate Report	P.L. 112-74
Foreign Assistance	Defense	ISFF			0.0	0.0	0.0
		CERP		25.0	25.0	0.0	0.0
		Subtotal		**25.0**	**25.0**	**0.0**	**0.0**
	Foreign Operations	INCLE		1,000.0	1,000.0	850.0	TBD[a]
		FMF		1,000.0	1,000.0	900.0	TBD[b]
		ESF	325.7		325.7	200.0	TBD[c]
		NADR	32.4		32.4	32.4	TBD[d]
		IMET	2.0		2.0	2.0	TBD[e]
		Subtotal	**360.1**	**2,000.0**	**2,360.1**	**1,984.4**	**TBD**
	Subtotal		**360.1**	**2,025.0**	**2,385.1**	**1,984.4**	**TBD**
Operating Expenses	DoD	OSC-I Support		524.0	524.0	Up to 524.0	524.0
		Subtotal		**524.0**	**524.0**	**524.0**	**524.0**
	DoS	D&CP	495.9	3,229.5	3,725.4	3,556.0 (of which 2,750.0 is OCO)	TBD[f]
		CIO	44.3		44.3		TBD
		ECSM	37.0		37.0		33.0[g]
		ECA	7.0		7.0		TBD
		Subtotal	**584.2**	**3,229.5**	**3,813.7**		
	Other Civilian	USAID	75.4		75.4		TBD[h]
		SIGIR		16.3	16.3	16.3	19.5[i]
		DoS OIG	9.2		9.2		TBD
		Subtotal	**84.6**	**18.5**	**103.1**		**TBD**
	Subtotal		**668.8**	**3,772.0**	**4,440.8**		**TBD**
Total			**1,028.9**	**5,797.0**	**6,825.9**		**TBD**

Note:
[a] $983.6 million is appropriated in the OCO accounts (other programs and countries are also intended to be supported); $1.061 billion is appropriated in the base accounts and, in theory, is also available to OCO countries. No detail is provided in the joint explanatory statement of conferees or the legislative text. The Senate report allows a total of $850 million for Iraq—all for OCO costs—within a total recommendation of $1.153 billion for INCLE under OCO funding and $1.056 billion in the base accounts.
[b] A sufficient amount ($1.102 billion) is appropriated in the OCO accounts to allow the request to be funded, but no detail is provided in the joint explanatory statement of conferees or the legislative text. ($6.31 billion is available in FMF for countries worldwide.) The Senate report allows a total of $900 million for Iraq, all for OCO costs, within a recommendation of $989 million for FMF under OCO funding (and a total of $6.335 billion under all accounts).
[c] A sufficient amount is appropriated (more than $3 billion) in the base accounts to allow the request, but no detail is provided in the joint explanatory statement of conferees or the legislative text. The Senate report allows a total of $200 million for Iraq, all for ongoing ("enduring") costs.
[d] A sufficient amount is appropriated in the base ($590.1 million) and OCO ($120.7 million) accounts to allow the request, but no detail is provided in the joint explanatory statement of conferees or the legislative text. The Senate report allows a total of $32.445 million for Iraq—$27.445 million for ongoing ("enduring") costs and $5.000 million for OCO costs.
[e] A sufficient amount ($105.8 million) is appropriated in the base accounts to allow the request, but no detail is provided in the joint explanatory statement of conferees or the legislative text.
[f] A sufficient amount is appropriated in the base ($6.551 billion) and OCO ($4.389 billion) accounts to allow the request, but no detail is provided in the joint explanatory statement of conferees or the legislative text. The Senate report allows $3.156 billion in total for Iraq—$405.732 million for ongoing ("enduring") costs and $2.750 billion for OCO costs.
[g] Designated OCO; $33 million "for the extraordinary costs of leased facilities in Iraq." Additional funds may be available under ongoing ("enduring") ECSM for Iraq; Iraq is not addressed specifically under ECSM in the "ongoing" conference report or legislative text.
[h] A sufficient amount is appropriated in the base ($1.092 billion) and OCO ($255 million) accounts to allow the request, but no detail is provided in the joint explanatory statement of conferees or the legislative text. The Senate report allows $71.642 million in total for Iraq—$46.043 million for ongoing ("enduring") costs and $25.599 million for OCO costs.
[i] Includes $16.3 million requested for FY 2012 as well as $2.2 million for the first quarter of FY 2013.

Sources: FY 2012 Request—DoS, "Congressional Budget Justification, Volume 1: Department of State Operations, FY 2012," 2/14/2011, p. 779; DoS, "Executive Budget Summary: Function 150 & Other International Programs, FY 2012," 2/14/2011, pp. 155, 162, 167, 171, 776; DoS, "Congressional Budget Justification: Foreign Assistance Summary Tables, FY 2011," p. 88; DoS, "Congressional Budget Justification: Foreign Assistance Summary Tables, FY 2012," p. 101; DoD, "Fiscal Year 2012 Budget Request: Overview," 2/2011, Chapter 6, p. 6; DoS, NEA-I, response to SIGIR data call, 7/7/2011; USAID, response to SIGIR data call, 7/7/2011; P.L. 112-74; **Senate Report**—Senate Report 112-85, 9/22/2011, to accompany S. 1601, except for ISFF, CERP, and OSC-I support, which refer to House Report 112-110, 6/15/2011, and Senate Report 112-77, 9/15/2011, each to accompany H.R. 2219; **P.L. 112-74**.

conferees expect Iraq to assume the full cost for development and security programs in Iraq currently funded by the Department of State and USAID." The following broadly applicable statutory provisions remain in effect:

- Assistance for Iraq must be made available in a manner that utilizes Iraqi entities to the maximum extent practicable.
- The April 2009 DoS guidelines for Iraqi government financial participation in civilian foreign assistance programs must be adhered to.
- Funds appropriated by the law may not be used to enter into permanent basing rights agreements with Iraq.

Security Sector Reform: INCLE

P.L. 112-74 appropriated $983.6 million in OCO funding for the INCLE, including programs for Iraq, Afghanistan, Pakistan, Yemen, Somalia, and African counterterrorism partnerships. The Administration request for Iraq alone was $1 billion. (Funding may, in principle, also be drawn from non-OCO accounts for all of these countries.)

The conference report's explanatory statement requires DoS to report the following information by the end of March 2012:

- the specific manner in which the GOI has committed to contributing to, and sustaining, INL's security-related programs
- the estimated time frame under which Iraq will assume full responsibility for funding such security-related programs
- the operation and maintenance costs of aircraft used in Iraq to support security-related programs
- estimates for the overhead costs associated with security-sector programs in FY 2012 and subsequent fiscal years

Economic Support Fund

Funding for the ESF was appropriated in a lump sum of $5.763 billion, including $2.761 billion for OCO, subject to certain (non-Iraq-related) earmarks. The Administration request for Iraq was $325 million (all non-OCO), and the Senate had cut that to $200 million, but the final amount for Iraq was left to DoS to determine within the overall allowance (subject to non-Iraq earmarks).

The conferees specified that $10 million of the ESF was for stabilization programs in Iraq, "for which policy justifications and decisions shall be the responsibility of" the Chief of Mission. These funds may not be used for cultural programs. The Senate report contained detailed language about the intended uses of the ESF, including:

- targeted assistance to ethnoreligious minorities in Iraq to help ensure their continued survival—especially those living on the Ninewa Plains region
- continued support for the Marla Ruzicka Iraqi War Victims Fund through its transition to an Iraqi-run entity
- support for economic growth programs aimed at sustaining Iraq's long-term stability
- support for the incorporation of women in stabilizing and developing Iraq, including within government institutions
- reduction in funding for USAID's Governance Strengthening and Administrative Reform Program

The Senate committee stated that it encouraged the Administration and the GOI to explore "other, more sustainable mechanisms for programs under [the ESF], especially as Iraq's oil revenues continue to increase."

The conferees specifically endorsed the Senate report language on ethnoreligious minorities in Iraq. The conferees said they expected DoS and USAID to continue efforts to encourage the incorporation of women in the stabilization and development of Iraq, including within government institutions.

Foreign Military Financing

The Foreign Military Financing (FMF) program provides military assistance—typically U.S.-origin goods or services—on a grant basis to foreign countries. DoS has the lead role in policy decisions, including decisions on how funding should

> The conferees said they expected DoS and USAID to continue efforts to encourage the incorporation of women in the stabilization and development of Iraq.

be allocated absent direction from the Congress. The program is administered by DoD's Defense Security Cooperation Agency (DSCA) and, in the case of Iraq, by the Office of Security Cooperation-Iraq, which is funded by Air Force Operation and Maintenance funds.

The appropriation provides $1.102 billion for all OCO FMF, which could, theoretically, allow for the $1 billion requested by the Administration for Iraq. But the needs of other countries will likely reduce FMF grant assistance to Iraq to less than the requested amount. This will be the first year that assistance to Iraq's security forces will be provided under the FMF. In recent years, most aid to the ISF was provided under the ISFF.

> This will be the first year that assistance to Iraq's security forces will be provided under the FMF.

Diplomatic and Consular Programs and Related Expenses

Funding for Iraq under the Diplomatic and Consular Programs headings will include amounts from "enduring" appropriations as well as a significant portion of the $4.389 billion in OCO identified for extraordinary and temporary costs for operations in Iraq, Afghanistan, Pakistan, and elsewhere. The Senate version of the bill would have provided $3.156 billion for Iraq, while the Administration requested $3.736 billion.

No more than 85% of the funds provided in the OCO title for security and provincial operations in Iraq may be obligated before the Secretary of State submits a report to the Appropriations Committees providing all of the following:

- an assessment of the security environment in Iraq, and the impact of the withdrawal of USF-I on that environment, on a facility-by-facility basis
- an assessment of the security requirements at each facility and the estimated cost of sustaining such requirements over the next three fiscal years
- information on the types of military equipment to be used to meet the security requirements at each facility
- the number of U.S. government personnel anticipated at each facility, a general description of the duties of such personnel, and the number

and cost of contractors anticipated at each facility required for operational and other support
- a description of contingency plans, including evacuation plans, at each facility for U.S. government personnel and contractors

In addition, $33 million for "Embassy Security, Construction, and Maintenance" is provided in the OCO title "for the extraordinary costs of leased facilities in Iraq."

USAID Operating Expenses

USAID operating expenses in Iraq are subsumed within larger sums for "enduring" and OCO operations. The earlier Senate version identified $46 million for "enduring" and $25.6 million for OCO for USAID's operations in Iraq. That total of $71.6 million was a reduction from the Administration request for $75.3 million.

Other Appropriations

Conflict Stabilization Operations

As noted in Section 1 of this Report, the State Department's new Bureau of Conflict and Stabilization Operations (CSO), which absorbs the former Office of the Coordinator for Reconstruction and Stabilization (S/CRS), will receive up to $35 million in funds. Support for S/CRS came from a fund previously called the Civilian Stabilization Initiative, which has been renamed Conflict Stabilization Operations. An additional $8.5 million is provided for the costs of CSO deployments, including those to Iraq, Afghanistan, and Pakistan. The Congress requested a spend plan that would detail projected staffing and deployments of the CSO's Civilian Response Corps for FY 2012.

Joint DoS/DoD Global Security Contingency Fund

The Consolidated Appropriations Act provides for the transfer of up to $250 million into the new Global Security Contingency Fund (GSCF), which

was subsequently created in the NDAA.[56] As much as $50 million could be transferred from funds appropriated to DoS for the INCLE, FMF, the Pakistan Counterinsurgency Capability Fund, and other programs, as authorized. Up to $200 million could be transferred from funds available to DoD for "Operation and Maintenance, Defense-Wide."

Pursuant to the NDAA, the GSCF is available to either the Secretary of State or the Secretary of Defense to provide assistance to countries designated by the Secretary of State, with the concurrence of the Secretary of Defense, to enhance the capabilities of the recipient country's military and other national security forces to conduct border and maritime security, internal defense, counterterrorism operations, and participate in or support military, stability, or peace-support operations consistent with U.S. foreign policy and national security interests. In cases in which the Secretary of State, in consultation with the Secretary of Defense, determines that conflict or instability in a country or region challenges the existing capability of civilian providers to deliver assistance, it is also available for the "justice sector," rule-of-law programs, and stabilization efforts. Contributions of not less than 20% are required from DoS for each activity funded by the GSCF.

DoD Appropriations

Commander's Emergency Response Program

The Congress rejected the Administration's request for $25 million for the CERP for the three-month period ending December 31, 2011 (the final three months of Operation New Dawn). In its report on the National Defense Authorization Act for Fiscal Year 2011 (P.L. 112-181) (NDAA), the House Committee on Armed Services noted that its bill "does not authorize the use of the Commander's Emergency Program in Iraq…. The remaining U.S. forces in the Republic of Iraq are operating in a strictly training and advisory capacity to Iraqi Security Force units. The committee believes that any immediate humanitarian needs such units encounter should be addressed through Iraqi funding sources."

Office of Security Cooperation-Iraq Support

The Consolidated Appropriations Act provides that the Secretary of Defense may use up to $524 million in funds appropriated for "Operation and Maintenance, Air Force" to support U.S. transition activities in Iraq by funding the operations and activities of OSC-I and security assistance teams, including life support, transportation and personal security, and facility renovation and construction. At least 15 days before making funds available, the Secretary of Defense must submit to the congressional defense committees a written notice containing a detailed justification and timeline for each proposed site. ◆

The Secretary of Defense may use up to $524 million to support U.S. transition activities in Iraq by funding the operations and activities of OSC-I and security assistance teams.

U.S.-FUNDED PROGRAMS
IN IRAQ

SECTION

3

U.S.-IRAQ STRATEGIC FRAMEWORK AGREEMENT

On November 17, 2008, the United States and Iraq signed the Strategic Framework Agreement (SFA), outlining the contours of the political, economic, security, and cultural relations between the two nations. Signed on the same day as the U.S.-Iraq Security Agreement (SA) that set forth a three-year timetable for the gradual withdrawal of the U.S. military from Iraq. The SFA was often overshadowed by its companion agreement. But with the expiration of the SA on December 31, 2011, and the contemporaneous departure of the last U.S. troops, the SFA, which has no expiration date, is now the primary pact governing the relationship between the two countries.[57]

Pursuant to Section IX of the SFA, implementation of the SFA is overseen by the Higher Coordinating Committee (HCC), which comprises representatives from both the U.S. government and the Government of Iraq (GOI). The SFA also allows for the creation of additional Joint Coordination Committees (JCCs), which are subordinate to the HCC and tasked with executing specific objectives in particular areas of joint concern. Eight JCCs currently work on issues ranging from the ongoing U.S.-Iraq security partnership to the preservation of Iraq's historical sites.[58]

Higher Coordinating Committee

On November 30, 2011, U.S. Vice President Joseph R. Biden, Jr. and Iraqi Prime Minister Nuri al-Maliki convened the HCC to reaffirm the two countries' mutual commitment to the SFA and to outline further joint efforts to be conducted under the auspices of the agreement. At this meeting, the GOI formally requested U.S. assistance with:[59]

- expanding English-language programs for Iraqi students
- building a stronger higher-education system
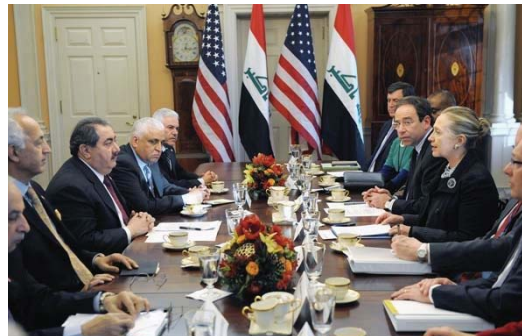
Secretary of State Hillary Clinton and Iraq Foreign Minister Hoshyar Zebari chair the third meeting of the Political and Diplomatic Joint Coordination Committee on December 12. (DoS photo)

- preserving archeological sites, including the ancient ruins of Babylon

In turn, among other things, the United States pledged to support:[60]
- development of Iraq's energy sector, including joint exploration of ways to boost Iraqi oil production
- the GOI's Electricity Master Plan
- the Iraqi police, through the Police Development Program (PDP) and an exchange program that will bring groups of Iraqi police to the United States for leadership development over the next three years
- efforts at the United Nations aimed at resolving all remaining issues relating to the UN Chapter VII sanctions imposed on Iraq in the wake of its 1990 invasion of Kuwait
- GOI plans to improve services, develop its system of roads and bridges, and bring its airports up to international standards
- Iraqi agriculture and irrigation
- continued efforts to expand ties between U.S. and Iraqi businesses
- modernization of the Iraqi financial and banking sectors
- bilateral security and defense cooperation initiatives

The SFA is now the primary pact governing the relationship between the two countries.

Joint Coordination Committees

On December 12, Secretary of State Hillary Clinton and Iraqi Foreign Minister Hoshyar Zebari chaired the third meeting of the Political and Diplomatic JCC. According to their public statements, one of the main topics discussed during this meeting was how the United States could help the GOI resolve Iraq's remaining UN Chapter VII issues. Secretary Clinton also pledged that the United States would continue working with the GOI to address other outstanding issues between Iraq and Kuwait through initiatives such as the Tripartite Commission for Gulf War Missing and the upcoming Arab League Summit, which is currently scheduled to be held in Baghdad this spring.[61]

Actions taken in 2010 and 2011 by the other seven JCCs—which address issues relating to U.S.-GOI cooperation on a variety of issues, including defense, culture, law enforcement, science, information technology, energy, and education—remain largely opaque because of the Department of State (DoS) assertion that "activities under the SFA fall under the purview of numerous other USG Inspector Generals [sic]. This does not fall under the purview of SIGIR's reconstruction mandate." However, DoS responded in detail to a similar question for SIGIR's October 2010 Quarterly Report and provided information on the Rule of Law JCC for SIGIR's October 2011 Quarterly Report. To date, no other U.S. inspector general (IG) has reported on activities conducted pursuant to the goals articulated in the SFA.[62] ◆

DEPARTMENT OF STATE AND PARTNERS

U.S. government agencies are working to support Iraq's development in a range of areas, including law enforcement, the rule of law, education, energy, trade, health, and culture. DoS is foremost among the U.S. agencies responsible for following through with U.S. commitments under the SFA.

Through the Bureau of International Narcotics and Law Enforcement Affairs (INL), DoS supports development of Iraq's police through the PDP and continues to liaise with and fund assistance programs for the GOI's anticorruption agencies via the Anti-Corruption Coordination Office (INL/ACCO). DoS also maintains a presence outside of Baghdad, primarily though Consulates General in Erbil and Basrah, the Diplomatic Presence Post in Kirkuk, and locally employed staff in other provinces. DoS oversees a number of reconstruction efforts including a variety of initiatives to assist refugees and internally displaced persons (IDPs).

The U.S. Agency for International Development (USAID) continues to implement a variety of programs funded by the Economic Support Fund (ESF). The Administration requested almost $325.7 million in FY 2012 ESF to support programs run by both DoS and USAID in Iraq. Allocation

totals, by country, are not yet available for funds made available in the Consolidated Appropriations Act, 2012 (P.L. 112-74), which was signed into law on December 23, 2011. For a breakdown of the FY 2012 ESF budget request for countries worldwide, see Figure 3.1.

Operating under the aegis of U.S. Embassy-Baghdad, several other federal agencies also play a key role in the U.S-Iraq partnership, including the Departments of Justice (DoJ), Homeland Security (DHS), Treasury, Transportation, Commerce, and Agriculture. Moreover, in Washington, D.C., the Overseas Private Investment Corporation (OPIC) and the Export-Import Bank are working with government and private entities to expand opportunities in Iraq for U.S. businesses and, concomitantly, improve the Iraqi economy. See Figure 3.2 for an organizational chart showing the relationships among various agencies with representatives working under Chief of Mission authority.

> Operating under the aegis of U.S. Embassy-Baghdad, several other federal agencies also play a key role in the U.S-Iraq partnership.

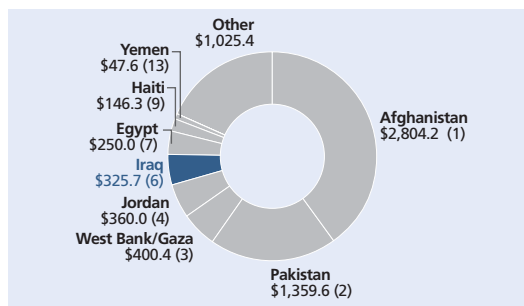## Bureau of International Narcotics and Law Enforcement Affairs

INCLE Funding

As of December 31, 2011, $979.2 million from the International Narcotics Control and Law Enforcement (INCLE) account had been obligated in Iraq, including approximately $164.0 million that remained unexpended.[63]

For FY 2012, the Administration requested $1.00 billion in INCLE funding for Iraq, by far the largest country allocation and nearly 40% of the total funding requested worldwide (see Figure 3.3). P.L. 112-74 appropriated a total of $984 million for INCLE-funded programs in all countries. How much will be allocated to Iraq has yet to be determined.[64]

For additional details on the INCLE, see Appendix C to this Quarterly Report.

FIGURE 3.1

ESF FY 2012 BUDGET REQUEST, IRAQ VS. OTHER COUNTRIES
$ Millions (Ranking)

- Other $1,025.4
- Yemen $47.6 (13)
- Haiti $146.3 (9)
- Egypt $250.0 (7)
- Iraq $325.7 (6)
- Jordan $360.0 (4)
- West Bank/Gaza $400.4 (3)
- Pakistan $1,359.6 (2)
- Afghanistan $2,804.2 (1)

Source: DoS, "Executive Budget Summary, Function 150 & Other International Programs, Fiscal Year 2012," 2/14/2011, pp. 155–157.
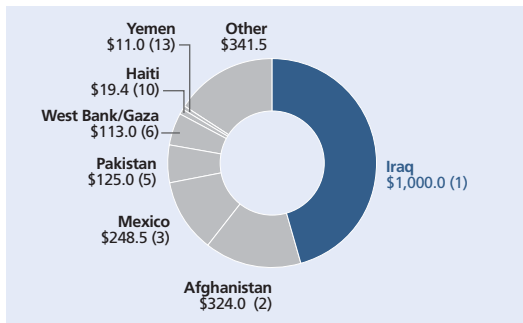
FIGURE 3.2
U.S. Embassy-Baghdad Structure and Functions
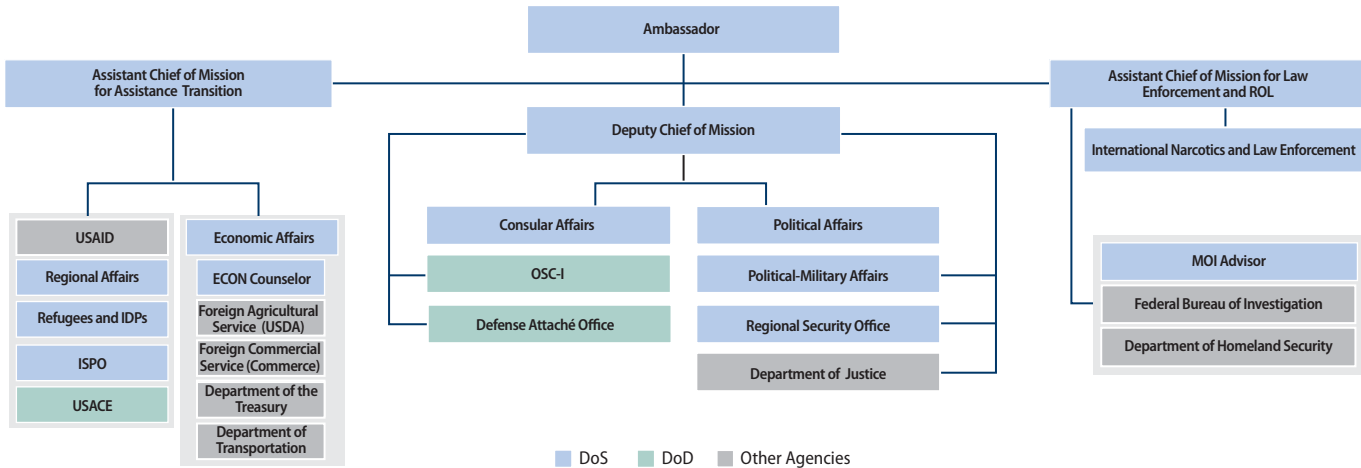
Source: U.S. Embassy-Baghdad, information provided to SIGIR, 1/19/2012.

FIGURE 3.3
INCLE FY 2012 Budget Request, Iraq vs. Other Countries
$ Millions (Ranking)

INL reports that the PDP is currently "mission-capable at all three hubs," with 91 advisors in country.

Yemen $11.0 (13)
Other $341.5
Haiti $19.4 (10)
West Bank/Gaza $113.0 (6)
Pakistan $125.0 (5)
Mexico $248.5 (3)
Afghanistan $324.0 (2)
Iraq $1,000.0 (1)

Source: DoS, "Executive Budget Summary, Function 150 & Other International Programs, Fiscal Year 2012," 2/14/2011, pp. 160–162.

Police Development Program

INL officially began implementing the PDP on October 1, 2011. The PDP is the primary vehicle through which the United States will assist Iraq's Ministry of Interior (MOI). However, as SIGIR's October 2011 audit of this program reported, the PDP has been beset by challenges from the earliest planning stages. The PDP was originally conceived almost three years ago as a wide-ranging program to mentor and advise senior MOI leaders across all 18 of Iraq's provinces using about 350

advisors stationed at three hubs (Baghdad, Erbil, and Basrah), but financial constraints and security concerns have forced INL to gradually reduce the size and scope of the program.[65]

As of December 31, 2011, INL reports that the PDP is currently "mission-capable at all three hubs," with 91 advisors in country—76 DoS temporary ("3161") hires, 12 advisors from DHS, and 3 holdover civilian advisors from the DoD police-training mission. Table 3.1 shows the PDP's anticipated staffing levels as of late December 2011.[66]

PDP Activities

INL reported that its PDP advisors engage senior officials from most MOI offices, including the Deputy Ministers for Support Forces; Administration and Finance; Intelligence, National Information, and Investigations; and Iraqi Police Training Systems. Below the Deputy Minister level, INL advisors work with more than 50 of these Deputy Ministers' subordinates, most of whom hold the rank of either Brigadier or Major General.[67]

At the end of this quarter, the PDP was operating out of the three hubs and engaging with the MOI only at sites reachable by ground transportation. According to INL, as of December 31, PDP

TABLE 3.1

ANTICIPATED PDP STAFFING LEVELS, AS OF 12/21/2011

POSITION DESCRIPTION		BAGHDAD EMBASSY	BAGHDAD DIPLOMATIC SUPPORT CENTER (SATHER)	BAGHDAD POLICE COLLEGE ANNEX (SHIELD)	ERBIL DIPLOMATIC SUPPORT CENTER	ERBIL CONSULATE	BASRAH CONSULATE	TOTAL
PDP Advisor	INL SPAs	4		97	51		22	**174**
	INL DHS Advisors	3	3	2	4		4	**16**
	Total	**7**	**3**	**99**	**55**		**26**	**190**
INL Support[a]	INL Section	28		3	2	1	2	**36**
	M&E	1		1	1		1	**4**
	COR, GTM, Property Mgmt.	4		3	2			**9**
	GINL			9	3		3	**15**
	Total	**33**		**16**	**8**	**1**	**6**	**64**
INL Security[b]	INL RSO/SPS			29	14		8	**51**
	INL Movement Security–U.S.			286	93		69	**448**
	INL Movement Security–Iraqi			10	10		10	**30**
	Total			**325**	**117**		**87**	**529**
PDP Grand Total		**40**	**3**	**440**	**180**	**1**	**119**	**783**

Notes: These figures are estimates, as the full program has yet to fully deploy, and is subject to change. Static security and other personnel who provide services shared by multiple entities are not counted here.
a   "INL Support" includes personnel to support all INL activities in Iraq—not the PDP specifically. Additionally, there are Embassy-provided Basic Life Support personnel who provide support throughout Iraq, to include for the PDP; they are not counted here.
b   "INL Security" includes only those DS and DS-contracted personnel specifically attributable to INL. Though mostly dedicated to the PDP, some personnel support INL corrections and justice programs. The movmement-security personnel are "pooled" and cannot be directly attributed to specific entities within INL itself. Security personnel are managed by DS, but funded by INL.

Source: INL, response to SIGIR data call, 1/4/2012.

advisors had conducted 195 advisory engagements out of its Baghdad hub, 160 out of its Erbil hub, and 35 out of its Basrah hub.[68] But travel remains a challenge because of the security situation.[69] For example, as of the end of 2011, Baghdad- and Basrah-based advisors had yet to travel outside of their respective provinces to view any other MOI facilities and operations, while PDP advisors based in the comparatively secure city of Erbil, in the Kurdistan Region, traveled to the neighboring province of Sulaymaniyah on two occasions.[70]

Program Security

INL reported that it is able to provide protective security detail (PSD) movements to INL advisors, "as security conditions permit." INL informed SIGIR that it is continuing to work closely with DoS's Bureau of Overseas Buildings Operations as it moves forward on the final facility footprint for its presence in Iraq. INL added that it is coordinating the transition from existing accommodations to final facilities to avoid any disruption of PDP activities.[71]

At the Baghdad PDP site, DoS's Bureau of Diplomatic Security's Regional Security Office (RSO) provides security, using a combination of DoS personnel, DoS contractors, and third-country nationals who provide static security. Beyond the internal static-security positions, GOI security personnel provide perimeter security.[72]

Other U.S. Agency Support for the PDP

INL has interagency agreements with the Federal Bureau of Investigation (FBI) and three DHS agencies: Immigration and Customs Enforcement (ICE), Customs and Border Protection (CBP), and the U.S. Coast Guard (USCG). The FBI uses temporary-duty special agents to provide specialized training to the Iraqi Police Service. The interagency agreement with the FBI does not fund any

> INL reported that it is able to provide protective security detail (PSD) movements to INL advisors, "as security conditions permit."

permanently assigned FBI personnel in Iraq (see below for more on DoJ activities in Iraq).[73]

CBP provides advanced mentoring to senior Iraqi border control officials within the MOI's Department of Border Enforcement and the Port of Entry Directorate. This quarter, CBP provided train-the-trainer instruction to a total of 48 students in the following specialties: customs examination of luggage and containers (4 students), passenger analysis/interviewing techniques (15), fraud document training (19), and training to detect people operating under false identifications (10).[74]

ICE helps the MOI and other ministries develop expertise in the coordination of investigations focused on criminal activities, including the financing of illicit acts, weapon trafficking, proliferation, antiquity smuggling, human trafficking, and document fraud. This quarter, ICE provided train-the-trainer instruction related to human trafficking to 18 students.[75]

USCG participates in and aids in capacity-building efforts and professional development of the MOI's Iraqi River Police and the Coastal Border Guard. This quarter, USCG trained 46 students in outboard-engine maintenance and port-security planning. Prior to January 2012, USCG activities coordinated through the PDP were funded by and conducted under the auspices of the Department of Defense.[76]

GOI Support for the PDP

The GOI's support for and long-term commitment to the PDP remains a concern. In a meeting with SIGIR in early October, Principal Deputy Minister of the Interior Adnan al-Asadi was skeptical about the PDP, noting that it would be better for the U.S. government to spend that money on a program benefitting the American people. In a subsequent meeting with the Inspector General on November 16, al-Asadi stated that the MOI would "test" the PDP in 2012 and decide thereafter whether it would continue the program in 2013 and beyond. However, INL reported that al-Asadi informed INL's Deputy Assistant Secretary that MOI would

Al-Asadi stated that the MOI would "test" the PDP in 2012 and decide thereafter whether it would continue the program in 2013 and beyond.

continue to support the PDP as a way of building the capacity of the Iraqi police.[77]

In its October 2011 audit report, SIGIR noted that the GOI had not signed formal land-use agreements for PDP sites. However, on December 11, 2011, al-Asadi and the Assistant Chief of Mission for Law Enforcement and Rule of Law Assistance agreed to terms under which the U.S. government may use the Baghdad Police College Annex. This arrangement runs for one year and is renewable with the consent of both parties, which would allow the GOI to opt out in December 2012. INL also has agreements that allow it to use U.S. consular facilities in Erbil and Basrah.[78]

Other significant issues also remain unresolved, including:[79]

- GOI financial contributions, as required by P.L. 111-32 and subsequent appropriations laws, which calls for the GOI to contribute 50% of the funding for civilian programs benefiting the GOI, excluding extraordinary life-support and force-protection costs
- additional secure transportation for advisors stationed at the Basrah hub, who, to date, have left the base infrequently

This spring, SIGIR plans to issue an audit reporting on the progress INL has made in implementing the PDP.

PDP Goals and Objectives

In September 2011, INL provided SIGIR with a 21-page outline of its nine PDP goals, their subordinate objectives, and the methods for measuring the attainment of these goals and objectives. The stated goals are to assist MOI leaders so that they are capable of:[80]

- providing effective leadership and appropriate oversight, utilizing "strategic management processes" to provide direction across the organization
- providing a full range of police and community services to the general public

- providing basic and advanced instruction to impart policing skills while promoting community policing, women's rights, and human rights
- upholding gender rights and human rights
- securing Iraq's borders and points of entry
- developing effective specialized police units
- developing appropriate accountability mechanisms to enable operational components of the police to function effectively
- fostering a public image of the Iraqi Police as professional and effective
- assisting the MOI with assuming full responsibility for internal security

According to INL, the period of performance for each objective has yet to be established but will vary from six months to five years.[81]

Monitoring and Evaluation

INL reports that it is establishing a monitoring and evaluation (M&E) team that will monitor the progress of all of its criminal-justice programs in Iraq. According to INL, the M&E program will incorporate established, standardized measurement tools for all areas of INL assistance, including the PDP, justice, drug-demand reduction, pre-trial detentions, and corrections programs. The PDP reportedly will undergo a program review every six months. Other INL-administered programs will undergo evaluations according to their program plans, but no more frequently than quarterly.[82]

According to INL, the M&E team will monitor its Iraq programs predominantly through a computer-based reporting mechanism. INL said that it currently has this reporting mechanism in "beta" testing and will undergo further refinement in response to the work and results of the ongoing PDP-assessment task force.[83]

INL expects to dedicate four Iraq-based M&E specialists to its Iraq programs. The chief M&E specialist will work at U.S. Embassy-Baghdad, while the remaining three will operate out of each of three program hubs. INL estimates that it will have the M&E team fully staffed by mid-February 2012.[84]

Anti-Corruption Coordination Office

INL/ACCO coordinates all U.S. assistance to the GOI's main anticorruption institutions—the Commission of Integrity (COI), the inspectors general (IGs), and the Board of Supreme Audit (BSA). INL/ACCO currently oversees $29 million in U.S.-funded programs to support GOI anticorruption agencies, including a $6 million UN Development Programme (UNDP) initiative to assist the IGs. INL/ACCO also provides technical and programmatic support to the COI via DoJ's International Criminal Investigative Training Assistance Program (ICITAP) and training programs with the UN Office on Drugs and Crime on financial investigations, international legal cooperation, and computerized case management. This Report's Focus on Corruption at the end of Section 4 contains a complete list of INL/ACCO-supported programs.[85]

Assistance to the Higher Judicial Council

This quarter, INL funded two grants and three UN efforts to assist the Higher Judicial Council (HJC) in the area of court administration:[86]

- **Central Administration of Justice Sector.** Grantees are working with the Ministry of Justice and the Ministry of Labor and Social Affairs, the COI, and the HJC to establish strategic, operating, and budgeting processes within each institution.
- **Physical and Digital Data Archiving.** Through a $1.4 million grant, INL is working with the GOI to improve the physical and digital data archiving of justice sector.
- **Justice Data Management Program.** In September of 2011, INL pledged $3.8 million to UNDP to build upon work previously conducted by INL and their partners in the Iraqi Justice Integration Project.
- **Strengthening the Administration of Justice.** In September 2010, INL made a $3.2 million pledge to UNDP to improve the administrative and operational capacity of the judiciary and establish a pilot court complex.

INL/ACCO currently oversees $29 million in U.S.-funded programs to support GOI anticorruption agencies, including a $6 million UNDP initiative to assist the IGs.

- **HJC Outreach.** The HJC Outreach project, a $1.0 million pledge to the United Nations Educational, Scientific and Cultural Organization (UNESCO), was on hold during the reporting period awaiting a decision on whether it may be funded under P.L. 103-236, which prohibits the pledge of funds to an organization that admits Palestine as a member. Because the funds were pledged before the prohibition was triggered, INL awaits a decision on whether the funds may be transferred. (An unrelated U.S.-supported literacy initiative was also affected by the UNESCO issue.)

INL is in the process of delivering about $7 million of equipment to the HJC for court security in coordination with the U.S. Marshals Service (USMS). The purchase of this equipment is being funded with money remaining on a previous interagency agreement with USMS. Explosives detectors, vehicles, vehicle barriers, magnetometers, and other equipment will be provided, and USMS or other implementers may train the Iraqis on court security using this INL-donated equipment.[87]

With funds remaining on a previous interagency agreement with the U.S. Army Corps of Engineers (USACE), INL will procure generators for five courthouses in Iraq to enhance physical security and operational capacity. INL expects to complete the delivery of the generators by summer 2012.[88]

This quarter, INL also provided upgrades, such as paving sidewalks, to prepare the Judicial Development Institute (JDI) for handover to the GOI in spring 2012. Additionally, INL began preparations to train Iraqi staff on operations and maintenance procedures at the JDI.[89]

Counternarcotics

INL has entered into an agreement with the Substance Abuse and Mental Health Services Administration of the U.S. Department of Health and Human Services to enhance substance-abuse services in Iraq. This program is funded with $1 million in

FY 2010 INCLE appropriations and started in May 2011. It focuses on:[90]

- providing Iraqi healthcare professionals training in drug-abuse screening, brief intervention, and treatment
- supplying expertise to help the Ministry of Health establish a sustainable national Center of Excellence on Substance Abuse Services that will offer training on treating abuses, conduct research, and host a treatment center
- conducting epidemiological studies to gain a better understanding of the nature and extent of substance abuse in Iraq
- integrating substance-abuse services into the Iraqi primary healthcare system

Provincial Engagement

U.S. Presence in Other Provinces

U.S. Embassy-Baghdad's Office of Provincial Affairs (OPA) shut down on August 26, 2011, and the last Provincial Reconstruction Team (PRT), based in Diyala province, closed on September 10, 2011. While they were active, OPA and the PRTs were involved with the planning and implementation of ESF Quick Response Fund (QRF) projects and Provincial Reconstruction Development Council (PRDC) projects.

As listed in the subsection on the Iraq Strategic Partnership Office (ISPO), there were 21 ongoing PRDC projects, collectively valued at $52.2 million, as of December 31, and those projects were being managed by ISPO. According to U.S. Embassy-Baghdad, 70 QRF projects were completed during the quarter at a combined cost of $11.5 million, and no QRF projects were ongoing at the end of the quarter. Of the 70 completed QRF projects, 19 were minority-directive projects with a total value of nearly $4.5 million.[91] In the past, the Embassy has cited security reasons for declining to provide details, including location, for activities that assist Iraq's minority communities.[92]

> INL is in the process of delivering about $7 million of equipment to the HJC for court security.

The Embassy's Provincial Coordination Cell is now responsible for ensuring continued engagement and outreach in Iraqi provinces where the United States does not have a diplomatic presence. The Provincial Coordination Cell, which is overseen by the Embassy's Political Section, employs Iraqi Cultural Advisors in each province.[93]

Iraq Strategic Partnership Office

ISPO was created by Executive Order 13541 in May 2010 as a temporary organization at U.S. Embassy-Baghdad to "support executive departments and agencies in transitioning to a strategic partnership with the Republic of Iraq in economic, diplomatic, cultural, and security fields based on the Strategic Framework Agreement." ISPO assumed the functions previously assigned to the Iraq Transition Assistance Office (ITAO), including oversight of various reconstruction projects funded by ESF and the Iraq Relief and Reconstruction Fund (IRRF).[94] Now staffed by six people, ISPO is just over half the size it was in March 2011.[95]

All projects that ISPO currently oversees are funded by the ESF, and all but one are implemented by USACE. ISPO reported that four of those projects, together valued at almost $6.2 million, were completed this quarter. USACE reported last quarter that it had completed construction of two of them: a highway in Missan province and a school in Falluja. The other two projects that ISPO said were completed this quarter were for building a school in Sulaymaniyah and providing security at al-Mamoon Exchange and Communications Center in Baghdad.[96]

According to ISPO, it neither canceled nor reduced the scope of any of its projects this quarter;[97] and at the end of the quarter, 25 projects under its purview remained open. As shown in Table 3.2, these projects have a combined value of more than $53 million.[98]

In an audit issued this quarter that sought to determine if ISPO has a comprehensive and accurate process to provide information on U.S.-funded and completed projects to the GOI, SIGIR found that ISPO uses a narrowly focused definition of a reconstruction project and, as a result, the GOI receives only a partial inventory of all completed and transferred reconstruction projects.[99] For further details, see Section 5 of this Report.

About 28% of the costs of ISPO's ongoing projects are for the two phases of construction at the Missan Surgical Hospital site, making construction of that hospital the largest effort currently overseen by ISPO. As it did last quarter, ISPO again reported slow but steady progress at the work site. In October, ISPO said that it expected the project to be completed in November 2011, but this quarter the completion date has been moved to July 2012.[100] According to USACE, the contract for construction was first awarded in September 2007, with completion scheduled for May 2009.[101] When SIGIR inspected the project in early 2009, SIGIR identified significant design and construction deficiencies and a lack of funding commitment by the GOI.[102]

With U.S.-supported construction of the Basrah Children's Hospital having been completed in 2010, ISPO is now managing five other projects there involving the installation, operation, and maintenance of equipment, as well as facility management. These projects have a combined cost of more than $10 million. Although the hospital is currently receiving and treating patients, oncology services have not yet started there.[103]

Construction in Baghdad of the Wazeriya National Training Center, which will be used to train Iraqi personnel on electricity distribution, also is behind schedule. Originally planned for completion in September 2011, this $8 million project is now expected to be completed in June 2012.[104]

Bureau of Population, Refugees and Migration

The DoS Bureau of Population, Refugees and Migration (PRM), along with the USAID Office of

SIGIR found that the GOI receives only a partial inventory of all completed and transferred reconstruction projects.

TABLE 3.2
ONGOING ISPO-MANAGED PROJECTS, AS OF 12/31/2011
Dollars

PROGRAM	PROJECT	PROVINCE	IMPLEMENTING AGENCY OR GRANTEE	OBLIGATED	EXPENDED
Provincial Reconstruction Development Council	Wazeriya National Training Center	Baghdad	USACE	8,236,068	3,332,724
	Missan Hospital Phase 2	Missan	USACE	7,496,046	6,617,728
	Missan Hospital Phase 1	Missan	USACE	7,180,436	6,329,174
	Basrah Children's Hospital Install MRI CT Scanner	Basrah	USACE	7,000,000	0
	Primary Health Care Centers X-Ray Design Phase II	Nationwide	USACE	2,100,738	235,110
	Install Equipment for Basrah Children's Hospital	Basrah	USACE	1,817,370	528,785
	Facility Mgmt at Basrah Children's Hospital	Basrah	USACE	1,373,780	32,240
	Basrah Children's Hospital LINAC O&M and Training	Basrah	USACE	60,000	17,587
	Basrah Children's Hospital Install Lab Equipment	Basrah	USACE	20,000	0
	Buildings, Health, & Education Subtotal			**35,284,438**	**17,093,348**
	Fallujah Sewer System House Connections	Anbar	USACE	7,616,253	2,702,253
	Mosul Dam Early Warning System	Ninewa	USACE	1,180,000	175,537
	Review of Ministry of Water Master Plan	Baghdad	USACE	400,000	42,409
	Iraq Watershed Predictive Model	Nationwide	USACE	220,000	23,246
	Fallujah WWTP Operation & Maintenance	Anbar	USACE	110,328	12,799
	Water Subtotal			**9,526,581**	**2,956,243**
	Al-Musayab CT Commission Units 9 & 10 (Equipment)	Babylon	USACE	4,320,000	145,415
	Electricity Transmission System Study & Master Plan	Nationwide	USACE	1,500,000	8,452
	Electrical Distribution Master Plan, Anbar & Basrah	Anbar & Basrah	USACE	750,000	12,613
	EPPS Geospatial Mapping	Nationwide	USACE	20,000	17,388
	Electricity Subtotal			**6,590,000**	**183,868**
	Upgrades at Rusafa Courthouse	Baghdad	USACE	759,875	682,214
	Rusafa Courthouse & Witness Facility Defects	Baghdad	USACE	30,000	30,000
	Kahn Bani Saad Prison Study Assesment	Diyala	USACE	30,000	4,621
	Security & Justice Subtotal			**819,875**	**716,835**
	PRDC Projects Total			**52,220,893**	**20,950,293**
Ministerial Capacity Development	Help Build Capacity Development for Water Sharing Agreement with Syria, Iran, and Turkey	Baghdad	Compass Foundation	157,891	115,891
	MCD Projects Total			**157,891**	**115,891**
Capacity Development/ Operations, Maintenance, and Sustainment	Mosul Dam SME Advisory Group Support	Ninewa	USACE	514,987	168,696
	Rivers and Lakes Study	Nationwide	USACE	340,243	247,868
	OMS Procurement Additional Spare Parts	Nationwide	USACE	20,000	0
	CD/OMS Projects Total			**875,231**	**416,564**
All ISPO Projects Total				**53,254,015**	**21,482,748**

Note: Data not audited. Numbers affected by rounding.

Sources: U.S. Embassy-Baghdad, responses to SIGIR data call, 1/4/2012 and 1/12/2012.

U.S. Foreign Disaster Assistance (OFDA), provides support for voluntary returns and reintegration of refugees as well as improved access to basic services and basic humanitarian assistance for both refugees and IDPs. U.S. funding to address the needs of displaced Iraqi populations is coordinated with the office of the UN High Commissioner for Refugees (UNHCR), the International Organization for Migration, the U.N. World Food Program, Iraq's Ministries of Labor and Social Affairs, Planning and International Cooperation, Displacement and Migration, and non-governmental organization (NGO) partners.

With PRM support, UNHCR worked toward its 2011 target to improve the shelters of 7,800 IDP families and 9,500 returnee families, with a particular focus on the two provinces that receive the most returns: Baghdad and Diyala. During this quarter, PRM supported five new NGO programs inside Iraq. These partners are addressing livelihoods for women and youth, protection (including protection from gender-based violence), community capacity building, conflict resolution, and mental health.

Outside Iraq, PRM supports Iraqi refugees in Syria, Jordan, Lebanon, and Egypt through programs that provide assistance in the areas of education, vocational training, health, mental health, protection, shelter, and gender-based violence, as well as cash assistance for the most vulnerable and basic humanitarian assistance.[105]

PRM also manages the resettlement in the United States of Iraqi refugees and provides certain refugee benefits to Iraqi special immigrant visa (SIV) holders who request them. (The Bureau of Consular Affairs manages the Iraqi SIV Program.) As of December 27, a total of 62,496 refugees and 4,833 SIV holders who elected refugee benefits had resettled in the United States since October 1, 2006. Over that period, an average of 2,976 refugees and 230 SIV recipients of refugee benefits were resettled in the United States each quarter. During 2011, however, resettlements per quarter averaged more than a third less than the aggregate average. During the fourth quarter of 2011, the number of Iraqi

Table 3.3
Iraqi Resettlements in the United States

Period	Refugees		SIVs	
	Total	Quarterly Average	Total	Quarterly Average
10/1/2006–12/27/2011	62,496	2,976	4,833	230
1/1/2011–12/27/2011	7,945	1,986	570	143
10/1/2011–12/27/2011	824	824	220	220

Note: Numbers affected by rounding.

Sources: NEA-I, responses to SIGIR data calls, 1/5/2011, 5/29/2011, 7/1/2011, 9/29/2011, and 1/3/2012.

refugees (824) resettled was 72% below the average. The DoS Bureau of Near-Eastern Affairs-Iraq (NEA-I) reports that the decline in refugee benefit recipients was largely due to new security procedures instituted worldwide, which have significantly slowed processing. SIV holder admittances (220) remained on par with the aggregate quarterly average.[106] For more details, see Table 3.3.

Bureau of Democracy, Human Rights and Labor

Democracy and Civil Society Program
The DoS Bureau of Democracy, Human Rights and Labor (DRL) conducts foreign assistance programs that are intended to support Iraqi governance, human rights, and civil society. DRL reported that it has advised Iraq's CoR on increasing transparency and dialogue in the public policy-making process and has helped train political parties and candidates on national accommodation, political party campaign management and platform development, the role of civil society in political processes, and coalition building. DRL programs also provide training for Iraqi media professionals on investigative journalism, the importance of objective reporting, use of modern technologies in media, and business management best practices.[107]

Support for a National Women's Platform
DRL reported that its National Platform for Women working groups develop relationships and

As of December 27, a total of 62,496 refugees and 4,833 SIV holders who elected refugee benefits had resettled in the United States since October 1, 2006.

carry out workshops with citizens, government institutions, and relevant private and public organizations. The platform—a set of policy recommendations presented to the CoR in fall 2009—is intended to serve as a tool for integrating women in policy debates and as a means for parliamentarians and local government officials to respond to constituent needs and priorities.[108]

DRL's work to support a Multi-Party Women's Caucus continued this quarter. More than 125 women, representing approximately 40 political parties, claim membership in these caucuses, which facilitate dialogue between Iraqi women and local and national political leaders to elevate the visibility of women's concerns on travel rights, child welfare, citizenship rights, educational opportunity, and protection from domestic violence. The caucuses were an outgrowth of the National Platform for Women.[109]

Department of Justice

By the end of January 2012, DoJ expects to have 31 personnel in Iraq. The Office of the Justice Attaché will have eight personnel located at U.S. Embassy-Baghdad—the Attaché (the highest-ranking DoJ official in Iraq), the Deputy Attaché, the Associate Attaché, two Office of Overseas Prosecutorial Development Assistance and Training (OPDAT) Resident Legal Advisors (RLAs), the Senior Advisor to the Ministry of Justice, and two administrative support personnel. OPDAT will also have two more RLAs, one each at the U.S. Consulates in Basrah and Erbil. The FBI Legal Attaché office will have 12 personnel. In addition, there will be nine ICITAP corrections advisors (eight contractors and one DoJ employee).[110]

Office of the Justice Attaché

The Justice Attaché's mission focuses on coordinating DoJ's capacity-building efforts and, in cooperation with the FBI's Legal Attaché (Legat Baghdad), providing counsel on operational matters related to

> The FBI's mission focuses on counterterrorism, investigations and investigative task forces, intelligence development and information sharing, and capacity-development programs.

Iraq.[111] The Attaché serves as the Embassy's liaison to the HJC and to the Chief Justice of Iraq. Typically, the Attaché meets with the Chief Justice on a biweekly basis. The Attaché is also the Embassy's liaison to the Minister of Justice. In both of these roles, the Attaché handles numerous diplomatic, legal, and policy matters that arise and supports OPDAT and ICITAP initiatives.[112]

In 2012, the Attaché and the OPDAT RLAs intend to continue assisting the GOI in processing and preparing cases more effectively by identifying the most critical impediments to successful prosecutions, making recommendations to improve cases, and facilitating coordination among judges, police, and corrections personnel. As part of this effort, they consult with Iraqi judges on cases of U.S. interest, including those involving the wounding or killing of U.S. service members. In most such cases, the Iraqi judiciary has agreed that the matters should be heard before the Central Criminal Court of Iraq (CCC-I) in Baghdad. Due to the close proximity of this court to the Embassy, DoJ representatives have been able to maintain a relatively consistent presence there.

The Attaché also plans to continue participating in the Rule of Law International Policy Committee (RIPC). The Attaché co-chairs a RIPC sub-committee that is examining legal issues of mutual interest, such as requests for legal assistance and extradition.[113]

FBI Legal Attaché

The FBI's mission focuses on counterterrorism, investigations and investigative task forces, intelligence development and information sharing, and capacity-development programs involving MOI personnel. The FBI also serves as the primary investigative agency for and remains actively engaged with the DoD Personal Recovery Division and the RSO regarding investigations of missing, captured, and detained U.S. citizens.[114]

Legat Baghdad oversees all FBI activities in the country. During 2006–2011, Legat Baghdad partnered with experienced Iraqi investigators

under the auspices of the Major Crimes Task Force (MCTF), which was established to address complex crimes such as kidnappings, high-profile public corruption, politically motivated murders, and terrorist activity. In June 2011, Legat Baghdad transitioned its partnership with the MCTF from providing active investigators to the MCTF to maintaining one representative there to advise it on open cases. However, Legat Baghdad works directly with the MCTF on all terrorism cases involving U.S. citizens.

Legat Baghdad reported other objectives as well:[115]

- Engage with the MCTF and the Counterterrorism and Organized Crime General Directorate (CTOC) to support U.S.-based investigations.
- Participate in the International Contract Corruption Task Force (ICCTF), a multi-agency task force established to integrate investigative, intelligence, and prosecutorial resources to fight the increasing problem of fraud and corruption related to the U.S efforts in Iraq, Afghanistan, and Kuwait.
- Coordinate with other U.S. and GOI agencies to identify and develop sources of intelligence information and effectively disseminate intelligence derived from these sources.
- Direct the Threat Coordination Working Group (TCWG) to enhance intelligence collaboration among U.S. law enforcement, intelligence, and military entities working on issues concerning Iraq.

The FBI's capacity-building efforts focus primarily on the MOI and the Federal Information and Investigations Agency (FIIA). Legat Baghdad has designed and plans to deliver several training courses in the first quarter of 2012 that will bring MCTF, CTOC, the Counter Terrorism Service (CTS), and judicial investigators together to receive the same training to help them more effectively address counterterrorism and other investigative matters. Legat Baghdad reported that it will recommend to the MOI and FIIA that the MCTF should transition to an interagency Iraqi Joint Terrorism Task Force joining the existing MCTF

investigators to serve as the principal GOI counterterrorism organization.[116]

Legat Baghdad, INL, and the Assistant Deputy Minister for FIIA have also formed a committee to develop and implement a long-term, collaborative training strategy for FIIA. Courses planned for the coming months include:[117]

- a one-week seminar on terrorist financing and money laundering
- a two-week seminar on counterterrorism investigative awareness
- a one-week course on crisis management

Overseas Prosecutorial Development Assistance and Training

OPDAT RLAs (current DoJ attorneys) are assigned to Iraq for one-year periods to work on capacity-building initiatives. Funding for OPDAT RLAs is provided by DoS. In addition to working with Iraqi police and prosecutors, the RLAs also advise the CCC-I and other Baghdad-area courts on criminal-justice matters. OPDAT's ongoing objectives include facilitating cooperation between judges and police, advocating against coerced confessions, and developing policies and procedures that strengthen the Iraqi criminal-justice system's institutions. One OPDAT RLA assigned to the Embassy is specifically assigned to help the GOI's anticorruption agencies develop more effective measures to counter money laundering and terrorist financing.[118]

International Criminal Investigative Training Assistance Program

From 2003 to 2011, ICITAP has helped the Iraqi Corrections Service (ICS) to build and staff a nationwide network of 30 prisons that houses nearly 20,000 inmates and employs more than 12,000 staff. This program was funded through an interagency agreement with INL.[119]

On January 1, 2012, ICITAP began a new phase in its corrections-assistance mission, focusing its efforts on a pre-trial detentions program. The Iraq Pre-Trial Detention Assistance Program is designed to assist MOI detention staff with elevating their

Legat Baghdad transitioned its partnership from providing active investigators to the MCTF to maintaining one representative there to advise it on open cases.

TABLE 3.4

U.S. Treasury Office of Technical Assistance Status of Funds for Activity in Iraq, FY 2011–FY 2012
Dollars

	FY 2011			FY 2012		
	ALLOCATIONS	**OBLIGATIONS**	**EXPENDITURES**	**ALLOCATIONS**	**OBLIGATIONS**	**EXPENDITURES**
State 632 (b) Emergency Supp. P.L. 108-106	981,163	420,915	393,310			
State 632 (b) Emergency Supp. P.L. 111-117	1,972,100	597,793	373,560			
State 632 (b) P.L. 109-234				1,300,000	0	0
State 632 (b) P.L. 111-117 INL				1,900,245	0	0
Total	**2,953,263**	**1,018,707 (34.5%)**	**766,870 (26.0%)**	**3,200,245**	**0 (0%)**	**0 (0%)**

Note: Data not audited. Numbers affected by rounding.

Source: U.S. Treasury, response to SIGIR data call, 1/3/2012.

standards of operation. ICITAP plans to use a centralized approach in which Baghdad will be the focus of training activities, while providing on-site mentoring at a handful of select facilities. The goal is to work with the MOI to create within three-to-five years a set of model detention facilities operating in accordance with international standards.[120]

Department of Homeland Security

U.S. Embassy-Baghdad's Office of the DHS Attaché comprises 18 personnel from several component agencies:[121]

- CBP (8)
- Citizenship and Immigration Services (6)
- Immigration and Customs Enforcement-Homeland Security Investigations (2)
- USCG (2), funded by INL's PDP

These personnel advise GOI officials from several ministries on matters concerning immigration, customs, and border security.[122]

Department of the Treasury

For FY 2011, the Department of the Treasury's Office of Technical Assistance (OTA) obligated 34% and expended 26% of its almost $3.0 million appropriation for activities in Iraq. Table 3.4 summarizes

OTA's obligations and expenditures for FY 2011 and FY 2012. Funding supports a wide range of projects including tax, debt restructuring, financial enforcement, budgeting, and banking activities.[123]

OTA currently has six personnel stationed in Iraq—five personal-services contractors and one federal employee who has been detailed to OTA. Additionally, one third-country national supports OTA's mission.[124]

Suspension of Assistance to Iraq's Money Laundering Reporting Office

OTA's Economic Crimes Team placed a resident advisor in Baghdad in July 2011 to work with the Money Laundering Reporting Office (MLRO) at the Central Bank of Iraq (CBI) and other relevant GOI law-enforcement and financial-reporting agencies. This initiative, however, was stymied due to the inability of OTA staff to access MLRO personnel and the CBI's lack of support to the MLRO. The MLRO's offices are located outside the International Zone (IZ) in a high-security-risk area, making it difficult for OTA staff to travel there. Moreover, Treasury reports that attempts to obtain the CBI's support to move the MLRO office to the IZ have been unsuccessful. Because of these issues, OTA suspended its engagement with the MLRO in September 2011. Subsequently, the OTA advisor working with the MLRO was reassigned to assist the COI with financial investigations.[125]

The Economic Crimes Team is providing assistance to the COI on a significant ongoing

> This initiative was stymied due to the inability of OTA staff to access MLRO personnel and the CBI's lack of support to the MLRO.

investigation of former intelligence officials in the Ba'athist regime who allegedly transferred more than $1 billion in funds out of Iraq to circumvent international sanctions. These funds have been traced to Lebanon, France, Kuwait, Morocco, and Switzerland. To date, Kuwait has returned $117 million to Iraq and Switzerland has committed to return $136 million once a claim against these funds is adjudicated. Negotiations are underway with the other jurisdictions for the return of remaining assets.[126]

Programs Supporting the GOI's General Committee of Taxes

OTA's Revenue Team is assisting the GOI's General Commission of Taxes with ways to generate more revenue and broaden the tax base, including:[127]

- implementing a self-assessment system in the Large Taxpayer Unit (LTU) for tax declaration filing, acceptance, and processing
- enhancing tax return audit capacity for large taxpayer entities, particularly in the petroleum industry
- establishing a Taxpayer Service Department to improve the tax culture
- implementing an integrated tax processing system pilot program (TAGDEER) in the LTU

A draft Ministerial Order mandating the filing of tax declarations by large taxpayers was prepared with assistance from the Revenue Team and will be presented to the Minister of Finance for consideration. Moreover, at OTA's recommendation, the World Bank has tentatively agreed to include the TAGDEER project in its Public Finance Management portfolio, pending receipt of a formal request from the Ministry of Finance.[128]

CBI Advisory Program

OTA's Banking Team has two resident advisors working in Baghdad, with a third advisor providing support as needed. Their objective is to enhance CBI's supervision capabilities and promote the development and expansion of the private financial sector. This includes supporting the restructuring of two large state-owned banks (Rafidain and Rasheed) to help ensure profitability. In this area, the focus has been on improving organizational and balance-sheet structures, improving human-resource processes, and strengthening financial-reporting capabilities. The Banking Team also assists the CBI with a data project aimed at facilitating electronic submission of bank-reporting data and creating better analytical instruments for examiners and analysts. Treasury reports that the Banking Team's focus will remain substantially the same in 2012.[129]

In recent months, the Banking Team has created a project plan for the development and implementation of a CBI Reporting Framework and Centralized Data Repository Project. This project is designed to improve the ability of the CBI to receive and analyze financial information to support strategic decision making. The Banking Team also carried out a feasibility study for a Credit Information Bureau and developed stakeholder support for this entity.[130]

Assistance to the Ministries of Finance and Planning

OTA's Budget Team assists the Ministries of Finance and Planning and Development Cooperation in facilitating budget-execution workshops for ministry employees, creating and distributing a comprehensive investment budget manual, creating budget strategy and preparation documents, updating the GOI accounting manual, and publishing documents on their websites. In 2012, contingent on the availability of appropriate staff, the Budget Team plans to continue working with the ministries to improve the GOI's budget formulation and execution processes.[131]

Department of Transportation

U.S. Embassy Baghdad's Office of the Department of Transportation (DoT) Attaché is staffed by three DoT personnel and three additional staff provided

The Economic Crimes Team is providing assistance to the COI on a significant ongoing investigation of former intelligence officials who allegedly transferred more than $1 billion in funds out of Iraq.

by DoS. DoT personnel help the GOI rehabilitate its transportation infrastructure, develop and implement strategic plans for meeting international standards, and coordinate efforts to increase the skills of the various ministries responsible for the transportation sector. Funding for DoT's activities historically has come from DoS, DoD, and USAID.[132]

In 2012, DoT will continue to provide advice to the GOI's Ministry of Transportation, as well as the Ministry of Housing and Construction. Some of the main goals that continue to be priorities for the GOI include:[133]

- **Maritime sector**—achieving compliance with international port security standards, streamlining port operation and customs procedures, updating maritime laws and regulations, developing the port of Umm Qasr, improving facilities at al-Zubair to support liquid cargo movements, building a GOI Maritime Academy, and privatizing some port operations
- **Aviation sector**—achieving compliance with International Civil Aviation Organization standards, updating civil aviation laws, improving airport operations, and developing private airlines
- **Rail sector**—achieving the consistent use of rail communication and control systems, rehabilitating existing rail lines, developing new rail lines, and improving freight-rail service
- **Road sector**—establishing and operating a professional-knowledge and best-practices exchange center for highway engineers

Department of Commerce

The Department of Commerce goal in Iraq is to assist U.S. companies to identify and develop export and investment opportunities there. As of early January 2012, Commerce was represented by two officials stationed at U.S. Embassy-Baghdad. One DoS temporary ("3161") employee is also attached to the Commerce office, and one local Iraqi is expected to join the team in the near future.

Commerce is working with several U.S. companies to help them achieve access to the Iraq market.

Commerce's *Commercial Goal Paper* states that Erbil is "the preferred business gateway to Iraq, and Basrah [is] the country's energy capital." However, as of early January, Commerce had no representatives at the U.S. Consulates General in either city.[134]

Other Commerce objectives include:[135]
- doubling exports of U.S. goods and services over the next five years
- supporting continued economic reform and liberalization by promoting Iraq's accession to the World Trade Organization
- assisting the GOI in obtaining international financing for reconstruction and development projects

Commerce hopes to achieve these goals by using public outreach and exchange programs to generate support within Iraq for open markets, a rules-based trading system, and enforcement of protection of intellectual property rights. It is also working with several U.S. companies—including Boeing, General Electric, Afton Chemical, Neurologica, Medtronics, and AmeriQual—to help them achieve access to the Iraq market. Commerce reported that, in the coming months, its Foreign Commercial Service will begin offering a core menu of assistance services that have long been in demand by U.S. firms.[136]

Department of Agriculture

The Embassy's Office of Agricultural Affairs (OAA) has seven staff: the Agricultural Counselor, two local Iraqi personnel, a contract linguist, and three Agricultural Advisors who conduct capacity-development-related activities. The salaries and benefits of the three Agricultural Advisors are paid through an interagency agreement between DoS and the U.S. Department of Agriculture.[137] Funding for capacity-building activities has come from DoS through three separate tranches to date: FY 2009 supplemental funding and FY 2010 and FY 2011 allocations of the ESF.

With the closure of the PRTs in 2011, the OAA no longer has the ability to carry out agricultural development projects that reach Iraqi farmers. Therefore, the OAA's efforts are transitioning toward assisting the GOI in developing its agricultural sector and enhancing the market for U.S. agricultural products in Iraq. The OAA is also continuing capacity-building activities through its Agricultural Advisors in the areas of animal health, soil and water management, and agricultural policy. As in the past, the Agricultural Advisors are focused on government ministries, industry associations, and universities to strengthen institutions, improve technical capabilities, and promote sound agricultural policy. Increasingly, however, these activities are also focused on creating potential markets for U.S. agricultural products.[138]

Export-Import Bank and OPIC

The Export-Import Bank authorized just more than $25 million of short-term insurance in 2011 for U.S. companies conducting trade with Iraq. Two bank credit limits for the Trade Bank of Iraq were approved for use under JP Morgan Chase's letter-of-credit policy—$20 million to pay Caterpillar subsidiary Solar Turbines for gas turbines and a little more than $5 million for a letter of credit to pay for the purchase of 35,000 meters of carbon steel pipe sold by an unidentified U.S. supplier. It also insured two small shipments to Iraq with a combined value of $350,000.[139]

FIGURE 3.4

EXPORT-IMPORT BANK EXPOSURE TO SELECTED NATIONAL MARKETS, AS OF 9/30/2011
$ Millions (Ranking)
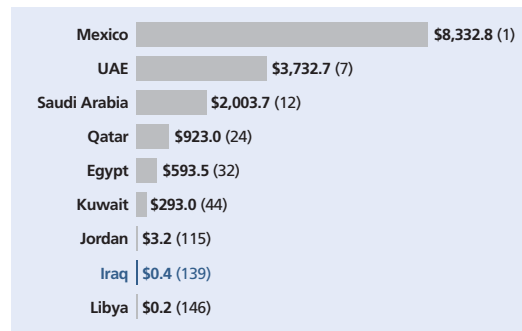
Note: Exposure represents that portion of loans, guarantees, and insurance that is in use.

Source: Export-Import Bank, *2011 Annual Report*, "FY 2011 Authorizations by Market," www.exim.gov/about/reports/ar/2011/Authorizations%20by%20Market.pdf, accessed 1/10/2012.

Demand for Export-Import Bank services for trade with Iraq is modest considering U.S. business activity there totaled nearly $3 billion during the first half of 2011. Because the letters of credit covered by the insurance issued in 2011 had yet to be utilized, the bank's total exposure in trade with Iraq at the end of September 2011 was just $430,098. That figure is a tiny fraction of the bank's total worldwide exposure of more than $89 billion.[140] Figure 3.4 compares the Export-Import Bank's exposure in Iraq with selected other U.S. trading partners.

OPIC reported no additional business with Iraq this quarter. Earlier in 2011, OPIC authorized a $20.5 million loan to Northern Gulf Rentals Ltd. to supply heavy equipment leasing in Iraq.[141] ◆

Demand for Export-Import Bank services for trade with Iraq is modest considering U.S. business activity there totaled nearly $3 billion during the first half of 2011.

DEPARTMENT OF DEFENSE AND PARTNERS

The U.S. military cased its colors in Iraq this quarter at a ceremony marking the end of a mission that spanned nearly nine years and cost U.S. taxpayers hundreds of billions of dollars. In a conflict that quickly toppled Saddam Hussein's regime but required years more effort to bring some stability to the country, 4,474 U.S. military personnel died—3,526 killed in action—and 32,226 were wounded.[142] Figure 3.5 shows the history of U.S. military presence in Iraq since 2003.

With the drawdown of U.S. troops and shutdown of the United States Forces-Iraq (USF-I), the Office of Security Cooperation-Iraq (OSC-I) is now the dominant DoD presence in Iraq, conducting all U.S. security assistance provided to the Iraqi Security Forces (ISF) through the ISFF, the Foreign Military Sales (FMS) program, and Foreign Military Financing (FMF).

U.S. soldiers guide tactical vehicles out of Iraq on December 6 for redeployment back to the U.S. Third Army. (U.S. Army photo)

FIGURE 3.5

U.S. MILITARY PERSONNEL IN IRAQ, 5/2003–12/2011
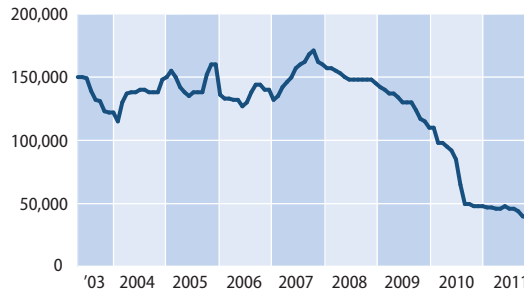
Source: Brookings Institution, *Iraq Index*, 11/30/2011, p. 13.

ISFF Funding Update

As of December 31, 2011, more than $1.3 billion in funds appropriated for the FY 2011 Iraq Security Forces Fund (ISFF) remained available for obligation.[143] The expenditure of FY 2011 ISFF has fallen significantly behind the spend plan developed for the transition of authority from USF-I to OSC-I. As of December 31, $169.0 million of FY 2011 ISFF had been expended, compared to the spend plan projection of $918.1 million. OSC-I attributes this slowdown in execution to the June 2011 transfer of acquisition processing authority from USF-I to the Defense Security Cooperation Agency (DSCA), as well as the slow rate of GOI approval of Iraq's cost share.[144] FY 2011 ISFF is available for new obligations until September 30, 2012.

For FY 2011 ISFF projects that have already been executed, the GOI has exceeded its 20% cost-sharing minimum required by P.L. 111-383.

Moreover, according to OSC-I, the GOI has been providing 100% cash to meet the cost-sharing requirement (that is, no in-kind contributions). OSC-I reported that it does not obligate monies from the ISFF until GOI funds have been deposited into a U.S. Treasury account. As of December 31, 2011, the GOI had provided just over $63 million (27%) to match the FY 2011 ISFF toward a total case value of $232.0 million.[145]

Office of Security Cooperation-Iraq

On October 1, 2011, OSC-I was activated and assumed management of the FMS program from the

> The expenditure of FY 2011 ISFF has fallen significantly behind the spend plan developed for the transition of authority from USF-I to OSC-I.

USF-I's Advising and Training Mission.[146] OSC-I operates out of 10 sites across Iraq. Five offices are located near Iraqi military locations: Baghdad (at the Embassy Military Attaché and Security Assistance Annex, formerly called Union III), Tikrit, Umm Qasr, Taji, and Besmaya. Program offices will also operate from the Consulate locations in Erbil, Basrah, and Kirkuk, as well as the Baghdad Police Academy Annex (formerly Joint Security Station Shield) and the Baghdad Diplomatic Support Center (formerly Joint Security Station Sather).[147] All OSC-I security assistance and security cooperation programs will be carried out by the respective OSC-I service sections (Army, Navy, Air Force, Army Aviation, MOI, Logistics) under approval of the OSC-I Chief and in coordination with the Chief of Mission.[148]

The OSC-I is currently staffed with 149 military and 7 civilian personnel.[149] The Embassy-based activity is also expected to support up to 763 Security Assistance Team (SAT) members at 10 locations across Iraq to execute 70 multi-case, multiyear FMS efforts.[150]

The current mission of OSC-I is largely confined to the FMS caseload, although future U.S. government-GOI negotiations may set new parameters for the authorization of any additional training forces.[151] OSC-I reported that it currently provides the GOI's MOD and MOI "minimum advisory capability." OSC-I is not currently funding or supporting any police training program.[152]

In November, SIGIR met with Lieutenant General Robert Caslen, the Chief of OSC-I. General Caslen reported three main OSC-I objectives for assisting the ISF in 2012:[153]

- improving external defense capacities, with an emphasis on guarding Iraq's lengthy border with Iran
- building an integrated air-defense system that incorporates interceptors (F-16s), a ground-based radar network, and surface-to-air missiles
- developing a "culture of maintenance" throughout the ISF that would enable it to use weapons systems throughout their full service lives, as

opposed to scrapping them prematurely because of poor maintenance

General Caslen noted, however, that OSC-I is reevaluating its plans in all of these areas in light of the withdrawal of U.S. troops and the uncertain security situation.[154]

Foreign Military Sales Program

Through the FMS program, the United States works with the GOI to facilitate the purchase of U.S.-made equipment. Alternatively, the GOI can elect to contract directly with a U.S. company or enter into deals with third-country providers. In the November meeting with SIGIR, the OSC-I official in charge of the FMS program reported that approximately 40 to 50 OSC-I personnel are actively involved in managing 145 active FMS cases. As of November 2011, the United States had "banked" more than $10 billion from FMS cases.[155]

The GOI's interest in the FMS program waxes and wanes, peaking when Iraqi officials are criticized by the media and international organizations for allegedly corrupt procurement processes. Such allegations often arise in the aftermath of GOI weapon deals with non-U.S. companies, including those in Eastern Europe, the former Soviet Union, and the People's Republic of China.[156]

The FMS program may remain an attractive option for the GOI because it allows the purchase of sophisticated military systems via relatively transparent—and, therefore, difficult-to-criticize—procurement processes. According to OSC-I leaders, however, the ability of the ISF to derive maximum benefit from the program continues to be impeded by several major challenges:[157]

- **Lack of procurement and management training.** Despite having made substantial improvements over the past several years, some ISF officials involved in the FMS program lack the necessary training to manage cases efficiently—particularly in the MOI.
- **Reluctance to make decisions.** Having matured under an authoritarian system where mistakes

As of November 2011, the United States had "banked" more than $10 billion from FMS cases.

had potentially grave consequences, ISF officials are often reluctant to take responsibility for making decisions on high-value programs. Moreover, complex procurement regulations combined with severe provisions of the Iraqi Penal Code (which criminalize acts that would be regarded as mistakes or waste under U.S. law) also inhibit ISF decision making on FMS cases. For example, many mid-level ISF managers choose to postpone key decisions indefinitely out of fear that their political enemies will seek to criminalize their actions by accusing them of corruption.

- **No permanent Ministers of Defense and Interior.** The general reluctance to make decisions is exacerbated by the continued lack of permanent Ministers of Defense and Interior—a situation that results in all major FMS decisions being made by the Office of the Prime Minister.
- **Shortage of fluent English speakers.** The ISF lacks a sufficient number of English speakers capable of grasping the highly technical instruction needed to fully comprehend many of the advanced U.S. systems procured via the FMS program. The lack of English speakers is a particular problem in the Iraqi Air Force because of the technological sophistication of systems, including the F-16 aircraft.
- **Limited but growing grasp of U.S. weapon capabilities.** The most senior ISF leaders, whose military experience prior to 2003 centered mainly on using Warsaw Pact systems, are only gradually beginning to appreciate the capabilities of advanced U.S. weapon systems. Those ISF leaders who have worked closely with U.S. units employing weapons such as the M1 Abrams main battle tank "get it," but are only now beginning to move into decision-making positions where their first-hand knowledge will influence procurement decisions. For instance, the Iraqi Army (IA) general commanding the 9th Division—a unit with considerable experience with U.S. weapon systems—is slated to move into a management position at the MOD, where he will have input into purchasing equipment for the ISF.

> A significant deterioration in the security situation could cause private contractors supporting OSC-I to reconsider their presence in Iraq.

- **Overreliance on short-term maintenance contracts.** By continuing to rely on one-year maintenance and support contracts, the ISF spends a disproportionate amount of time processing contract paperwork each year. This expenditure of time could be reduced by moving to three-year contracts, which would free up more time for mission-critical tasks.

Operational Challenges

The future of the FMS program will also be affected by the inability of OSC-I to coordinate significant field training with the ISF. Initial OSC-I plans anticipated the presence of a residual U.S. military force capable of providing large-scale combined-arms training to the ISF. However, with the withdrawal of the last U.S. troops, ground-forces training above the platoon level will need to be conducted via other means and coordinated through OSC-I. The IA's continued involvement in domestic security operations also makes it difficult to conduct training. IA units playing critical roles in Baghdad, Diyala, Ninewa, and Tameem provinces do not have the time to stand down from these operations to train.[158]

Describing OSC-I's mission as "terrifically complicated," OSC-I officials stated that the lack of robust transportation assets will mean that OSC-I will try to avoid moving personnel among its 10 sites. OSC-I personnel ground movement between sites is not a viable option because of the security situation. General Caslen stated that he would like to visit three sites per week; however, it is unclear to what extent OSC-I will be able to use DoS air assets to move among locations. In addition, a significant deterioration in the security situation could cause private contractors supporting OSC-I to reconsider their presence in Iraq. Contractors play an integral role in many FMS cases. For example, General Dynamics provides trainers who instruct ISF tankers on the M1 Abrams at Besmaya Range Complex.[159]

In early November, SIGIR officials traveled to the OSC-I site at Besmaya. Located 30 miles outside of Baghdad, Besmaya is home to approximately

SIGIR visit to Besmaya in November 2011.

30 General Dynamics contractors who train IA personnel on the 140 M1 Abrams main battle tanks (M1A1s) that the GOI purchased as part of an $800 million FMS case. Performance on the General Dynamics contract with the U.S. government is supervised by a U.S. government employee working for OSC-I. Contract requirements were generated by the MOD in consultation with U.S. military advisors. U.S. Central Command funds have been used to pay life-support costs, including food and lodging, for the contractors at Besmaya. The contract is scheduled to expire in January 2012, but is almost certain to be renewed.[160]

Under the terms of the contract, General Dynamics is responsible for delivering the tanks to Besmaya, where they are inspected and signed for by four IA generals. The contract's training of IA personnel involves three phases: familiarization with the M1A1, operating instruction, and live-fire exercises. Training focuses on the use of tanks to combat conventional external threats and does not emphasize the use of armor in urban counterinsurgency operations. General Dynamics is training a core cadre of IA tankers who will serve as instructors for follow-on classes.[161]

The M1A1 has the same capabilities as those previously sold to Egypt but is less capable than the M1A2s that currently serve as the backbone of the U.S. tank force. Of the IA personnel training on the M1, most have previous experience with either tanks or armored personnel carriers; only about 10%–15% are completely new to service in armored corps. Most of the gunnery practice is conducted on advanced computer simulators in the only computer-generated target course in Iraq. This reliance on simulations is due to the prohibitive expense of live-fire training, with some rounds costing as much as $8,000 each. About 900 IA personnel reside at Besmaya, and the MOD pays for their food and housing costs.[162]

The contract also requires General Dynamics to provide logistics and maintenance support for the tanks. The trainers with whom SIGIR spoke at Besmaya stated that the IA must improve its commitment to maintenance to get full value from the M1A1. They estimated that it would take more than 60 full-time U.S. contractors to maintain the M1A1s in battle-ready condition. In contrast, 2 U.S. contractors oversee M1A1 maintenance in Kuwait, and 12 contractors oversee maintenance in Saudi Arabia, both of which operate more M1A1s than Iraq. However, the M1 program in Iraq is in its infancy, whereas Kuwait, Egypt, and Saudi Arabia have been operating M1 tanks for the past two decades. OSC-I is currently working on a three-year plan to reduce the IA's reliance on U.S. maintenance personnel.[163]

Overall, no change is expected in the execution of the FMS program as a result of the transition from USF-I to OSC-I. This program is primarily regulated by the Foreign Assistance Act. According to the DSCA, there are two points that should be noted about the transition. First, any anomalies associated with the Iraq FMS program will continue to shift toward a more "normal" implementation. The Iraq program will increasingly look more like all of the other FMS programs around the world. Second, the program will experience some short-term turbulence due to the dramatic decrease in the U.S. footprint. FMS activities that heretofore were greatly facilitated by U.S. personnel will now fall increasingly to the Iraqis for planning and execution. Additional turbulence will be generated by the creation of new policies and procedures related to the physical execution of the FMS program.

The IA must improve its commitment to maintenance to get full value from the M1A1.

New visa procedures, life-support procedures, and transportation procedures will complicate program execution until they are resolved.[164]

Recent FMS Cases

On December 12, 2011, DSCA notified the Congress of a possible second FMS sale of 18 General Dynamics F-16IQ aircraft, associated equipment, parts, weapons, training and logistical support to the GOI. Valued at an estimated $2.3 billion, the proposed sale will require multiple trips to Iraq involving U.S. government and contractor representatives for technical reviews and support, program management, and training over a period of 15 years.[165] If funded and approved, this deal would bring the total number of F-16s in the Iraqi Air Force to 36.

As of December 31, 2011, total FMS commitments comprised 196 Iraqi-funded FMS cases, valued at approximately $7.8 billion, and 225 U.S.-funded "pseudo-FMS" cases, valued at approximately $2.5 billion. Of the more than $2.6 billion in equipment and projects already delivered, the GOI funded nearly 56%.[166]

See Table 3.5 for an update on FMS cases.

> Of the more than $2.6 billion in equipment and projects already delivered, the GOI funded nearly 56%.

End of NATO Training Mission-Iraq

On December 12, North Atlantic Treaty Organization (NATO) announced that its mission in Iraq would conclude by the end of the year because it was unable to reach an agreement with the GOI over the immunity of its personnel from prosecution under Iraqi law for the commission of certain

NATO trainers work with ISF personnel in Baghdad in December 2011. (NATO photo)

crimes. This unexpected decision led to the abrupt withdrawal of the approximately 130 NATO Training Mission-Iraq (NTM-I) personnel from Iraq and will affect OSC-I's mission in 2012.[167]

NATO and the GOI had signed a long-term agreement to provide training support for the ISF on July 26, 2009. Under the arrangement, NATO personnel were guaranteed legal protection through December 2011. Since inception, 23 NATO member countries and one partner country have contributed directly to the training effort by providing personnel, funding, or equipment donations.[168] In his November meeting with the Inspector General, the OSC-I Chief emphasized that NTM-I was to be a key part of plans to assist the ISF: OSC-I would focus on training and equipping the ISF, and NTM-I would prioritize professionalizing the Iraqi officer corps and providing advanced military education to ISF personnel. General Caslen stated that several NATO countries had already expressed an interest in working with the ISF in specific areas—including Turkey, on border security; and Poland, on logistics. General Caslen added that senior MOD officials hold NATO in great esteem, and they had been eager to learn from NTM-I. Stressing the importance of NATO's continued involvement, General Caslen told the Inspector General that NTM-I was a crucial component in OSC-I's strategic planning. As of mid-January, OSC-I was reviewing its options for filling the gaps left by NTM-I's departure.[169]

Table 3.5
Status of FMS Cases, as of 12/31/2011
$ Billions

	Delivered	Committed
GOI-funded	1.46 (56%)	7.83 (76%)
U.S.-funded	1.17 (44%)	2.51 (24%)
Total	**2.63**	**10.34**

Source: OSD, response to SIGIR data call, 1/5/2012.

U.S. Army Corps of Engineers

Since 2003, USACE has completed more than 5,000 reconstruction projects in Iraq at a construction cost of about $8.4 billion.[170] USACE has implemented IRRF and ESF projects overseen by ISPO and its predecessors; projects funded by the ISFF, INCLE, and the Commander's Emergency Response Program (CERP); Operations and Maintenance, Army (OMA) projects; and projects for the GOI under the Foreign Military Sales (FMS) program.

This quarter, USACE completed 14 projects (including two non-construction projects), with a combined value of $53.8 million. The largest was a $16.7 million FMS project to build a road along the Syrian border. The other completed projects were funded by the ISFF (eight projects with a combined cost of $34.6 million) and the ESF (five projects with a combined cost of $2.5 million). [171]

Of the 14 projects categorized as completed, four were ISFF-funded construction projects that were terminated for default. These terminated projects had a combined value of almost $9 million, and USACE expects to re-award all of them. USACE also reported that it was preparing local transfer packages for the other eight construction projects completed this quarter. DoS is responsible for performing the actual transfers.[172]

According to an audit report that SIGIR issued this quarter, USACE terminated 55 Iraq reconstruction contracts from June 2008 through April 2011. Of that total, 31 were terminated at the convenience of the government because requirements changed and the services were no longer needed, and 24 were terminated for default due to poor contractor performance. Based on the documentation that SIGIR reviewed, SIGIR believes better planning and coordination by USACE, its customers, and the Iraqi government might have prevented $1.9 million in wasted funds that could have been put to better use. Further details on this audit are in Section 5 of this Report.[173]

At the end of the quarter, USACE was managing 29 ongoing projects in Iraq, with a combined

FIGURE 3.6

**NUMBER AND VALUE OF ONGOING USACE PROJECTS IN IRAQ AT END OF QUARTER, 9/30/2010–12/31/2011**

Sources: USACE, responses to SIGIR data calls, 10/6/2010, 1/4/2011, 4/5/2011, 7/18/2011, 10/5/2011, and 1/12/2012.

value of more than $256 million—down from 235 projects, collectively valued at almost $1.27 billion, at the end of September 2010 (see Figure 3.6).[174] The largest ongoing project at the end of this quarter was a $48 million ISFF-funded effort to plan, design, and build the new National Police Sustainment Brigade Complex in Baghdad. The next two largest projects, with a combined cost of $58.4 million, are FMS projects for the construction of a 95-kilometer highway along the Iraq-Iran border.[175]

USACE reported to SIGIR that the withdrawal of U.S. forces from Iraq has adversely affected the ability of the Iraq Area Office (IAO) of USACE's Middle East District (MED) to properly oversee projects with Department of Army civilian staff. According to USACE, the increased security measures imposed by the GOI upon the withdrawal of U.S. troops have significantly restricted the movement of USACE's civilian personnel and its contracted security escort teams, including their ability to access projects. USACE closed its project office in Basrah on October 1, has reduced its Tikrit project office from six DoD civilians to one DoD civilian and three local Iraqis, and expects to close its project offices in Tikrit and Taji by the end of March (at which time they will be consolidated at the Embassy Military Attaché and Security Assistance Annex,

> The increased security measures imposed by the GOI upon the withdrawal of U.S. troops have significantly restricted the movement of USACE's civilian personnel and its contracted security escort teams.

FIGURE 3.7

CONTRACT VALUE OF ONGOING AND PLANNED USACE PROJECTS, BY FUNDING SOURCE, AS OF 12/31/2011
$ Millions
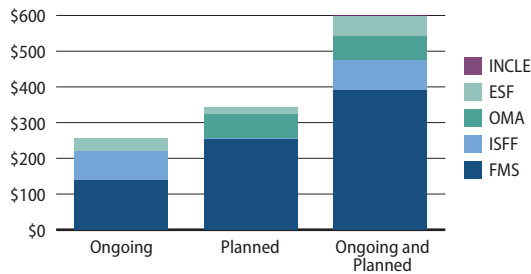
Note: Data not audited.

Source: USACE, response to SIGIR data call, 1/12/2012.

FIGURE 3.8

UNEXPENDED FUNDS FOR ONGOING AND PLANNED USACE PROJECTS, BY FUND, AS OF 12/31/2011
$ Millions
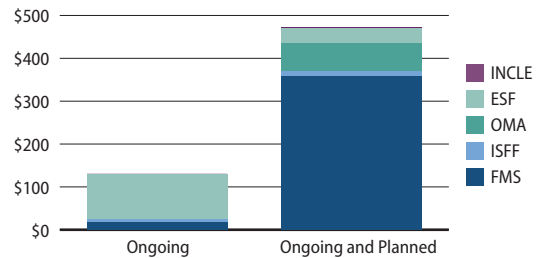
Note: Data not audited.

Source: USACE, response to SIGIR data call, 1/12/2012.

In 2012, USACE plans to start 22 projects, collectively valued at $343 million.

formerly called Union III). Meanwhile, IAO has shifted most of its construction quality-oversight responsibility to local Iraqis.[176]

On December 5, MED awarded a $5 million one-year contract to Versar, Inc., for on-site construction management support for its projects in Iraq. Under the contract, local Iraqi engineers and technical support personnel will perform quality assurance, on-site monitoring, and related services at the sites of USACE's remaining construction projects in various parts of the country. The contract includes a provision for one option year, which would extend the contract to December 2013, at an additional cost to the U.S. government of $4.9 million.[177]

In 2012, USACE plans to start 22 projects, collectively valued at $343 million. These projects are in the pre-award stage. Four FMS projects, with a combined cost of almost $253 million, account for nearly three-fourths of the total amount, while ESF, ISFF, and INCLE projects together account for less than 7%.[178]

Figure 3.7 shows a breakdown of USACE's ongoing and planned projects by funding source. For the ongoing projects, almost half of the contract costs have already been paid to the contractors. Figure 3.8 shows how much was yet to be expended on the ongoing and planned projects as of December 31, 2011. ◆

# U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID has been a major contributor to the reconstruction effort in Iraq since 2003, working closely with the GOI, as well as regional and local governments and other international assistance agencies. Initially, its programs focused on restoring essential services, managing conflict, and helping build the foundations of democracy. In recent years, USAID programs have concentrated on issues such as entrepreneurship and programs that will provide Iraqis the tools to rebuild and strengthen the country's key institutions.[179] From October 1, 2010, through September 30, 2011, as shown in Figure 3.9, USAID's activities in Iraq ranked as the agency's 12th largest in the world in terms of obligated funding levels—less than one-fifth the size of its program in Afghanistan.[180]

At the end of 2011, USAID administered assistance under 10 ESF programs in Iraq (in addition to its OFDA assistance) and maintained a presence in all 18 provinces. USAID mission staff in Iraq totaled 82—including 27 foreign service officers, supported by a staff of 16 Iraqis and 39 other U.S. and third-country nationals, but excluding security and life-support functions.[181] USAID is currently working on its first Country-wide Development Strategy for Iraq and is in the process of conducting assessments and gathering lessons learned.[182]

ESF obligations to USAID programs account for approximately 63% of all ESF obligations in Iraq.[183] For complete details on the ESF, see Appendix C.

As of December 31, 2011, USAID had been allocated $520 million from the FY 2010 and FY 2011 ESF for its programs in Iraq. According to USAID, it had obligated 100% of the FY 2010 funds and 57% of the FY 2011 funds. However, it had expended only 31% of the obligated FY 2010 funds and none of the FY 2011 funds.[184] Table 3.6 shows FY 2010 and FY 2011 ESF obligations and expenditures for USAID's programs in Iraq. As of mid-January, the

FIGURE 3.9
USAID OBLIGATIONS, 10/2010–9/2011, IRAQ VS. OTHER COUNTRIES
$ Millions (Ranking)
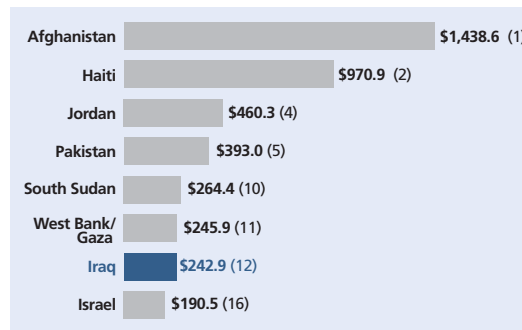
Note: Data not audited. Numbers affected by rounding.

Source: USAID, "Where Does USAID's Money Go?" www.usaid.gov/policy/budget/money/, accessed 12/12/2011.

FY 2012 allocation of the ESF for USAID activities in Iraq had not yet been reported.

USAID documents indicate that a small number of prime contractors have been selected to implement USAID programs in Iraq, and the financial relationships of these contractors with USAID are defined by either contracts or cooperative agreements.[185] To implement the programs under contract or cooperative agreement, a recent USAID Office of Inspector General (OIG) survey notes that USAID prime contractors frequently use subawards, and programs frequently are multiyear.[186] Funds are considered obligated when USAID enters into a contract or cooperative agreement.

> USAID is currently working on its first Country-wide Development Strategy for Iraq.

TABLE 3.6
USAID FY 2010 AND FY 2011 ESF ALLOCATIONS, OBLIGATIONS, AND EXPENDITURES, AS OF 12/31/2011
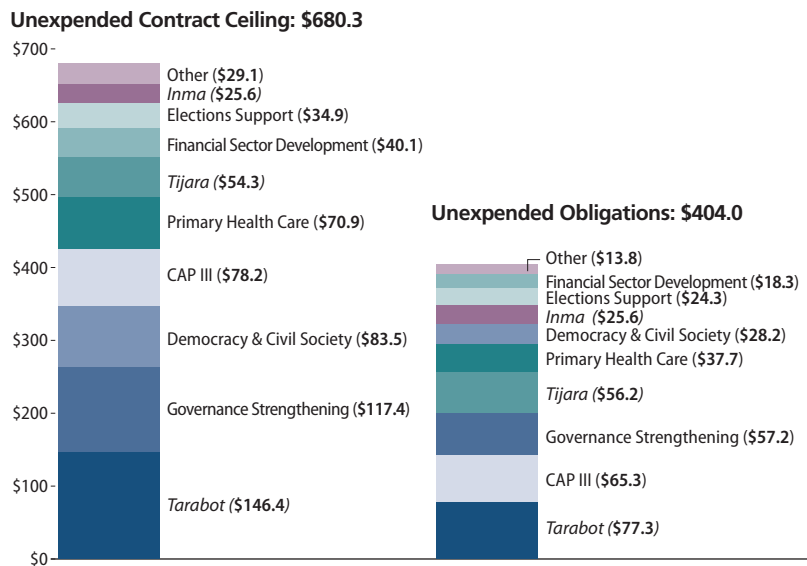$ Millions

APPROPRIATION	ALLOCATED	OBLIGATED	EXPENDED
FY 2010	242.5	242.0	74.8
FY 2011	277.6	157.0	0.0
Total	**520.1**	**399.1**	**74.8**

Note: Data not audited. Numbers affected by rounding.

Sources: NEA-I, response to SIGIR data call, 12/29/2012; USAID, response to SIGIR data call, 1/16/2012.

ACTIVE USAID ESF-FUNDED PROGRAMS, AS OF 12/31/2011
$ Millions

Unexpended Contract Ceiling: $680.3

Other ($29.1)
Inma ($25.6)
Elections Support ($34.9)
Financial Sector Development ($40.1)
Tijara ($54.3)
Primary Health Care ($70.9)
CAP III ($78.2)
Democracy & Civil Society ($83.5)
Governance Strengthening ($117.4)
Tarabot ($146.4)

Unexpended Obligations: $404.0

Other ($13.8)
Financial Sector Development ($18.3)
Elections Support ($24.3)
Inma ($25.6)
Democracy & Civil Society ($28.2)
Primary Health Care ($37.7)
Tijara ($56.2)
Governance Strengthening ($57.2)
CAP III ($65.3)
Tarabot ($77.3)

Note: The Democracy and Civil Society program area includes the Access to Justice Program and the Legislative Strengthening Program.

Source: USAID, response to SIGIR data call, 1/3/2012.

Taking into account funding from all fiscal-year appropriations, USAID had $404 million in unexpended obligations for its ESF programs in Iraq as of December 31, 2011. If these ongoing programs all are eventually funded to the levels allowed by the contract ceilings, the unexpended value of USAID's current programs in Iraq would total $680 million.[187] By providing a program-by-program breakdown of these committed and planned expenditures, Figure 3.10 shows USAID's current areas of emphasis in Iraq.

New Programs

Five of the current programs were launched in 2011.

Five of the current programs were launched in 2011. Two are multiyear, $100 million-plus efforts to improve governance and strengthen government administrative services: the Iraq National and Provincial Administrative Reform Project, called *Tarabot* (Arabic for "linkages"); and the

Governance Strengthening Project. The other three are a multiyear primary healthcare project, a one-year educational survey and assessment, and the renewed elections support program.[188]

For the *Tarabot*, Governance Strengthening, Primary Health Care, and Elections Support programs, DoS reported that USAID is working with each of these program's GOI or provincial-government counterparts to develop cost-sharing plans. In all cases, GOI cost contributions are expected to be largely "in-kind"—that is, in goods and services rather than funds.[189] As discussed in Section 2 of this Report, the Senate Appropriations Committee has called for a reduction in funding for *Tarabot* and the Governance Strengthening Project.

National and Provincial Administrative Reform (*Tarabot*)

The four-year $151.3 million *Tarabot* project began in June 2011 and is implemented by Management Systems International (MSI). The program has three core components: civil service reform, national policy management, and administrative decentralization. Its Iraqi partners include central and provincial government entities, the Office of the Prime Minister, the High Commission for Civil Service Reform and the offices of provincial governors. *Tarabot* is a successor to the 5-year $339 million *Tatweer* program that ended in 2011 and focused on building capacity of national government institutions.[190]

This quarter, *Tarabot* finalized plans with the Office of the Prime Minister to launch a comprehensive program of regulatory reform, focusing on those regulations that impede economic growth. The $4 million cost of the 3-year program will be shared with the PMO. In addition, *Tarabot* worked with the High Commission for Civil Service Reform to substantially complete draft legislation to revamp Iraq's antiquated civil service system.[191]

An important part of the *Tarabot* program is to assist line ministries in Baghdad in transferring some tasks to provincial-level ministry directorates or governors' offices. As part of this effort, the program reports working to build the capacity of

sub-national government entities to procure and manage capital projects. Program activities are being closely coordinated with the World Bank and the Ministry of Planning and Development Cooperation, and the three entities have formed an informal working group on procurement. Under *Tarabot*, USAID and the World Bank are cooperating on efforts to develop a Procurement Information Management System for the GOI.[192]

Governance Strengthening

The five-year, $117 million Governance Strengthening Project began this quarter with the award of a four-year, $98 million prime contract to Chemonics International. (The contract value would rise to $117 million if the option for a fifth year is exercised.) The goal of the program is to strengthen provincial and local government capacity to respond more effectively to citizen needs. The program is expected to engage with provincial governments and local councils in all Iraqi provinces and focus on legal reform, institutional strengthening, and executive oversight.[193]

Primary Health Care

Started in March 2011, the four-year $75 million Primary Health Care Project in Iraq aims to strengthen the delivery of primary healthcare services throughout the country. The program's prime contractor is University Research Co., LLC. USAID reported that project staff spent the

USAID-supported primary healthcare clinic in Kirkuk. (USAID photo)

quarter finalizing administrative tasks, including completion of a delayed memorandum of understanding that had been signed with its main partner, the Ministry of Health, in September 2011. This quarter, the Primary Health Care Project worked with the GOI to conclude a baseline survey of primary healthcare facilities. The program also drafted preliminary healthcare protocols for priority health services and leadership and management materials for health center operations. The program is expected to operate in at least 360 healthcare centers throughout the country. USAID reported that it has overcome the challenges of recruiting local and expatriate staff to serve as provincial coordinators as well as GOI visa regulations that had caused initial delays.[194]

Elections Support

Elections Support is one of the longest-running USAID areas of assistance in Iraq. On September 30, 2011, USAID ended its 7-year Electoral Technical Support Project and the following day launched its successor, a three-year $36 million capacity-building Elections Support Project. The project began this quarter by conducting a workshop for the finance department of Iraq's Independent High Electoral Commission—the program's main Iraqi partner—on the principles of government finance in the electoral process. The Consortium for Elections and Political Process Strengthening holds the prime contract for the program, which is not subject to a matching funding requirement.[195]

Iraq Education Survey Project

Under a year-long project called *Maharat* (Arabic for "skills"), USAID's prime contractor RTI International will work with the Ministry of Education to conduct surveys in school management effectiveness, reading, and math skills and to assess the capacity of teacher-training institutes. The survey focus is grades one through three. Results of the survey will be used to support a new primary education project in late 2012. The $3.7 million *Maharat* project began in October.[196]

The Primary Health Care Project is expected to operate in at least 360 healthcare centers throughout the country.

Ongoing Programs

Provincial Economic Growth

The five-year, $174.2 million Provincial Economic Growth Program, called *Tijara* (Arabic for "trade"), is due to end in early 2013. USAID's implementing contractor for the program is the Louis Berger Group. *Tijara* supports a chain of microfinance institutions around Iraq as one of several initiatives to support start-up businesses as well as small and medium enterprises. According to USAID, the program's support of the Iraqi Youth Initiative this quarter generated loans totaling over $400,000 to more than 100 young entrepreneurs and has resulted in the creation of over 900 direct jobs and indirect employment for an additional 450. At the national level, the program this quarter finalized a report on Iraq's commitments in business services sectors, a preliminary step in Iraq's preparation for World Trade Organization accession.[197]

Financial Sector Development

The five-year, $53 million Financial Sector Development Program partners with the Central Bank of Iraq to strengthen institutions, especially the country's poorly managed, ill-equipped banks. The program's annual report for the year ending September 30, 2011, remained under review at the end of this quarter, with USAID requesting additional information from the contractor, AECOM International Development. USAID also indicated it planned no specific follow-up actions for its survey of Iraq's private-sector banking system released during the third quarter of 2011. The survey was the first known attempt to collect in-depth data on Iraq's private banks.[198]

> USAID indicated it planned no specific follow-up actions for its survey of Iraq's private-sector banking system released during the third quarter of 2011.

Access to Justice

Part of the Democracy and Civil Society program area, the $63 million Access to Justice Program supports Iraqi civil society organizations in their efforts to assist vulnerable groups, including women, internally displaced, minorities, disabled and individuals without identity documents.

Currently, the program supports vulnerable populations in Baghdad, Tameem, Kerbala, and Ninewa provinces, as well as in the Kurdistan Region.

This quarter, according to USAID, project funds were used to support the teaching of practical legal clinic courses to students at the Baghdad and Salahaddin Law Schools. Additional assistance was provided to the Iraqi Bar Association to improve a draft Law of Lawyers and to train young members of the Bar on human rights issues. Two new grants issued under the program will be used to educate women in unregistered marriages in Sulaymaniyah on their legal rights and to provide training on legal rights for the victims of gender-based violence in Dahuk. This quarter the program also supported initial discussion with civil society organizations and government on disability policies and a need to improve those policies. The program is one of several USAID programs that target disadvantaged women for assistance.[199]

Programs Closing Out

Community Action Program

Large programs due to end in 2012 include the $323 million third phase of the Community Action Program (CAP III). The latest phase of one of the founding programs of the USAID mission in Iraq, CAP III was designed to empower communities to pursue their development needs, improve government responsiveness to those needs, and assist civilian war victims through the Marla Ruzicka Iraqi War Victims Fund. The program has been implemented by four U.S.-based nonprofit organizations—ACDI/VOCA, CHF International, International Relief and Development (IRD), and Mercy Corps—and has supported projects fostering community action groups and grass-roots citizen involvement with elected representatives, government agencies, and institutions.[200]

A recent audit conducted by USAID OIG on CAP projects implemented by IRD in Baghdad since September 2008 found that the projects

"partially achieved their goals," listing five short-comings that required management attention. According to USAID OIG, IRD often failed to target the prioritized needs of the Baghdad neighborhoods in which it worked and overstated the impact of its projects. For its part, according to the audit, USAID failed to update and approve a performance management plan in a timely manner and issued certain project requirements that were "not sufficiently clear."

The audit also concluded the program produced several achievements, including creating Community Action Groups and completing projects. The audit contained 10 specific recommendations to address the shortcomings, 6 of which USAID agreed with. In four of those instances, corrective action also had been agreed. USAID disagreed with the first four of the audit's recommendations, one of which called on IRD to program the remaining projects to target community identified needs. The USAID mission rejected the recommendation, stating it deprecated the work of local community action groups to identify and prioritize their own needs.[201]

Agribusiness Development

The 5-year, $170 million Agribusiness Development Program, called *Inma* (Arabic for "growth"), geared to boosting the productivity and competitiveness of Iraq's once-strong farming sector is scheduled to end in May 2012. The *Inma* program has been implemented by the Louis Berger Group. USAID reported that consultations first begun in January 2011 with the GOI to develop a successor agricultural program remained ongoing this quarter, and no plans for such a program have been finalized.[202]

Legislative Strengthening

The $74 million Legislative Strengthening Program that began in 2008 closed one month prematurely this quarter when an MOU between USAID and the CoR expired in November. At the time of closure, the program had expended $41 million.

Of the funds that had been obligated, $5.5 million remained unexpended.[203]

Foreign Disaster Assistance

OFDA has contributed approximately $450 million in humanitarian assistance to Iraq since 2003. As shown in Figure 3.11, OFDA's assistance peaked at more than $83 million in FY 2009 and then dropped to $41 million in FY 2010 and just under $24 million in FY 2011. OFDA's FY 2010 assistance to Iraq represented about 13% of its total support that year to countries with complex emergencies stemming from political crises, social unrest, or conflict (as opposed to emergencies caused by natural disasters).[204]

Principal targets of OFDA funding are vulnerable populations, including IDPs, refugee returnees, women and elderly heads of households, and orphans. During FY 2011, OFDA targeted more than 600,000 individuals in these groups. It also provided nearly $4.3 million to a UN livelihoods program that gave tools and vocational training to prepare more than a thousand beneficiaries for jobs in demand. Nine contractors carried out work for OFDA during this period.[205] ◆

OFDA has contributed approximately $450 million in humanitarian assistance to Iraq since 2003.

FIGURE 3.11

OFDA FUNDING FOR IRAQ, FY 2003–FY 2011
$ Millions
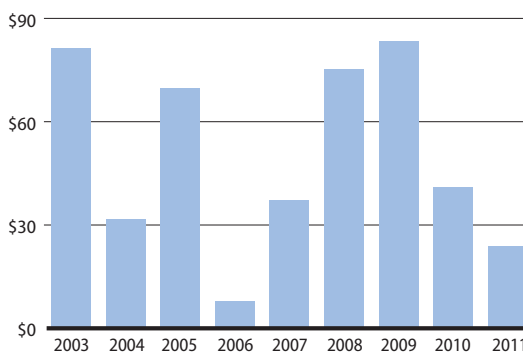
Note: Data not audited.

Sources: USAID, OFDA, *Annual Reports for Fiscal Years 2003–2010*; NEA-I, response to SIGIR data call, 12/30/2011.

CONTRACTING

Contracting Actions, Projects, and Grants

As of December 31, 2011, DoD, DoS, and USAID had reported 88,380 contracting actions, projects, and grants, totaling $40.31 billion in cumulative obligations. This accounts for 86% of the $47.15 billion in reported financial obligations from the IRRF, ISFF, ESF, and CERP.[206]

For an overview of the status and quarterly change of contracting actions and grants, see Table 3.7.

U.S.-funded Contractors and Grantees in Iraq

SPOT indicated that the number of contractor employees declined by 72% since the end of last quarter.

As of January 23, 2012, 15,154 employees of U.S.-funded contractors and grantees supported DoD, DoS, USAID, and other U.S. agencies in Iraq, according to data available in the Synchronized Predeployment and Operational Tracker (SPOT). SPOT also indicated that the number of contractor employees declined by 72% since the end of last quarter, dropping from the 53,447 registered as of September 30, 2011.[207]

U.S. Embassy-Baghdad reported that, as of December 31, 2011, approximately 12,350 contractors were supporting the U.S. diplomatic mission in Iraq or working on programs under Chief of Mission authority.[208] The difference between this number and the SPOT total may be a result of the rapid personnel changes that occurred in December as USF-I was closing down, combined with a lag in entering these personnel changes into the SPOT database.

SPOT is the common database designated by DoD, DoS, and USAID to be used as the system of record for statutorily required contract, funding-instrument, and personnel information in Iraq and Afghanistan. All three agencies have issued directives requiring contractors to enter mandated information.[209] SIGIR plans to provide updated SPOT data in the April 2012 Quarterly Report.

For SPOT data on contractors and grantees, by agency and national origin, see Table 3.8. ◆

TABLE 3.7

CONTRACTING ACTIONS, PROJECTS, AND GRANTS, AS OF 12/31/2011

$ Millions

FUND	CURRENT STATUS			CHANGE OVER QUARTER			CONTRACTS REPORTED AS A % OF OBLIGATIONS
	COUNT	OBLIGATED	EXPENDED	COUNT	OBLIGATED	EXPENDED	
ISFF	18,486	$18,069.2	$17,614.1	133 (1%)	$88.6 (0%)	$247.2 (1%)	97%
IRRF	8,535	$14,397.1	$14,324.5	46 (1%)			71%
CERP	53,626	$3,914.4	$1,618.1	-50 (0%)			105%
ESF	7,733	$3,930.3	$3,482.4	41 (1%)	$160.2 (4%)	$52.2 (2%)	88%
Total	**88,380**	**$40,311.1**	**$37,039.2**	**170 (2%)**	**$248.8 (5%)**	**$299.4 (3%)**	**86%**

Note: Data not audited. Numbers affected by rounding. Table represents 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*, 4/1/2011, 7/9/2011, 10/6/2011 and 12/30/2011; USAID, responses to SIGIR data calls, 1/22/2010, 12/29/2011, 1/3/2012, and 1/16/2012; ABO, responses to SIGIR data calls, 7/5/2011, 7/14/2011, 10/18/2011, and 1/18/2012; USF-I, response to SIGIR data call, 1/3/2012; SIGIR Audit 11-007, "Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Cancelled Funds," 12/28/2010; NEA-I, responses to SIGIR data calls, 9/28/2011, 12/29/2011, 12/30/2011, and 1/3/2012; OUSD(C), response to SIGIR data call, 1/18/2012; USACE, response to SIGIR data call, 1/3/2012.

TABLE 3.8

CONTRACTORS AND GRANTEES IN IRAQ, BY AGENCY AND NATIONAL ORIGIN, AS OF 1/23/2012

	AGENCY	THIRD-COUNTRY NATIONAL	U.S. CITIZEN	IRAQI NATIONAL	TOTAL	QUARTERLY CHANGE
Department of Defense	Department of the Army (Army)	2,177	2,737	204	**5,118**	-26,162 (-84%)
	CENTCOM Contracting Command (C3)	1,229	183	73	**1,485**	-10,707 (-88%)
	Department of the Air Force (Air Force)	842	284	8	**1,134**	-579 (-34%)
	U.S. Transportation Command (USTRANSCOM)	126	1	503	**630**	-105 (-14%)
	Defense Contract Management Agency (DCMA)	7	199	2	**208**	-272 (-57%)
	U.S. Special Operations Command (USSOCOM)		198		**198**	-58 (-23%)
	Army and Air Force Exchange Service (AAFES)	128	9	41	**178**	-372 (-68%)
	Department of the Navy (Navy)	1	91		**92**	-212 (-70%)
	Defense Logistics Agency (DLA)	49	18		**67**	14 (26%)
	Defense Information Systems Agency (DISA)	1	43		**44**	-7 (-14%)
	Department of Defense (DoD)	2	26	12	**40**	-38 (-49%)
	Defense Intelligence Agency (DIA)		13		**13**	-36 (-73%)
	Defense Contract Agency (DCA)		9		**9**	-2 (-18%)
	Missile Defense Agency (MDA)		8		**8**	-2 (-20%)
	Space and Missile Defense Command (SMDC)		2		**2**	-25 (-93%)
	National Geospatial-Intelligence Agency (NGA)		2		**2**	-12 (-86%)
	DoD Joint Program Office MRAP					-148 (-100%)
	Air Force Center for Engineering and the Environment (AFCEE)					-16 (-100%)
	Defense Advanced Research Projects Agency (DARPA)					-6 (-100%)
	Office of the Secretary of Defense (OSD)					-8 (-100%)
	Washington Headquarters Service (WHS)					-62 (-100%)
	Army Materiel Command (AMC)					-5 (-100%)
	Subtotal	**4,562**	**3,823**	**843**	**9,228**	**-38,820 (-81%)**
Other	Department of State (DoS)	1,922	3,836	37	**5,795**	1,385 (31%)
	U.S. Agency for International Development (USAID)	47	52		**99**	-805 (-89%)
	Department of Justice (DoJ)		22		**22**	-3 (-12%)
	General Services Administration (GSA)		10		**10**	-18 (-64%)
	Department of Energy (DoE)					-32 (-100%)
	Subtotal	**1,969**	**3,920**	**37**	**5,926**	**527 (10%)**
Total		**6,531**	**7,743**	**880**	**15,154**	**-38,293 (-72%)**

Note: Data not audited.

Sources: DoD, OUSD(AT&L), SPOT Program Support, responses to SIGIR data calls, 10/7/2011 and 1/23/2012.

DEVELOPMENTS IN IRAQ

SECTION

4

OVERVIEW

The results of two surveys, both taken in 2011 before the final drawdown of U.S. troops, portray a relatively high level of discontent among the people of Iraq. One survey found that 25% of the 1,000 Iraqis interviewed in September considered themselves to be "suffering" (as opposed to "thriving" or "struggling"), up from 14% less than a year earlier (see Figure 4.1). According to Gallup, the percentage of Iraqis who rate their lives this poorly is among the highest in the Middle East and North Africa region. The percentage who said they were "thriving"—just 7%—is among the lowest in the region. The number of Iraqis who reported experiencing stress during much of the day preceding their survey doubled between June 2008 and September 2011, rising from 34% to 70%. The percentage experiencing anger increased from 38% to 60% over the same period.[210]

Earlier in the year, a more comprehensive survey of the 28,875 Iraqi households provided additional details on specific areas of concern. The Iraq Knowledge Network (IKN) survey is part of a socioeconomic monitoring system being developed by the Iraqi Ministry of Planning and Development Cooperation (MoPDC). Its aim is to provide reliable data for planning and improving government services. Partial results of the survey were released in December and included the following:[211]

- Almost 8 out of 10 households rated electricity service as "bad" or "very bad," and 6 out of 10 rated their sanitation facilities in one of those categories.
- 57% of adults (age 15 and older) said they were neither working nor looking for work.
- More than half felt that corruption had become more prevalent in the previous two years.

A different type of survey, this one conducted in 2011 by New York-based consulting firm Mercer, rated the quality of living and personal safety in 221 cities around the world. Baghdad ranked last in both categories. The survey weighed the political, social, and economic environment along with housing, schools, public services, health care, and climate in determining its calculation, describing the Iraqi capital as "the world's

FIGURE 4.1

PERCENTAGES OF IRAQIS WHO SAY THEY ARE "SUFFERING" OR "THRIVING"

Note: Survey was taken of Iraqi adults (age 15 and older).

Source: Stafford Nichols, Gallup, "'Suffering' in Iraq Highest Since 2008," 1/9/2012, www.gallup.com/poll/151940/Suffering-Iraq-Highest-2008.aspx, accessed 1/12/2011.

> The percentage of Iraqis who rate their lives this poorly is among the highest in the Middle East and North Africa region.

Bridges over the Tigris River in Baghdad. (Aerial support provided by Embassy Air Operations)

More than 80 U.S. companies and organizations participated in the Baghdad International Trade Fair during the first 10 days of November. (U.S. Embassy-Baghdad photo)

TABLE 4.1
MERCER 2011 SURVEY RANKINGS, BAGHDAD VS. SELECTED CITIES

Quality of Living

RANKING	CITY	COUNTRY
1	Vienna	Austria
29	Honolulu[a]	United States
74	Dubai[b]	United Arab Emirates
126	Amman	Jordan
135	Cairo	Egypt
157	Riyadh	Saudi Arabia
170	Beirut	Lebanon
179	Damascus	Syria
187	Tehran	Iran
221	**Baghdad**	**Iraq**

[a] Highest-ranking U.S. city
[b] Highest-ranking Middle East city

Personal Safety

RANKING	CITY	COUNTRY
1	Luxembourg	Luxembourg
23	Abu Dhabi[a]	United Arab Emirates
39	Dubai	United Arab Emirates
53	Chicago[b]	United States
123	Amman	Jordan
145	Riyadh	Saudi Arabia
176	Cairo	Egypt
191	Damascus	Syria
203	Beirut	Lebanon
221	**Baghdad**	**Iraq**

[a] Highest-ranking Middle East city
[b] Highest-ranking U.S. city

Sources: Mercer, press releases, "2011 Quality of Living Worldwide City Rankings—Mercer Survey," 11/29/2011, www.mercer.com/press-releases/quality-of-living-report-2011, accessed 1/4/2012, and Mercer, "Mercer 2011 Quality of Living Survey Highlights—Defining 'Quality of Living,'" www.mercer.com/articles/quality-of-living-definition-1436405, accessed 12/1/2011.

least safe city."[212] Table 4.1 shows how selected Middle East cities fared in the survey.

Despite such survey results, there have also been optimistic signs in Iraq:

- Production of crude oil and generation of electric power both increased to record levels this past year.
- Government revenues from oil exports have been higher than expected.
- The agreement between the Ministry of Oil and Royal Dutch Shell to form a joint venture that will capture currently flared natural gas has finally been signed.
- Foreign commercial investment has been on the rise.
- For the first time in two decades, U.S. companies exhibited at the Baghdad International Trade Fair.
- Deaths from violence are down (but have by no means ended).

> President Obama said, "Iraq faces great challenges, but today reflects the impressive progress that Iraqis have made."

At a joint press conference with Prime Minister al-Maliki on December 12, President Obama said, "Iraq faces great challenges, but today reflects the impressive progress that Iraqis have made. Millions have cast their ballots—some risking or giving their lives—to vote in free elections. The Prime Minister leads Iraq's most inclusive government yet. Iraqis are working to build institutions that are efficient and independent and transparent."[213]

This section of the Quarterly Report reviews what has been happening in Iraq during this period of fundamental change. ◆

SECURITY

At a December 15 ceremony honoring the sacrifices made by U.S. military forces ahead of their departure, U.S. Secretary of Defense Leon Panetta said of the United States' continuing commitment: "Iraq will be tested in the days ahead—by terrorism, by those who would seek to divide, by economic and social issues, by the demands of democracy itself. Challenges remain, but the [United States] will be there to stand with the Iraqi people as they navigate those challenges to build a stronger and more prosperous nation."[214]

"The Day of Commitment and Kept-Promise Ceremony," honoring U.S. and Coalition forces, in al-Faw Palace at Camp Victory on December 1, 2011.

Recent Violence

While about 6,000 U.S. military and civilian personnel and contractors were killed in Iraq during Operation Iraqi Freedom and Operation New Dawn,[215] more than 100,000 Iraqis are estimated to have been killed during that same, almost nine-year period.[216] Iraq's death toll from violence in 2011, however, fell sharply from previous years, with nearly 1,000 fewer people killed than in either 2009 or 2010. Figures compiled by the GOI show that 2,645 Iraqis were killed in attacks in 2011—1,578 Iraqi civilians, 609 police personnel, and 458 soldiers—and more than 4,400 Iraqis reportedly were wounded in the violence. The number of Iraqis killed in December 2011 (155) marked one of the lowest monthly tolls since 2003.[217]

Notwithstanding the substantial decrease in fatalities last year, December 22, 2011, was one of the bloodiest days in Baghdad during the past three years. In all, 31 incidents, including 21 improvised explosive device (IED) attacks, left more than 60 Iraqis dead and over 200 injured. In the deadliest incident, a suicide bomb attack against a Commission of Integrity building in Baghdad killed at least 32 people. That attack, reminiscent of past strikes against government complexes, reportedly involved both a suicide car bomber and gunmen who later stormed the building.[218] Attacks in other areas of Iraq continued as well:[219]

- October 12—multiple attacks on police in Baghdad killed more than 25 police personnel and wounded more than 52.
- October 27—twin roadside bombs in Baghdad's Urr neighborhood killed 36 and wounded 78.
- November 24—three motorcycle bombs at a market in Basrah killed 18 people and wounded more than 50.
- December 1—attacks in Iraq's diverse ethnoreligious province of Diyala killed 18 people.
- December 5—a car bomb targeting Shia pilgrims killed 16 people and wounded 45 others.
- December 25—an attack on a police checkpoint in Anbar killed six police personnel.
- January 5—a wave of attacks in mainly Shia districts of Baghdad killed at least 29 people and wounded dozens; a suicide bomber targeting Shia pilgrims in southern Iraq killed at least 30 people and wounded 70 others.
- January 9—two car bombs in Baghdad killed at least 15 people and wounded 52.

Iraq's death toll from violence in 2011 fell sharply from previous years.

FIGURE 4.2
MONTHLY SECURITY INCIDENTS AND CIVILIAN FATALITIES, 1/2004–12/2011
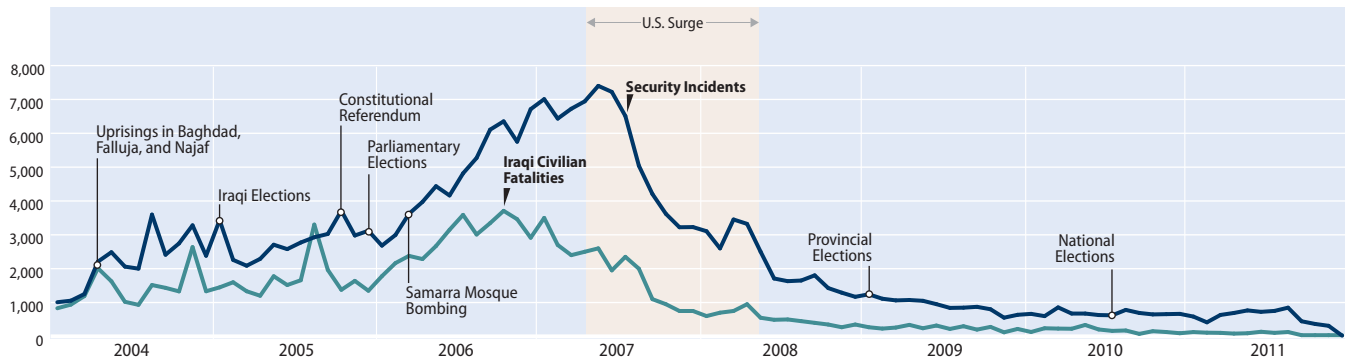
Note: Data not audited. Totals for December 2011 include data through December 6. "U.S. Surge" denotes period when at least 150,000 U.S. troops were in Iraq.

Sources: USF-I, responses to SIGIR data calls, 1/4/2011, 4/12/2011, 7/1/2011, 10/5/2011, and 1/3/2012; Brookings Institution, *Iraq Index*, 6/30/2010, pp. 3–4.

- January 14—a suicide attack on Shia pilgrims at the conclusion of Arbayeen commemorations near Basrah killed at least 53 people.
- January 15—an attack on a GOI facility in Ramadi killed at least 4 people and injured more than 15.
- January 16—a car bomb targeting displaced members of a tiny Kurdish sect near Mosul killed seven people.

For a timeline of security incidents and civilian fatalities since January 2004, see Figure 4.2.

Attacks on Infrastructure

On December 13, explosions damaged three parallel pipelines carrying crude oil from Iraq's al-Rumaila field to a storage facility at al-Zubair. The explosions shut down al-Rumaila South field—which produces about half of al-Rumaila's 1.4 million barrels per day (MBPD)—for just over 24 hours. Two days later, a Ministry of Oil official announced that 80% of the lost output had been restored and that full production would resume by midday on December 15. No injuries were reported, and oil exports were said to be uninterrupted because large quantities of crude were already in storage tanks waiting to be loaded aboard a departing tanker. Welding teams cut out and replaced about 40 yards of damaged pipeline before pumping resumed.[220]

> The Ministers of Finance, Science and Technology, and the Environment all survived IED attacks.

One week before the pipeline attack, four towers on a power transmission line in Diyala were downed by sabotage, resulting in the temporary loss of up to 400 megawatts (MW) of power. For more information, see the Electricity subsection of this Report.

Assassinations

Targeted killings of civilian and military GOI officials also continued, with at least 23 assassinations from October 15, 2011, to January 14, 2012. This is down from the almost 40 assassinations that occurred during a similar three-month period from mid-July to mid-October. Some high-profile assassination attempts this quarter were unsuccessful, as the Ministers of Finance, Science and Technology, and the Environment all survived IED attacks.[221] Figure 4.3 summarizes the recent attempted acts of apparent targeted violence. Many of those killed were security officials. For the monthly totals of Iraqi Police and Iraqi Army personnel killed and wounded this quarter, see Figure 4.4.

Over the last several years, Awakening/Sons of Iraq (SOI)-affiliated personnel and their family members have been targeted for assassination. This quarter, at least 91 were killed and 54 wounded in a series of violent attacks (see Figure 4.4).[222] The SOI program began as a U.S.-funded

FIGURE 4.3
SELECTED ACTS OF APPARENT TARGETED VIOLENCE, 10/16/2011–1/10/2012
Security Officials

Location

Targets/Victims	Location	Date	Circumstances	Result
MOI official	●	10/15		Killed
MOI lieutenant colonel	●	10/19		Unharmed; driver injured
Iraqi Army colonel	●	10/20		Killed
ISF general	●	10/27		Injured
Intelligence official	●	11/1		Unharmed
Iraqi police senior commander	●	11/12		Killed
Iraqi Police chief	●	11/17		Killed; three bodyguards injured
Iraqi police colonel	●	11/26		Injured; daughter killed
Kurdish Asaesh official	●	11/27		Injured; wife injured
Iraqi police lieutenant colonel	●	11/27		Killed; two bodyguards killed
Iraqi Army general	●	12/3		Killed; wife killed
Iraqi police general	●	12/5		Unharmed, at least one person injured
Ministry of National Security official	●	12/7		Injured
Intelligence official	●	12/8		Killed
Iraqi police colonel	●	12/14		Injured
Iraqi Army lieutenant colonel	●	12/15		Injured
Retired intelligence official	●	12/16		Injured
Kurdish Asaesh official	●	12/18		Killed
Civil defense director	●	1/2		Killed
Iraqi police lieutenant colonel	●	1/10		Killed; two bodyguards killed

Ninewa
Tameem
Salah Al-Din
Diyala
Babylon
Anbar
Baghdad
Kerbala
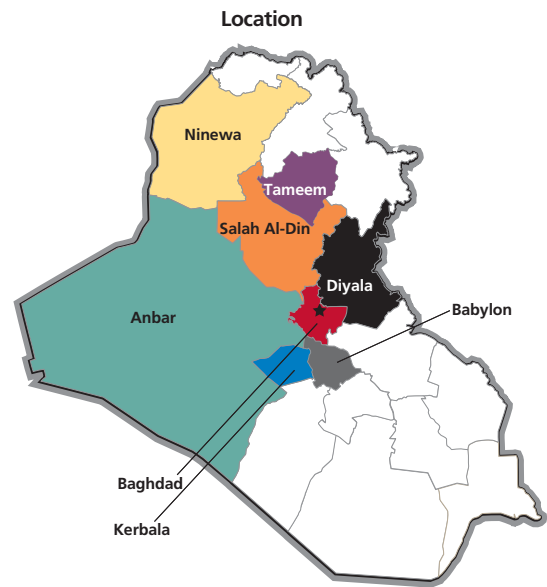
✹	IED/VBIED
⌐	Gunfire
	Gunmen ambushed convoy
	Gunmen attacked residence
	Gunmen attacked vehicle with silenced weapons
	Gunmen attacked with silenced weapons
	Gunmen attacked vehicle
	Residence bombed
	Sticky bomb attached to vehicle

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 open-source documents in Arabic and English, 10/2011–1/2012.

Non-Security Officials

Targets/Victims	Location	Date	Circumstances	Result
Local council official	●	10/16	[explosion]	Injured; three others injured
Judge	●	10/19	[gun, car]	Killed; driver killed
Ministry of Oil official	●	10/23	[explosion]	Injured; driver killed
Bar Association chairman	●	10/24	[gun]	Unharmed
Mayor	●	10/25	[gun]	Killed
Representative of Ayatollah al-Sistani	●	10/25	[gun, house]	Injured; son injured; two relatives killed
CoR employee	●	11/2	[gun]	Killed
Anbar Governor	●	11/7	[explosion]	Official unharmed; three bodyguards injured
Mayor	●	11/8	[explosion]	Unharmed
Mayor	●	11/9	[gun, house]	Unharmed
Head of journalist association	●	11/14	[gun]	Injured
Human rights activist	●	11/20	[explosion]	Killed
Telecom company director	●	11/20	[gun]	Killed
Professor	●	11/20	[gun]	Killed
Youth and sports official	●	11/21	[explosion, car]	Killed; companion injured
CoM official	●	11/26	[gun]	Killed
Mayor	●	11/26	[gun, house]	Injured; bodyguard killed
Senior GOI official(s)	●	11/28	[explosion]	At least one person killled; another injured
Ministry of Oil official	●	11/29	[gun]	Injured
Minister of the Environment	●	12/1	[explosion]	One bodyguard injured
Prosecutor	●	12/7	[explosion, car]	Killed
Railroad director	●	12/7	[explosion, car]	Injured
North Oil Company official	●	12/7	[explosion, car]	Killed
Ministry of Education IG official	●	12/11	[explosion]	Killed
HJC officials	●	12/13	[gun, van]	Killed; several other HJC officials killed and injured
Judge	●	12/17	[gun, car]	Injured
Judge	●	12/18	[explosion, house]	Unharmed; three others injured
Judge	●	12/21	[explosion, car]	Killed; several others injured
Central Bank of Iraq official	●	12/22	[explosion]	Unharmed; several others injured
Minister of Science and Technology	●	12/25	[explosion]	Unharmed; two bodyguards injured
Passport official	●	12/29	[explosion, house]	Unharmed
Mayor	●	12/30	[explosion, house]	Injured; at least one other person injured
Minister of Finance	●	1/1	[explosion]	Unharmed; several injuries reported

Continued in next column

FIGURE 4.4

SOI & FAMILY, IRAQI POLICE, AND IRAQI ARMY CASUALTIES, 10/2011–12/2011
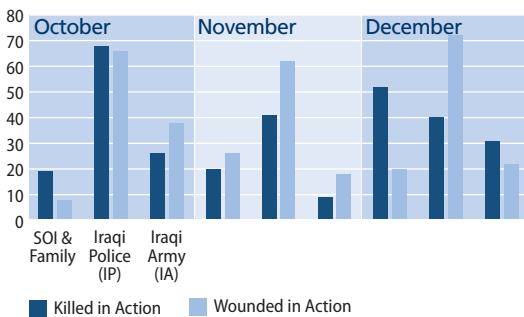
Source: GOI, MOI, information provided to SIGIR, 1/22/2012.

effort to pay former (mostly Sunni) insurgents to support the U.S. military and Iraqi Security Forces (ISF) in providing security services in their communities. Many SOI members were drawn from the ranks of the *Sahwa* (or "Awakening") movement, which turned against al-Qaeda-backed terrorists beginning in late 2006 and early 2007. The GOI assumed full responsibility for the program in April 2009.

Iraqi Security Forces

Still focusing primarily on internal security operations, the ISF remains a largely light-infantry force, albeit with an increasing number of mechanized units. This quarter, both the Ministry of Defense (MOD) and Ministry of Interior (MOI) continued to be run by the Prime Minister. As of December 31, 2011, the number of ISF personnel under his control totaled more than 933,000.[223] For breakdown, by service, see Table 4.2.

Figure 4.5 shows Iraq's MOD force strength in relationship to the military forces of other nations.

Ministry of Defense

According to the Chief of the U.S. Office of Security Cooperation-Iraq (OSC-I), the Iraqi Army (IA) continues to play a significant role in domestic security operations, and this affects its development

FIGURE 4.5

ACTIVE MEMBERS OF MILITARY, AS OF 2011, IRAQ VS. OTHER COUNTRIES

Number of Personnel (Ranking)
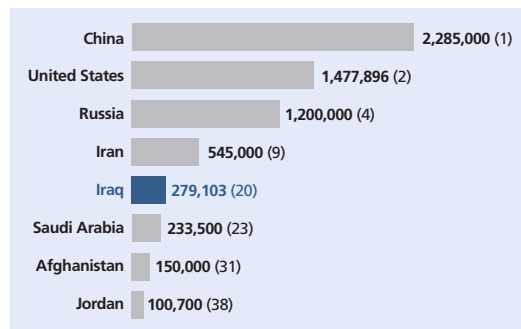
Sources: GlobalFirepower.com, "Active Military Manpower by Country," www.globalfirepower.com/active-military-manpower.asp, accessed 12/12/2011; GOI, MOI IG, information provided to SIGIR, 10/10/2011.

TABLE 4.2

IRAQI SECURITY FORCES, AS OF 12/31/2011

SERVICE		ASSIGNED PERSONNEL
Ministry of Defense	Iraqi Army	200,000
	Training and Support	68,000
	Air Force	5,053
	Navy	3,650
	Army Air Corps	2,400
	Total MOD	**279,103**
Ministry of Interior	Iraqi Police	325,000
	Facilities Protection Service	95,000
	Training and Support	89,800
	Department of Border Enforcement	60,000
	Iraqi Federal Police	45,000
	Oil Police	35,000
	Total MOI	**649,800**
Counter-Terrorism Force		4,200
Total		**933,103**

Note: Numbers affected by rounding. Assigned numbers illustrate payroll data; they do not reflect present-for-duty totals.

Source: GOI, MOI IG, information provided to SIGIR, 1/12/2012.

as an external defense force. The IA has been unable to dedicate adequate time to train for conventional combat. Almost nine years after the U.S. entry into Iraq, the IA, while capable of conducting counterterrorism and counterinsurgency
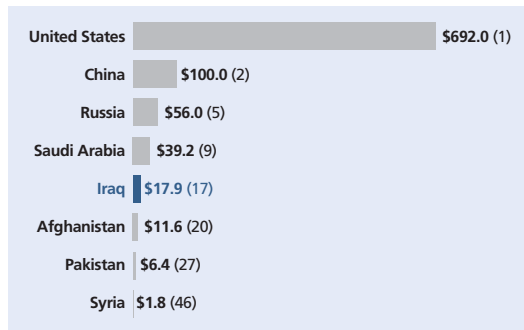
The IA has been unable to dedicate adequate time to train for conventional combat.

operations, possesses limited ability to defend the nation against foreign threats.[224]

Moreover, the continued need for IA troops in Iraq's cities and towns illustrates the still-significant challenges faced by MOI police forces in providing for domestic security in the 15 provinces outside the Kurdistan Region. The OSC-I Chief reported that the MOI is currently evaluating the security situation on a province-by-province basis, with the intention of assuming all security responsibilities from the MOD in at least three provinces in the near future. But although the MOI may assume total responsibility for security in long-tranquil provinces, such as Muthanna, IA forces will likely remain present in more volatile provinces throughout 2012.[225]

See Figure 4.6 for a comparison of Iraq's defense spending with that of other nations.

Iraq celebrates its Army Day on January 6, 2012. (GOI photo)

Ministry of Interior

In late 2011, Prime Minister al-Maliki gave MOI Senior Deputy Minister Adnan al-Asadi, who manages the day-to-day affairs of the ministry on behalf of the Prime Minister, the legal authority to reorganize certain aspects of the MOI's internal operations. In a mid-November meeting with the Inspector General, al-Asadi reported that he had fired several high-ranking officials on the grounds that they were either corrupt or ineffective. Among those replaced were the Director General for the MOI's Baghdad operations, the head of a key administrative department, and 90% of the judges who serve on the special MOI courts that adjudicate cases concerning police misconduct. He added that he also replaced, or plans to replace, several other directors general and senior staff members. Commenting on the wide-ranging nature of these swiftly implemented changes, al-Asadi stated that "sometimes you need a sword in Iraq to achieve justice."[226] ◆

FIGURE 4.6
DEFENSE SPENDING BUDGETS, IRAQ VS. OTHER COUNTRIES
$ Billions (Ranking)

Country	Value (Ranking)
United States	$692.0 (1)
China	$100.0 (2)
Russia	$56.0 (5)
Saudi Arabia	$39.2 (9)
Iraq	$17.9 (17)
Afghanistan	$11.6 (20)
Pakistan	$6.4 (27)
Syria	$1.8 (46)

Source: GlobalFirepower.com, "Defense Spending Budgets by Country," www.globalfirepower.com/defense-spending-budget.asp, accessed 12/15/2011.

Al-Asadi stated that "sometimes you need a sword in Iraq to achieve justice."

GOVERNANCE

Shortly after the final U.S. military contingent left Iraq in mid-December 2011, a political crisis erupted when an arrest warrant was issued for Vice President Tariq al-Hashemi, a member of the al-Iraqiya bloc and a prominent Sunni Arab. Al-Hashemi stands accused of complicity in assassinations allegedly conducted by his bodyguards, who implicated him in their televised statements. This controversy came at the end of a quarter that also saw Shia-Sunni tensions flare over the mass arrests of alleged Ba'athists by the Government of Iraq (GOI) and the moves made by several provinces toward greater autonomy from Baghdad.[227] For more on all of these issues, see Section 1 of this Report.

The Erbil Agreement: One Year On

This quarter marked the first anniversary of the so-called Erbil Agreement, which ended the nine-month post-election standoff between Prime Minister Nuri al-Maliki's State of Law Coalition and its main rival, former Prime Minister Ayad Allawi's al-Iraqiya bloc. The Erbil Agreement secured a second term in office for Prime Minister al-Maliki, despite his coalition winning two fewer seats than al-Iraqiya in the March 2010 Council

of Representatives (CoR) elections. The agreement also provided for the formation of a National Council for Higher Policies (NCHP), a high-level policy body with unspecified powers over economic and security matters. The presumed leader of the NCHP was to have been Allawi. But little progress has been made on forming the NCHP, and this quarter several GOI officials told SIGIR that they doubted whether it would ever be formed.[228]

Under the presumed terms of the non-public Erbil Agreement, a Sunni drawn from an al-Iraqiya-approved list of candidates is to lead the MOD, and a State of Law-allied Shia official is to lead the MOI. As of mid-January, however, both ministries remained without permanent leaders because of persistent disagreements between State of Law and al-Iraqiya over proposed candidates.[229]

Although the MOD and MOI continue to conduct regular operations, the lack of permanent ministers has slowed some ministry functions. In November, the Chief of OSC-I, General Robert Caslen, informed SIGIR that MOI and MOD budget execution has been delayed because decisions on major contracts must be made by the Prime Minister. Describing the process as challenging, General Caslen cited some of the problems with the GOI's purchase of U.S.-built naval patrol craft as an example of how the

Although the MOD and MOI continue to conduct regular operations, the lack of permanent ministers has slowed some ministry functions.

On November 21, Iraqi television showed 22 alleged insurgents, who had been arrested in 2007, confessing their role in the killing of more than 3,000 Iraqis during the peak of sectarian strife in Iraq. As shown at left, family members of the victims attended and interrupted the news conference. (Al-Iraqiya TV)

absence of a Minister of Defense has affected the MOD's modernization efforts.[230]

Council of Ministers

In early December, the Council of Ministers (CoM) approved a $100.1 billion budget for 2012, which still must be discussed and approved by the CoR before it becomes law. The CoM draft budget is about 21% higher than Iraq's 2011 budget of $82.6 billion.[231] For more on the draft budget for 2012, see the Economy subsection of this Report.

Council of Representatives

In early December, the CoR held its first reading of the CoM's draft budget for 2012. As of mid-January, the CoR is still considering the CoM draft, and a final vote has not yet been held. In addition, the CoR passed several laws this quarter, including some that dealt with changes to the statutes governing the operations of various ministries. The CoR also continued to consider long-pending hydrocarbon legislation this quarter, and reports suggested that some progress was made on reconciling the differences between the Kurdistan Region and the federal government. Table 4.3 shows the laws passed by the CoR in 2011, as of mid-December.[232]

Report by the UN Special Representative

On December 6, the new United Nations (UN) Special Representative to the Secretary General (SRSG), Martin Kobler, of Germany, issued his first report to the Secretary General on political and security developments in Iraq. The SRSG offered these insights:[233]

- There has been "little progress" in resolving Iraq's outstanding issues with Kuwait.

TABLE 4.3

LAWS PASSED BY THE CoR AND PUBLISHED IN THE *OFFICIAL GAZETTE*, 1/1/2011–12/15/2011

Vice Presidents
Iraq's federal budget law for FY 2011
Law canceling the ratification of the al-Ahdab oil field development and production contract
Law ratifying the modification of the crude oil pipeline agreement signed in August 27, 1973
Law canceling the former Revolutionary Command Council (RCC) decree number (349) of 1991
Law canceling the former RCC decree number (100) of 1995
Amendment to the criminal procedure code (23) of 1971
First amendment to the Private Investment Law in regards to the refinement of crude oil number (64) of 2007
Law ratifying the settlement of claims agreement between the GOI and the United States
Law ratifying documents concerning a Japanese loan
Law for the creation, merger, and modification of association of administrative organizations
Law of the Consultative Committee
Law canceling the former RCC decree number (133) of 1985
Law of the Mayors
Law of the Service and Retirement for the Internal Security Forces
Law canceling the former RCC decree number (96) of 1994
Law canceling the former RCC decree number (800) of 1989
Law ratifying the Arabian agreement to facilitate the transfer of Arabian Cultural Productions between the GOI and the Arabian Organization of Education, Culture, and Sciences
Law ratifying the cooperation agreement between the GOI and the International Organization for Migration
Law of the Higher Institute for the Diagnosis of Infertility and Fertility Technology
Journalists' Rights Law
Salary and Benefits for the Three Presidencies Law
Ministry of Education Law
Law canceling the former RCC decrees number (427) of 1991 and number (293) of 1992
Illiteracy Eradication Law
Ministry of Sports and Youth Law
Law of the Board of Supreme Audits
Law of the Commission of Integrity
Law of the Iraqi Housing Fund
Law canceling the former RCC decree number (55) of 1999
Law canceling Iraq's reservation on article (9) of the agreement to eliminate all kinds of discrimination against women listed in law (66) of 1986
Law of the Ministry of Trade
Law of the Ministry of Industry and Minerals
Amendment to the Iraqi Supreme Criminal Court Law

Source: CoR, www.parliament.iq, accessed 12/16/2011.

- In his consultations, "particularly with Kurdish interlocutors, [he] sensed a growing discontent at delays in fully implementing the Kurdish-Arab agenda" concerning the resolution of the disputed internal boundaries.
- Prime Minister al-Maliki had asked the UN Assistance Mission-Iraq (UNAMI) to continue to work with the GOI and the Kurdistan Regional Government (KRG) to resolve Kurdish-Arab issues, including control of the ethnically diverse city of Kirkuk.
- UNAMI's near-term focus will be on working to improve the situation of women and young people and improving Iraq's approach to water management and environmental protection.
- The Office of the UN High Commissioner for Refugees (UNHCR) has prepared a contingency plan to address any mass movement into Iraq of Syrian refugees fleeing the unrest in their homeland.

Refugees and Internally Displaced Persons

According to the UNHCR, nearly 1.2 million Iraqis who were displaced in the wake of the 2006 Samarra Mosque bombing remain internally displaced, including more than 467,000 individuals residing in 382 settlements for internally displaced persons (IDPs) throughout the country. DoS's Bureau of Population, Refugees and Migration (PRM) reported that Baghdad and Ninewa provinces continue to host the largest concentrations of IDP populations and have the largest number of returns. More than 177,300 Iraqi refugees were registered with UNHCR in the region as of the end of November 2011; an unknown additional number of Iraqi refugees were unregistered.[234]

Since 2008, a total of 775,770 refugees and IDPs have returned to their areas of origin, including 170,670 IDPs and 60,120 refugees during January–November 2011.[235] For total refugee and IDP returns, by month, during the last three years, see Figure 4.7. For details on PRM and USAID activities to support refugees and IDPs, see Section 3 of this Report.

Interim Solution on Camp Ashraf

On December 25, SRSG Kobler signed a memorandum of understanding (MOU) with the GOI outlining the next steps in resolving the fate of the Iranians residing at Camp Ashraf. Under the terms of the MOU, the approximately 3,400 persons affiliated with the Mujaheddin-e Khalq (MEK, or People's Mujaheddin Organization of

> The Office of the UN High Commissioner for Refugees prepared a contingency plan to address any mass movement into Iraq of Syrian refugees.

FIGURE 4.7

TOTAL REFUGEE AND IDP RETURNS, BY MONTH, 1/2009–11/2011
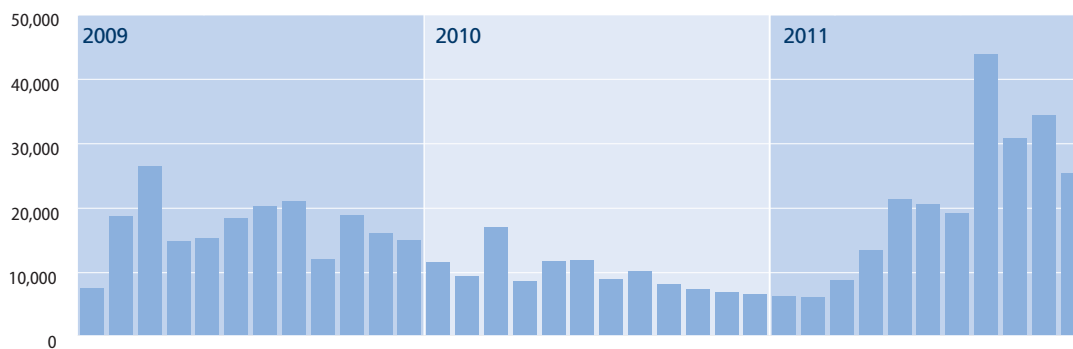
Note: Beginning in 2010, the Ministry of Displacement and Migration increased assistance to refugee and IDP families and eliminated the need for returning refugees to provide a PDS card number.

Sources: UNHCR, *Monthly Statistical Update on Return–October 2009, September 2010, August 2011, and November 2011.*

Aerial view of Camp Ashraf. (Courtesy of www.campashraf.org)

Iran) will be moved from Camp Ashraf to what was once Camp Liberty, a former U.S. military base near Baghdad International Airport. The GOI has agreed to ensure their safety and security and pledged that none of those relocated would be forcibly repatriated to Iran. The UN will conduct around-the-clock monitoring at the former Camp Liberty, and UNHCR will process these individuals for refugee status with the goal of finding countries that will accept them. Those wishing to return voluntarily to Iran, as several hundred have already done, will be able to do so. As of the end of December, the UN was in discussions with the GOI about relocating the first 400 residents of Camp Ashraf to the Camp Liberty site.[236]

Iraq's reliance on electricity generated in Iran increased in December.

Public Services

Electricity

From the beginning of 2004 to the third quarter of 2009—with significant support from the international community, including about $5 billion in expenditures by the United States—Iraq was able to increase its national electricity supply by more than 80%. Thereafter, through the middle of 2011, supply remained relatively flat before spiking upward during the second half of the year. This quarter's total supply on the grid averaged 178,407 megawatt-hours (MWh) per day, or about 7,434 megawatts (MW)—a 3% decrease from last quarter, but a 17% increase from the same quarter in 2010. Almost three-fourths of the 1,094 MW supply increase over the past year can be attributed to the expansion of production capacity in the Kurdistan Region.[237] As shown in Figure 4.8, power-plant output typically drops during the last quarter of the year as generating units are taken out of service for routine maintenance.

Imports from Iran

Iraq's reliance on electricity generated in Iran increased in December with the completion of a 400-kilovolt transmission line connecting Iran's Karkheh Dam to al-Amarah in Missan province. As shown in Figure 4.9, four tie lines now transmit

FIGURE 4.8

AVERAGE IRAQI ELECTRICITY SUPPLY, BY QUARTER, 1/2004–12/2011
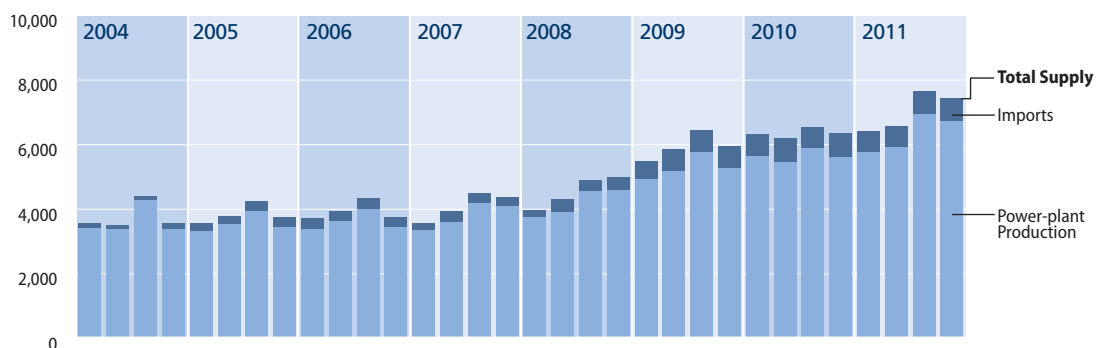
Sources: ITAO/ESD, *Electric Daily Performance Reports*, 6/1/2006–6/30/2011; DoS, *Iraq Status Reports*, 10/25/2006, slide 11, and 5/9/2007, slide 11; U.S. Embassy-Baghdad, response to SIGIR data call, 1/22/2012.

power from Iran to Iraq, and they are capable of delivering as much as 1,000 MW,[238] which is about 17% of the total power supply entering the grid controlled by the Ministry of Electricity (MOE).[239] On December 6, four towers on the line connecting Kermanshah to Diyala were toppled by an act of sabotage, resulting in the temporary loss of up to 400 MW of power. One police officer was killed and two others were wounded during the incident.[240] The MOE reported that it was able to rebuild the towers and restore power transmission in three days.[241]

FIGURE 4.9

ELECTRICITY TRANSMISSION LINES FROM IRAN TO IRAQ
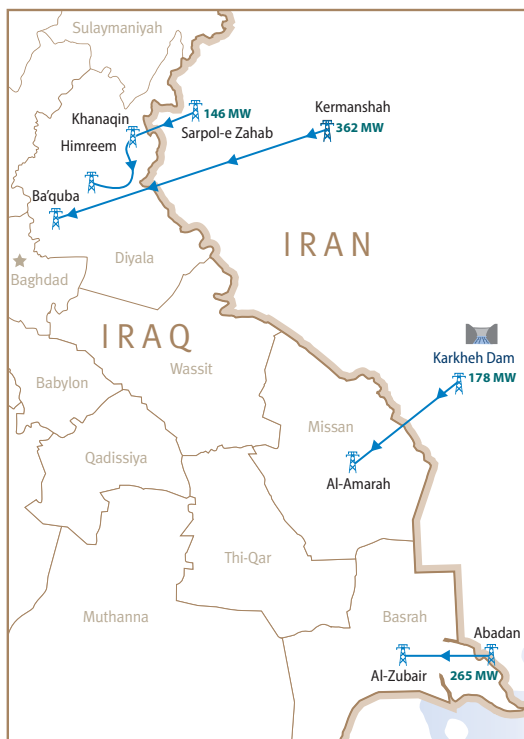
Note: Routes of transmission lines are approximate. The supply (in MW) shown for each line is the average amount transmitted in December 2011 on those days when the line was in service.

Sources: Based on GOI, NMC, press release, "Electricity Completes Linking New Line To Import of Power from Iran," 12/5/2011, http://nmc.gov.iq/ArticleShow.aspx?ID=2887, accessed 12/6/2011; GOI, MOE, and Parsons Brinckerhoff, *Iraq Electricity Masterplan*, 12/2010, Vol. 4, "Transmission Planning," p. 29; U.S. Embassy-Baghdad, response to SIGIR data call, 1/22/2012.

New Data on Supply-Demand Gap

According to MOE data for 2011, the electricity supply available on the MOE and KRG grids meets roughly 60% of the estimated demand of all end users in Iraq.[242] Recently released data from the 2011 Iraq Knowledge Network survey suggests that the situation is worse for residential users. Of the 28,875 households that were surveyed, 98% said they are connected to a public network. On average, however, the government-run networks provide households with only 7.6 hours of electricity per day. Just 1% of households said they receive more than 20 hours of electricity per day from the public network, while 82% said they receive 10 hours or less.[243]

Also according to the IKN survey, 9 out of 10 Iraqi households supplement the public supply through the use of household and neighborhood generators. When power from private generators is included, survey respondents said they receive an average of 14.6 hours of electricity per day.[244] This implies that Iraqi households get almost half the power they use from the often-makeshift private market.

Figure 4.10 shows the survey results broken down by province. On average, households in Dahuk, Sulaymaniyah, and Basrah receive the most hours of power per day from all sources, while households in Ninewa, Tameem, Salah Al-Din, Wassit, Babylon, and Missan receive the least. The figure also compares the survey results with the MOE's supply-demand data for the period when the survey was taken.

In all, electricity is the worst-rated service in Iraq, according to the IKN. Almost 80% of the surveyed households rated electricity service as "bad" or "very bad." About 35% of the households said that electricity should be the GOI's top priority for improvement. In comparison, 27% said that security should be the top priority.[245]

Electricity is the worst-rated service in Iraq.

Ministry of Electricity's Budget

Reflecting the need for improved electricity services in Iraq, the draft 2012 GOI budget that the CoM approved calls for a $1.3 billion increase

FIGURE 4.10
AVAILABILITY OF ELECTRIC POWER TO MEET DEMAND, BY PROVINCE

**Hours of Power Received by Average Household
Each Day from Both Public and Private Sources**
IKN Survey Results
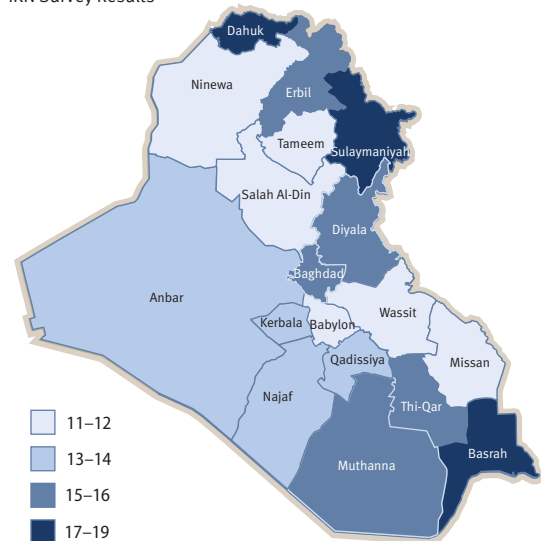
Load Served by Public Grid as a Percentage of Estimated Demand
MOE Data

11–12
13–14
15–16
17–19

40%–50%
50%–60%
60%–80%
80%–100%
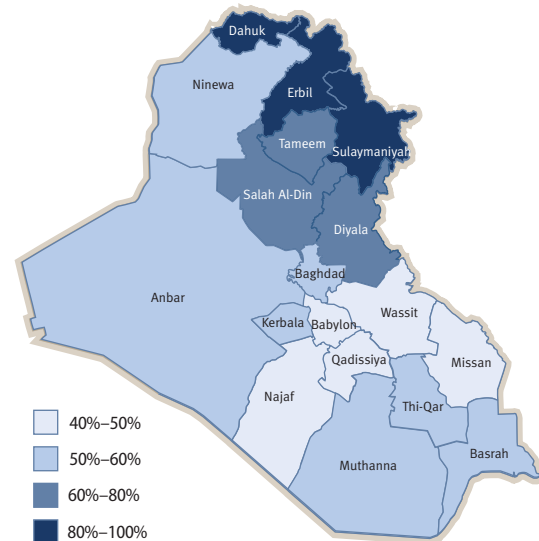
Note: Both sets of data are from the first quarter of 2011.

Sources: UN, IAU, and GOI, COSIT, "Iraq Knowledge Network Survey: Essential Services Factsheet," 12/2011, www.iauiraq.org/documents/1583/ServicesFactsheet-English.pdf, accessed 1/4/2012; ITAO/ESD, *Electric Daily Performance Reports*, 1/1/2011–3/31/2011.

in funding for the MOE, relative to the amount allocated to the ministry in the 2011 budget. Of the almost $5.6 billion provided to the MOE in the CoM's draft 2012 budget, $1.5 billion is for operating expenses and $4.1 billion is for capital investments. While the CoM's proposed budget provides for a 21% increase in the overall GOI budget, the MOE would receive a 31% increase.[246]

New Power-generation Projects
Meanwhile, the MOE announced this quarter that it had signed contracts for construction or expansion of several combustion-turbine power plants:

- Hyundai was awarded a contract to build the 1,460 MW al-Rumaila power plant in Basrah, which will use five 292 MW turbines purchased in the "Mega Deal" with Siemens, and a separate contract to build the Kirkuk Taza plant in Tameem using another of those turbines.[247]

- A consortium of Iranian companies (Farab and Ameran-Ofugh) was contracted to install two additional 160 MW Siemens turbines at al-Sadr power plant in Baghdad's Sadr City, which will double that plant's current nameplate capacity to 640 MW. Another Iranian company, Iran Power & Water Equipment and Services Export Company (Sunir), installed the first two turbines at al-Sadr plant.[248]

- Sunir was awarded a contract to install two 160 MW Siemens units at the Dibis plant in Tameem.[249]

- Metka SA was contracted to construct the 1,250 MW Shatt al-Basrah plant, which will use ten 125 MW turbines from the GE "Mega Deal."[250]

- Alstom won a contract to build the 728 MW Mansuriya plant in Diyala, which will use four of that company's 182 MW turbines.[251]

In the largest contract announced this quarter, the MOE signed a deal with China Machinery Engineering Corporation (CMEC) to build a 1,260 MW thermal power plant near Samarra in Salah Al-Din at a total cost of almost $1.2 billion, with completion scheduled before the end of 2015.[252]

Water

About two-thirds of Iraqi households rely on the public water supply as their main source for drinking water, but a quarter of those users say they receive potable water less than two hours per day, and just 38% rate drinking water availability as "good" or "very good." Salinity affects public drinking water networks, especially in the southeastern part of the country.[253]

Preparatory work is underway to launch Phase II of a $20.4 million comprehensive hydrological survey of Iraq's existing water resources. Phase I of the project, supported by the United Nations Educational, Scientific, and Cultural Organization (UNESCO) and the European Union, was completed in July 2011, culminating in a presentation of existing available data. Phase II will use more advanced technical methods, including satellite imaging, to map deep aquifers and assess the extent of Iraq's groundwater resources. Preliminary analysis of the Anbar desert indicates large fractures capable of carrying billions of cubic feet of water.[254]

The project is expected to provide both fresh and accurate data on the country's water resources, supporting Iraq's position as it begins negotiations with neighboring states on how to share water from the region's two most important rivers, the Tigris and Euphrates, and how to ensure Iraq's long-term water security. A U.S. decision not to participate in the project was unrelated to the Administration's withdrawal of support for UNESCO projects because of the organization's November 2011 vote to admit Palestine as a member. Agriculture accounts for the majority of Iraq's freshwater demand, and hydrology experts believe that improved irrigation techniques and replacement of aging water distribution systems are key to preventing shortages.[255]

The Ministry of Water Resources signed a memorandum of understanding with the German-based Bauer Group in November 2011 to undertake a six-year project valued at $2.5 billion to renovate the badly damaged Mosul Dam on the Tigris River. As Iraq's largest dam—and the fourth largest in the Middle East—the structure plays an important role in managing Iraq's water resources and contributing electricity to the national grid.[256] For more detail on the Mosul Dam, see SIGR Project Assessment Report PA-07-105.[257]

Health Care

According to the 2011 IKN survey, 71% of Iraqis say they cannot afford to go to private hospitals or healthcare clinics for medical treatment. Instead, they turn to state-run medical facilities for treatment when ill, with about half of all Iraqis choosing a public hospital and almost a quarter opting to visit a government clinic. However, more than one-third of Iraq's higher-income earners—those who can afford private health care—preferred the private-care option. In answer to another survey question nearly 3 in 10 of those surveyed believed that a shortage of doctors and female medical staff was a problem.[258]
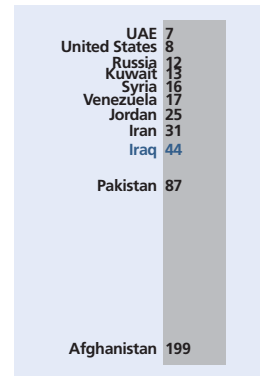
World Health Organization statistics show that Iraq has made some improvement over the last decade in its rate of child mortality, but the country still lags behind many others in the region (see Figure 4.11).[259]

Education

A five-year partnership between the Ministry of Higher Education and Oregon State University valued at about $100 million moved forward this quarter with formal approval of the planning phase of a program to promote sustainable building design and engineering in Iraq. The ministry approved expenditures of around $44 million to support the program, with the balance of funds coming from the university and a private foundation. The plan calls for construction of several materials testing laboratories on university campuses around Iraq in

FIGURE 4.11

CHILD MORTALITY RATE, IRAQ VS. OTHER COUNTRIES
Deaths per 1,000 Live Births

Country	Deaths
UAE	7
United States	8
Russia	12
Kuwait	13
Syria	16
Venezuela	17
Jordan	25
Iran	31
Iraq	44
Pakistan	87
Afghanistan	199

Note: Mortality rate is for children under 5 years of age.

Source: WHO, *World Health Statistics 2011*, p. 24, www.who.int/gho/publications/world_health_statistics/EN_WHS2011_Full.pdf, accessed 12/12/2011.

71% of Iraqis say they cannot afford to go to private hospitals or healthcare clinics for medical treatment.

addition to the development of a university curriculum and research fellowships to promote knowledge of sustainable building design and engineering.[260]

The Baghdad Provincial Council has granted approval for the establishment of three international universities in the province—one based on British traditions and curricula, one on U.S., and one on Indian. A search for suitable land for the three institutions on the outskirts of the capital is underway.[261]

U.S. Embassy-Baghdad reported that 616 Iraqi students enrolled at U.S. institutions of higher education during the 2010–2011 academic year, up more than 45% from the previous school year. The number of Iraqi students taking intensive English-language programs and specialist post-graduate training programs also increased during the same period. Still, Iraqis comprised less than 0.1% of the 723,000-plus international student population enrolled at U.S. colleges and universities in 2010–2011.[262]◆

Iraqis comprised less than 0.1% of the international student population enrolled at U.S. colleges and universities in 2010–2011.

RULE OF LAW

In a meeting with the Inspector General on November 16, 2011, the Chief Justice of the Higher Judicial Council (HJC), Medhat al-Mahmoud, described continued development of the rule of law as the "cornerstone for the future of Iraq." He advocated an expansive interpretation of the U.S.-Iraq Strategic Framework Agreement (SFA) so as to foster collaboration with the United States on a broad array of issues. In particular, he emphasized the need for Iraqi jurists to continue to work with U.S. judges, prosecutors, and law-enforcement officers, stressing the benefits that Iraq can derive from additional professional education initiatives.[263]

The Chief Justice noted successes and limitations of U.S. support for rule of law in Iraq. He identified judicial capacity-development programs that have provided lasting contributions. On the other hand, he described some U.S.-funded infrastructure reconstruction programs as marred by poor planning and a lack of coordination with the GOI. In commenting on the need to preserve and continue the positive contributions made by the United States in the rule-of-law sector, he remarked that if the U.S. and Iraqi governments do not heed the lessons of the recent past, "they will lose the future."[264]

Conviction of Iraqi Soldier for Killing U.S. Soldier

This quarter, a criminal court in Baghdad convicted an Iraqi Army soldier of killing a U.S. soldier in 2007. In rendering its decision, the court found the IA soldier's defense—that his actions were justified because he alleged the U.S. soldier was firing on women and children—to be untenable. The IA solider was sentenced to life in prison. This marked the first time than a member of the Iraqi military was convicted of killing a member of the U.S. military.[265]

Persistent Challenges in the Judiciary

Chief Justice Medhat stated that he did not expect the security situation in Iraq to deteriorate significantly after the departure of the U.S. military, but noted that ameliorating the continued threats faced by HJC personnel will remain his top priority in 2012. As an example of the ongoing risks faced by Iraqi judges, he cited the mid-October assassination of a judge in Ninewa province whose docket focused on terrorism cases. He added that the threat level remains so elevated in cities such as Mosul and Ba'quba that the HJC deploys judges from Baghdad to these areas on a temporary basis to handle sensitive cases that could endanger local judges. In December, several judges were attacked in various locations in Iraq:[266]

- On December 13, gunmen fired on the convoy of the head judge of the Anbar appellate court near Falluja, wounding him and two other judges who were accompanying him. The attackers also killed two security personnel traveling with the convoy.
- On December 17, gunmen shot and injured a Baghdad-based judge as he was driving through the western part of the city.
- Four days later, a sticky bomb attached to the undercarriage of a Kirkuk judge's vehicle detonated, killing the judge and one other person.

Reiterating concerns he shared with SIGIR in a May 2011 meeting, the Chief Justice described the continued lack of permits that would enable judges and their security detachments to procure and legally carry firearms as the main obstacle to improving judicial security. While the HJC has been reasonably successful in hardening facilities such as courthouses and housing complexes against terrorist assaults, judges and their families remain

The Chief Justice remarked that if the U.S. and Iraqi governments do not heed the lessons of the recent past, "they will lose the future."

Higher Judicial Council complex in Baghdad.

vulnerable to attacks when they travel to and from work. Although some HJC personnel possess U.S.-provided weapons, the Chief Justice said that the HJC has been unable to acquire new weapons and the necessary permits from the MOI. In a subsequent meeting, MOI Senior Deputy Minister Adnan al-Asadi informed the Inspector General that the MOI has stopped issuing weapon permits for the moment because the previous Minister of Interior (who left office almost two years ago) followed lax procedures and issued too many permits, which he implied allowed some firearms to be provided to unqualified personnel.[267]

The second major challenge identified by the Chief Justice is the need for the HJC to modernize and automate its procedures. He stated that, while the HJC was making some progress in this area, it was still struggling to overcome the effects of decades of war and sanctions and continued to rely excessively on paper files and antiquated management processes. He noted that this was one area where U.S. and international support would remain important in the years to come.[268]

Chief Justice Medhat also discussed the continuing challenge of fighting corruption, which

> The HJC was still struggling to overcome the effects of decades of war and sanctions and continued to rely excessively on paper files and antiquated management processes.

he described as "pervasive." In his opinion, while corruption exists at all levels of the GOI, it is worse among high-ranking officials and has seemingly become the norm in many ministries. He described the GOI's anticorruption institutions—the Board of Supreme Audit (BSA), Commission of Integrity (COI), and inspectors general (IGs)—as critical elements in the fight against corruption, emphasizing the need for them to remain apolitical. Moreover, the Chief Justice stressed the need for the newer, U.S.-established agencies—the COI and IGs—to focus on professional development and training, noting that many of their personnel are still inexperienced when compared with long-serving BSA officials, many of whom have decades of auditing and oversight experience.[269]

The Chief Justice added that the HJC is attempting to employ innovative methods to combat corruption. For example, HJC officials in Baghdad regularly spot-check the performance of the nine investigative judges (IJs) who focus on corruption cases so that they can identify and resolve docket backlogs expeditiously. He also described a pilot program, which the HJC recently tested on a small scale in most provinces, that established joint HJC field offices staffed by an IJ, several judicial investigators, and a public prosecutor. The Chief Justice stated that the purpose of these offices was to allow citizens to report crimes directly to HJC civilian officials, circumventing the police, whom he described as prone to corruption in many cities. He noted that it was often easier for citizens to make sensitive allegations to civilian officials and described this program as one of the HJC's most successful initiatives. However, he said that the HJC is finding it difficult to obtain the funding and logistical support to make this program permanent.[270]

The COI's Supporting Role

The HJC's anticorruption efforts are inextricably intertwined with those of the COI. As of mid-January, Judge Alla'a Jwad Hameed continued to

serve as acting COI Commissioner. In a meeting this quarter with SIGIR officials, Judge Alla'a stated that he is reviewing all COI operations—including active investigations and cooperation with U.S. law-enforcement agencies, such as SIGIR—and will announce the findings of his evaluation in the near future. Until then, he said, all COI activities are frozen.[271]

Judge Alla'a told SIGIR that he envisions the COI as "a supplement to the judiciary and the security agencies—not a replacement for them." He also expressed a desire to receive training support from other countries and international agencies, stating that he hoped such programs would lead to the COI being accorded a greater degree of respect in the global law-enforcement community. In commenting on the new COI law, which was passed by the Council of Representatives in late September and subsequently published in the *Official Gazette*, Judge Alla'a stressed the importance of the yet-to-be-written internal COI regulations that will set forth how this law will be put into practice. He

Deputy Inspector General meets with the acting COI Commissioner, Judge Alla'a Jwad Hameed (at right), November 2011.

added that his legal staff is currently drafting such regulations.[272] For a detailed look at U.S. and GOI anticorruption efforts, see the "Focus on Corruption" at the end of Section 4. ◆

ECONOMY

Several areas of uncertainty temper Iraq's promising economic outlook. Although the level of foreign commercial activity rose in 2011, potential foreign investors exercised enhanced caution as the ruling coalition government exhibited new strains and the last U.S. troops departed, turning over full responsibility for the country's security to Iraqi forces.[273] A high-profile standoff between Baghdad and the Kurdistan Region over control of the country's oil resources also heightened political tensions and unsettled international oil companies this quarter, but has injected a new sense of urgency to address the need to agree on national legislation regulating the hydrocarbon sector. Regionally, growing instability in neighboring Syria during the quarter raised questions about the fate of a key trading partner and the security of important northern trade routes.[274]

Key Indicators

Oil Exports and Receipts

Crude oil continued to account for about 98% of Iraq's export earnings and around 95% of all government income in 2011.[275] This quarter, the GOI earned $19.35 billion in receipts from the sale of crude oil, a drop of $297 million over the previous quarter. But the combination of higher crude oil prices on global markets and increased export volume meant that Iraq's crude oil earnings for the entire year were $75.42 billion, or 54% more than those registered for 2010.[276] Buoyed by higher-than-expected crude oil prices through much of 2011, Iraq's net foreign currency reserves rose from just under $45 billion to $58 billion during 2011.[277] However, there was evidence this quarter that inadequate crude oil export infrastructure may have prevented the country's earnings from being even higher than they were. In November,
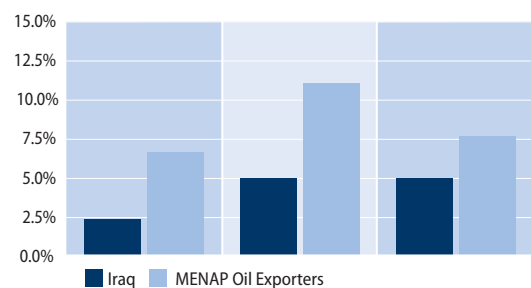
Iraq's crude oil earnings for the entire year were $75.42 billion, or 54% more than those registered for 2010.

Real GDP, Annual Change
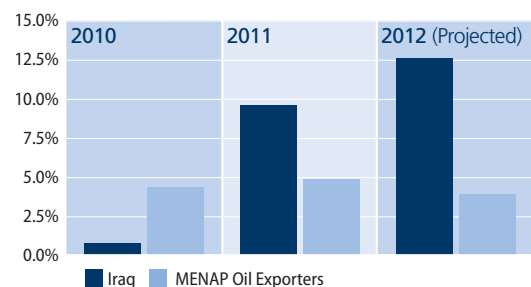
Inflation, Annual Change

Source: IMF, *World Economic and Financial Surveys: World Economic Outlook Database*, 9/2011, www.imf.org/external/pubs/ft/weo/2011/02/weodata/index.aspx, accessed 12/21/2011.

the levels of crude held in storage tanks around the large southern oil fields grew at a greater rate than exports.[278]

Gross Domestic Product

Iraq's gross domestic product (GDP) grew at a projected rate of 9.6% in 2011, nearly twice the average for oil-exporting nations in the Middle East, North Africa, Afghanistan, and Pakistan (MENAP) region and well above the 0.8% growth rate Iraq registered in 2010 (see Figure 4.12). The rise came as foreign business activity picked up and multibillion-dollar infrastructure and housing projects began to supplement rising crude oil production as significant contributors to economic

activity. The International Monetary Fund (IMF) expects Iraq's GDP growth to exceed 12% in 2012—more than three times that projected for the region's oil-exporting nations as a group.[279]

Inflation

Year-on-year core inflation dropped in October to 6.9%, the second consecutive monthly decline and the first time since June 2011 that the figure fell below 7%. Improvement in the supply of basic items has reduced import costs and helped ease inflationary pressures. Declines in global commodity prices also helped reduce the rate, and a gradual slowing of the core inflation rate to the 6% range is expected for the medium term. However, if tariffs are imposed on imported goods to protect domestic industry and agriculture, their impact would likely mitigate the fall of consumer prices in 2012 and 2013. Regionally, Iraq's 2011 inflation rate remained well below the average for other oil-exporting countries in the region and is forecast to remain that way through 2012 even if a tariff regime is implemented.[280]

For a comparison of Iraq's core inflation indicators with those of the broader MENAP region, see Figure 4.12.

Unemployment

Iraq's most recent official unemployment rate of 15.3% is from 2008 and was not updated in 2011, although unofficial estimates made during the course of the year and formal remarks by the Communications Minister in Istanbul in October placed the percentage of working-age jobless at closer to 30%. The 2011 IKN survey carried out in the first quarter of 2011 calculated unemployment at 8%; however, it defined "employed persons" very broadly—those who had worked at least one hour during the reference week. There were no developments this quarter to indicate a significant change in employment levels.[281]

For an overview of economic trends in Iraq since 2004, see Figure 4.13.

Iraq Stock Exchange

After climbing much of the year on news of rising crude oil production and exports and the start of major infrastructure projects, the Iraq Stock Exchange (ISX) declined in November amid security concerns surrounding the imminent departure of the remaining U.S. military forces. However, the ISX index recovered during the final weeks of 2011, finishing the year nearly 34% ahead and up

> The Iraq Stock Exchange declined in November amid security concerns surrounding the imminent departure of the remaining U.S. military forces.

FIGURE 4.14

IRAQ STOCK EXCHANGE VS. S&P PAN ARAB COMPOSITE INDEX, 1/2010–12/2011
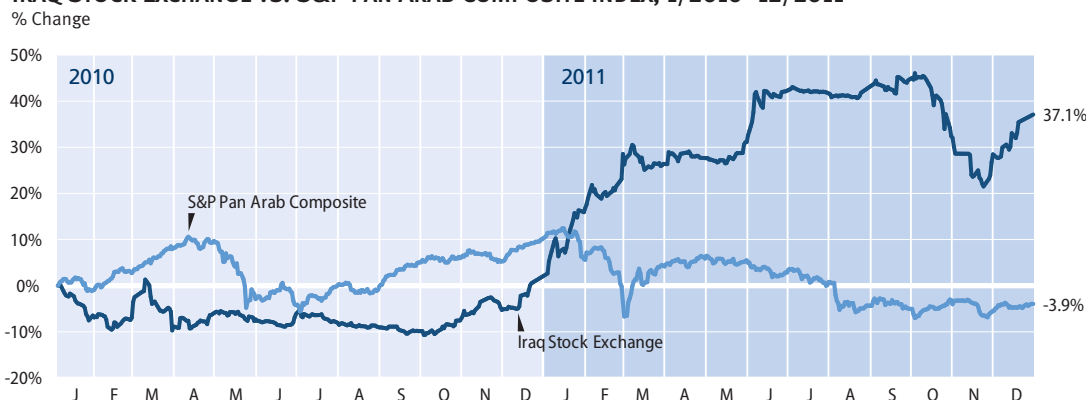
Note: The S&P Pan Arab indices include stocks from listed companies in the countries of Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, and the UAE.

Sources: Standard & Poor's, "S&P Pan Arab-Indicies," 12/2010, www.standardandpoors.com, accessed 10/4/2011; Standard & Poor's Indices Client Services, information provided to SIGIR, 4/7/2011, 7/18/2011, 10/3/2011, and 1/3/2012; Iraq Stock Exchange, "Indices," www.isx-iq.net/isxportal/portal/sectorProfileContainer.html?sectorId=1, accessed 1/4/2012.

FIGURE 4.13

THE IRAQI ECONOMY, 2004–2012

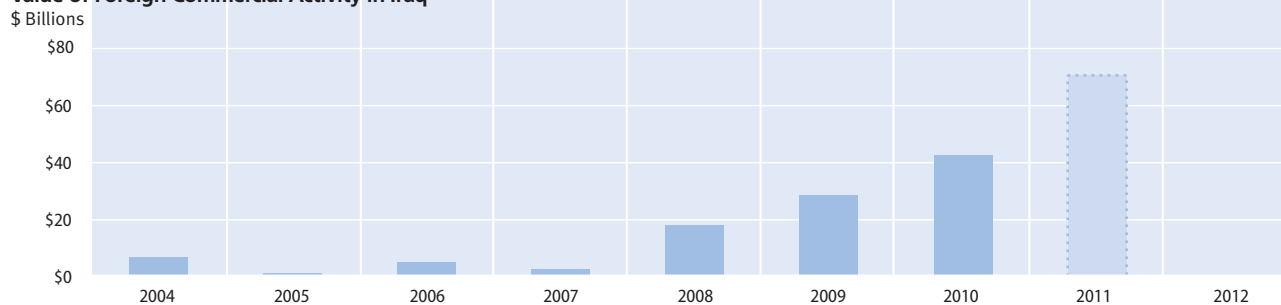**Oil Price, Iraqi Oil Receipts, and GDP**
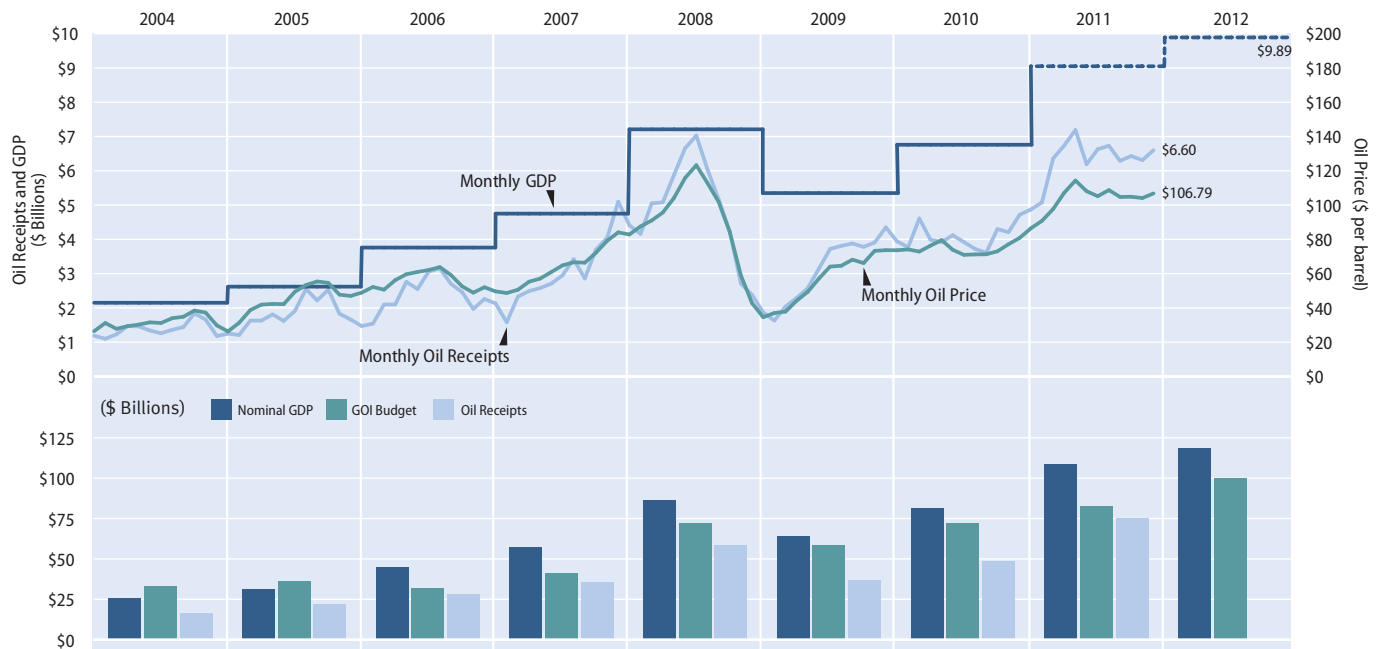
Inflation in Iraq and the Middle East/North Africa
% Change from Period End (Iraq Monthly Data) or Annual Average (Middle East and North Africa Average)
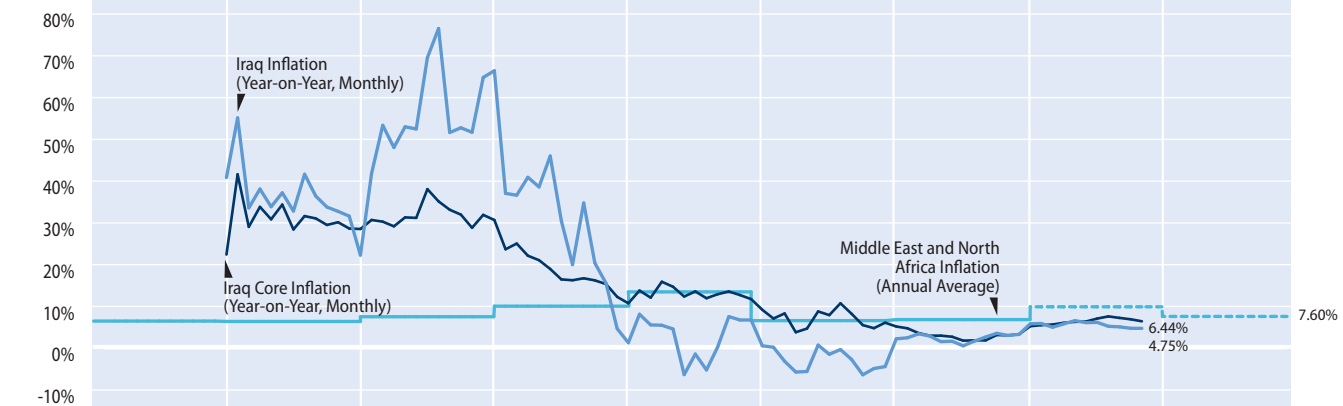
Value of Foreign Commercial Activity in Iraq
$ Billions

Note: Data not audited. Numbers affected by rounding. All dollar values are in current prices. GDP figures for 2011 and 2012 are estimates. Value of foreign commercial activitiy in Iraq for 2011 is an estimate. GOI budget for 2012 is CoM draft.

Sources: U.S. Treasury, responses to SIGIR data calls, 1/4/2008, 4/9/2009, 4/10/2009, 2/25/2010, 4/12/2011, and 1/10/2012; IMF, *World Economic and Financial Surveys: World Economic Outlook Database*, 9/2011, www.imf.org/external/pubs/ft/weo/2011/02/weodata/index.aspx, accessed 1/12/2012; GOI, CBI, "Key Financial Indicators," 1/4/2012, www.cbi.iq/documents/key%20financial.xls, accessed 1/12/2012; Dunia Frontier Consultants, "Foreign Commercial Activity in Iraq: 2010 Year in Review," 2/2011, p. 17, and information provided to SIGIR, 1/17/2012; "GOI Budget" (as approved by TNA and written into law December 2005); GOI, CoM, www.cabinet.iq, accessed 10/14/2009; GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2010," 1/27/2010, Article 2 and Annex Schedule B; GOI, Presidential Council, "Federal Public Budget Law for the Fiscal Year 2010," 2/10/2010; IMF, Report No. 10/72, "Iraq: Staff Report for the 2009 Article IV Consultation and Request for Stand-By Arrangement," 3/16/2010; GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2011," 2/23/2011; GOI, CoM, "Council Of Ministers Approved Draft Law of the GOI Federal Budget for 2012 Financial Year," 1/9/2012, Schedule C.

37% for the past two years. The increase compared with an overall 3.9% drop in the S&P Pan Arab Composite Index since January 2010. Figure 4.14 compares the ISX with the S&P Pan Arab Composite Index in 2010 and 2011. Although very small, the Iraqi equities market performance can be read as a barometer of confidence and the long-term potential of the Iraqi economy. Of equal importance for the tiny Iraqi exchange, trading volume for the year more than doubled to $809 million. (By comparison, trade volume on the New York Stock Exchange surpassed $39 billion for a single day in April 2011.)[282]

Debt

The GOI established a committee this quarter to deal with Iraq's public debt, most of which stems from the Saddam era. Estimated at between $130 billion and $140 billion in 2003, the government debt had fallen to $92 billion in 2010 according to the CBI. About $45 billion of this amount is eligible for debt-reduction negotiation under the same terms of the 2004 Paris Club agreement under which 19 nations, including the United States, wrote off 80% of outstanding debt. Among the remaining sovereign creditors, Arab neighbors—including Saudi Arabia, Kuwait, Qatar, and the United Arab Emirates—are collectively still owed about $40 billion. Iraq owes Poland $850 million.[283]

In addition to this debt, Iraq also owes war reparations stemming from Saddam's invasion of Kuwait in 1990. At the end of 2011, Iraq owed just over $18 billion in reparations—mainly to Kuwait. Iraq uses 5% of its crude oil income to pay these reparations.[284] Figure 4.15 shows Iraq's liabilities.
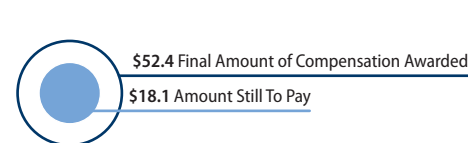
GOI Budget

This quarter, the CoM approved a draft budget of $100.1 billion, with a projected $14.7 billion deficit for 2012. The budget is predicated on crude oil not falling below $85 per barrel and the country's ability to export an average of 2.625 MBPD during the

FIGURE 4.15
IRAQ'S LIABILITIES

External Debt, 2003 vs. 2010
$ Billions

$130.0 in 2003
$92.3 in 2010
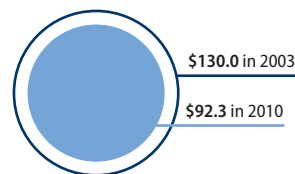
War Reparations, as of October 2011
$ Billions

$52.4 Final Amount of Compensation Awarded
$18.1 Amount Still To Pay

Note: Data not audited. Numbers affected by rounding.

Sources: CBI, "Government Debt," www.cbi.iq/index.php?pid=GovernmentSecurities, accessed 12/9/2011; United Nations Compensation Commission, "Status of Processing and Payment of Claims," www.uncc.ch/status.htm, accessed 12/6/2011.

year. As shown in Table 4.4, the draft represents a 21% rise in projected spending over the 2011 budget, and it follows substantial increases both last year and in 2010. In 2009, the budget was set at $58.61 billion.[285]

The CoM's 2012 draft budget, which requires CoR approval to become law, calls for $31.8 billion of new capital spending—a 24% jump over 2011—which is likely to be put toward further rebuilding of the country's obsolete and rundown infrastructure. Proposed operational spending of $68.3 billion for such recurrent items as government salaries, support for state-owned enterprises, and food subsidies is 20% higher than in 2011. The Ministries of Oil and Electricity have the largest capital budgets.[286]

Figure 4.16 compares 2012 projections for GOI expenditures as a percentage of GDP against those of other countries.

Oil and Gas

The most unexpected and potentially far-reaching event in the hydrocarbon sector this quarter was ExxonMobil's mid-November announcement that it had signed production-sharing agreements with the Kurdistan Regional Government (KRG) to develop six oil exploration blocks. ExxonMobil is one of the world's largest oil corporations and a leading player in the development of Iraq's southern oil fields. Its move effectively challenged existing GOI

FIGURE 4.16
GOVERNMENT EXPENDITURES AS A PERCENTAGE OF GDP, PROJECTED FOR 2012, IRAQ VS. OTHER COUNTRIES

Iraq	81%
France	56%
Norway	46%
United States	41%
Saudi Arabia	40%
Kuwait	36%
Afghanistan	27%
Iran	23%
Pakistan	18%
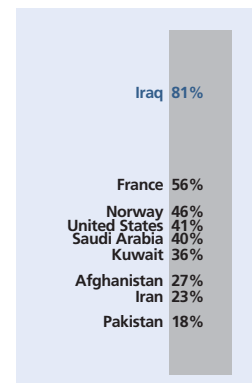
Note: General government total expenditure consists of total expense and the net acquisition of non-financial assets.

Source: IMF, *World Economic and Financial Surveys: World Economic Outlook Database*, 9/2011, www.imf.org/external/pubs/ft/weo/2011/02/weodata/index.aspx, accessed 12/12/2011.

Table 4.4
CoM-approved Draft 2012 Budget vs. CoR-approved 2011 Budget
$ Millions

Category	Office	CoR-approved Final 2011 Budget			CoM-approved Draft 2012 Budget			Total Allocation, Change from 2011
		Operating	Capital	Total	Operating	Capital	Total	-80% -40% 0% 40% 80%
Presidency	Subtotal	**78.2**	**10.1**	**88.3**	**91.5**	**9.5**	**101.0**	
Council of Representatives	Council of Representatives	247.7	0.0	247.7	241.8	0.0	241.8	
	BSA/COI	86.0	3.5	89.5	108.1	5.4	113.6	
	Other	117.4	0.0	117.4	119.7	0.0	119.7	
	Subtotal	**451.0**	**3.5**	**454.5**	**469.7**	**5.4**	**475.1**	
Council of Ministers	Endowments	857.8	76.1	933.8	873.2	114.9	988.0	
	Prime Minister and Secretariat	425.7	57.9	483.6	772.8	44.0	816.8	
	Martyrs Foundation	276.8	196.2	472.9	278.2	47.9	326.1	
	Militia Disarm. and Integration	195.5	0.0	195.5	204.6	0.0	204.6	
	Iraqi National Intelligence Service	140.8	34.3	175.1	169.6	23.9	193.6	
	Joint Staff/National Security Council	66.7	1.3	68.0	62.5	0.9	63.4	
	Other	47.5	1.8	49.4	44.9	8.0	52.8	
	Subtotal	**2,010.7**	**367.6**	**2,378.3**	**2,405.9**	**239.5**	**2,645.4**	
Ministries	Finance	12,224.4	1,018.1	13,242.5	17,026.7	1,915.4	18,942.1	
	Oil	2,047.4	5,940.2	7,987.6	2,824.1	9,102.6	11,926.7	
	Interior	6,146.0	167.4	6,313.4	7,985.7	194.7	8,180.3	
	Education	6,096.6	384.6	6,481.2	6,498.5	388.9	6,887.4	
	Defense	5,674.4	170.9	5,845.3	5,915.1	119.7	6,034.8	
	Electricity	1,034.9	3,197.9	4,232.8	1,492.9	4,068.1	5,561.0	
	Health	3,993.5	897.4	4,891.0	4,223.9	628.2	4,852.1	
	Commerce	3,928.3	34.2	3,962.5	4,621.5	23.9	4,645.4	
	Higher Ed. and Scientific Research	1,858.5	342.0	2,200.5	2,232.8	418.8	2,651.6	
	Municipalities and Public Works	727.3	1,058.8	1,786.1	724.6	1,307.8	2,032.4	
	Water Resources	199.9	1,163.5	1,363.5	188.8	837.6	1,026.4	
	Housing and Construction	233.8	658.1	891.9	227.6	748.5	976.1	
	Agriculture	694.1	275.0	969.1	679.0	179.5	858.5	
	Transportation	189.2	285.2	474.4	200.4	574.4	774.8	
	Labor and Social Affairs	867.9	15.4	883.2	548.4	89.7	638.1	
	Youth and Sports	96.6	652.5	749.1	112.0	520.5	632.5	
	Industry and Minerals	33.0	551.0	584.0	28.2	478.6	506.9	
	Justice	382.5	11.5	394.0	384.4	7.8	392.2	
	Foreign Affairs	309.0	408.5	717.5	326.0	59.8	385.9	
	Culture	157.9	119.7	277.6	160.0	95.7	255.7	
	Communications	11.0	213.7	224.7	12.0	119.7	131.7	
	Planning and Dev. Cooperation	188.6	17.5	206.1	45.8	9.0	54.8	
	Other	350.3	46.6	396.9	401.0	37.1	438.1	
	Subtotal	**47,445.2**	**17,629.7**	**65,074.9**	**56,859.5**	**21,925.9**	**78,785.4**	
Independent Offices	General Mgmt. in the Provinces	424.4	3,944.1	4,368.5	409.7	6,243.3	6,653.0	
	Local Councils in the Provinces	200.1	0.0	200.1	199.1	0.0	199.1	
	Ind. High Electoral Commission	159.1	5.8	164.9	159.1	4.1	163.2	
	Other	55.4	0.0	55.4	56.2	2.1	58.3	
	Subtotal	**839.0**	**3,949.9**	**4,788.9**	**824.0**	**6,249.5**	**7,073.5**	
HJC	**Subtotal**	**263.1**	**14.7**	**277.8**	**239.2**	**12.0**	**251.2**	
KRG	**Subtotal**	**5,832.9**	**3,722.2**	**9,555.1**	**7,439.2**	**3,334.2**	**10,773.5**	
Total		**56,920.1**	**25,697.7**	**82,617.7**	**68,329.1**	**31,776.0**	**100,105.1**	

Note: Data not audited. Numbers affected by rounding.

Sources: GOI, CoM, "Council of Ministers Approved Draft Law of the GOI Federal Budget for 2012 Financial Year," 1/9/2012, Schedule C; GOI, MOF, "2011 Iraq Budget Schedules," 5/16/2011.

policy that has prevented international oil companies from entering into agreements with both the KRG and GOI. Following the announcement, the Ministry of Oil said it would exclude ExxonMobil from participating in the fourth round of licensing for oil and gas exploration at 12 new sites scheduled for spring 2012. It was unclear how events would affect a planned multibillion-dollar Common Seawater Supply Project headed by ExxonMobil that would pump seawater from the Persian Gulf into Iraq's southern oil fields to boost well pressure, and with it, crude oil recovery rates.[287]

ExxonMobil's decision also forced Iraqis to confront a highly sensitive political issue with a new sense of urgency: where central government power ends and where regional government power begins. Although the Kurdistan Region is currently Iraq's only autonomous region, the outcome of this dispute could eventually affect actions by oil-rich provinces like Basrah, which have the right under Iraq's constitution to initiate a process for greater autonomy. The issue unfolded against the backdrop of the GOI's inability to pass national legislation that sets rules to govern the hydrocarbon sector. However, there are indications the ExxonMobil action could prod movement toward agreement as the CoR studies competing versions of proposed hydrocarbon legislation: one draft, dating from 2007, centralizes power within the GOI; the other devolves significant authority to regional governments.[288]

Crude Oil Production

Crude oil production in 2011 averaged 2.54 MBPD, a rise of 7% over the daily average for 2010, but 8% below the GOI's projected figure for 2011 of 2.75 MBPD, made early in 2011. This quarter, production averaged 2.51 MBPD, 2% lower than the previous quarter. A drop in output from the southern fields caused in part by sabotage-related stoppages at the al-Rumaila field and export bottlenecks was offset slightly by production increases in the fields around Kirkuk in the north.[289]

Bottlenecks created by insufficient crude oil export capacity as well as a shortage of crude oil

storage capacity will likely continue to limit near-term increases in oil production. In November 2011, for example, crude oil exports from the large southern oil fields rose by more than 80,000 barrels per day (BPD), according to the State Oil Marketing Organization (SOMO); however, six times that amount was pumped into storage farms during the same period.[290] Crude oil production in the Kurdistan Region, not included in national GOI production statistics, was estimated to be about 250,000 BPD this quarter.[291]

Figure 4.17 compares current production in Iraq with that in selected other countries, and Figure 4.18 shows Iraq's crude oil production and export levels since 2003.
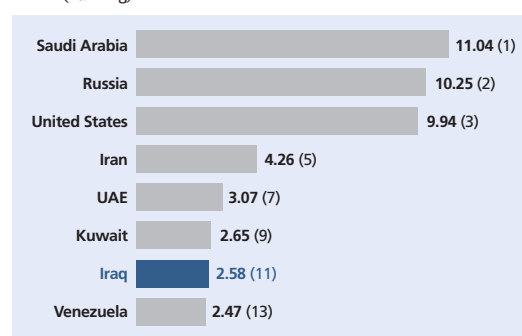
Crude Oil Exports and Capacity Expansion

Crude oil exports for the first two months of the quarter averaged 2.14 MBPD, down almost 2% from the previous quarter's average of 2.18 MBPD. NEA-I data for December 2011 was not yet available; however, Ministry of Oil data for the full quarter also showed a 2% decline from the previous quarter. Export volume for the first two months of the quarter was about 11% above that of fourth quarter of 2010.[292]

A new single-point mooring (SPM) built by Leighton Offshore with 900,000 BPD of additional

The Ministry of Oil said it would exclude ExxonMobil from participating in the fourth round of licensing for oil and gas exploration at 12 new sites.

FIGURE 4.17

CRUDE OIL PRODUCTION, 2011 AVERAGE THROUGH 8/2011, IRAQ VS. OTHER COUNTRIES
MBPD (Ranking)

Country	MBPD (Ranking)
Saudi Arabia	11.04 (1)
Russia	10.25 (2)
United States	9.94 (3)
Iran	4.26 (5)
UAE	3.07 (7)
Kuwait	2.65 (9)
Iraq	2.58 (11)
Venezuela	2.47 (13)

Source: EIA, "Total Oil Supply," 8/2011, www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=50&pid=53&aid=1&cid=all,&syid=2011&eyid=2011&freq=M&unit=TBPD, accessed 12/12/2011.

FIGURE 4.18
CRUDE OIL PRODUCTION AND EXPORTS, BY MONTH, 10/2003–12/2011
Million Barrels per Day
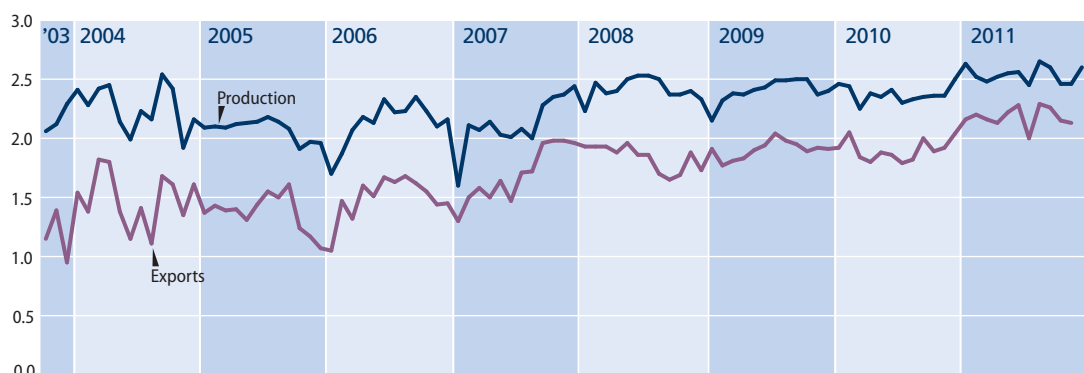
Note: Exports include crude oil from the Kurdistan Region; production figures do not.

Sources: NEA-I, responses to SIGIR data calls, 6/4/2010, 7/6/2010, 1/11/2011, 4/5/2011, 7/7/2011, 10/17/2011, and 1/6/2012.

export capacity is due to begin operating in early 2012 at al-Basrah Oil Terminal (ABOT). Two similar SPMs are scheduled to come on line over the next two years. Collectively, they are expected to expand export loading capacity by an additional 2.7 MBPD. However, pipeline bottlenecks in systems that gather crude oil into onshore storage tank farms and link those tank farms with the offshore loading facilities are expected to limit the usefulness of new SPM capacity over the next several years. Political and factional infighting has also reportedly intensified over the past two years, eroding government administrative efficiency and slowing the kind of decisions required to resolve these problems.[293]

OPEC

OPEC elected Iraqi Minister of Oil Abdul Kareem al-Luaibi as its president for 2012.

The Organization of Petroleum Exporting Countries (OPEC), elected Iraqi Minister of Oil Abdul Kareem al-Luaibi as its president for 2012, passing the organization's leadership to one of its five founding members. Formed in 1960 as a way to better coordinate policies among major crude oil producers and boost prices, OPEC soon became a global political and economic force at the center of both large crude oil price hikes and the 1973–1974 Arab oil embargo that shocked western industrialized economies.[294]

Large crude oil discoveries in non-OPEC countries in recent decades have diluted the organization's power to determine prices as its share of global crude production has declined from more than 50% in the early 1970s to about 42% in 2011. Today, OPEC's 12 member states work to agree to voluntary production quotas in an attempt to maintain strong and stable crude oil prices. Iraq has been temporarily exempted from the quotas since 1998 so it can produce as much crude oil as possible to finance its recovery from the effects of wars and UN sanctions. Iraq is expected to rejoin OPEC's quota system in 2014.[295]

Transparency Initiative

The GOI released its first Extractive Industries Transparency Initiative (EITI) report on January 9, 2012. The report, which detailed information about the $41 billion in revenue Iraq received from oil and gas exports in 2009, reconciled differences between the amount earned from the sale of crude oil during the year as reported by SOMO and the amount buyers reported paying for that crude. Iraq is one of 35 countries that have pledged to adhere to EITI's set of common standards governing the transparent use of wealth derived from the extraction and sale of natural resources, such as oil and gas. The Secretary
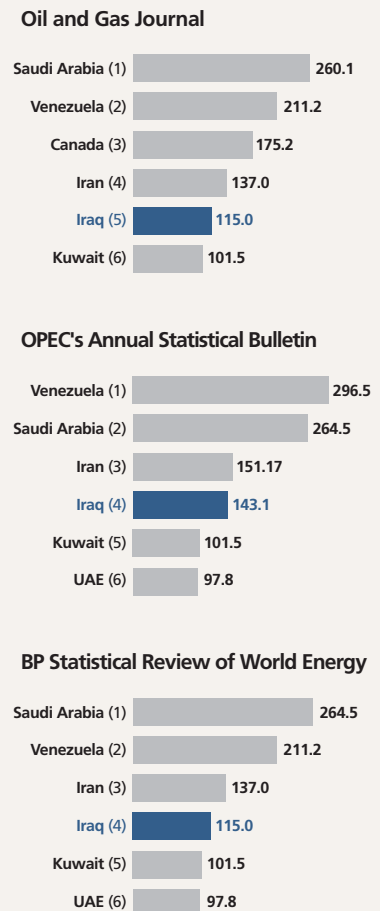
Iraqi Oil Statistics: Themes and Variations

On November 1, 2011, several media outlets carried Iraq's latest crude oil export statistics. Some, citing the Ministry of Oil, wrote that the export volume in October was nearly 7% higher than in September. Other news reports quoted Iraq's State Oil Marketing Organization (SOMO), also part of the ministry, declaring that the export volume had dropped slightly in October compared with the previous month. In November, the *Middle East Economic Survey (MEES)* published two tables showing Iraq's monthly crude oil production figures for the first nine months of 2011: one was sourced to the ministry; the other, to "MEES Estimates." No monthly figures in the two tables matched.[296]

The tables reflect a confusing reality: the many sources of data on Iraq's crude oil production and exports rarely agree.[297] The methodologies used to compile statistics vary considerably. Some organizations track oil-field developments and export loading operations. Others review existing data and then add their own assessment to produce independent estimates. OPEC, for example, draws production data from six different primary sources and then weighs the credibility of each to arrive at its own figures. The Energy Information Administration (EIA) works from selected data and then confers with sources of the data to develop its own statistics.[298] Discrepancies between sources can also be attributed to slightly different accounting periods that tend to even out over time. For example, the cargo of a tanker loaded on the last day of the month that sets sail later, on the first day of the next month, might be shown in either month by different sources.[299] Figure 4.19 compares monthly oil production and exports in Iraq for much of 2011, as reported by different sources.[300]

Several agencies and private-sector outlets also publish statistics on proved reserves of crude oil, typically defined as the estimated quantities of crude oil that geological and engineering data demonstrate with reasonable certainty can be recovered at today's prices using existing technology.[301] As Figure 4.20 indicates, all sources place Iraq among countries with the most reserves, but they do not all agree on exactly how much oil Iraq has available for production or where Iraq ranks relative to other countries. While the editor of one journal explained that statistics on reserves are usually derived from host-government statements, updates often take time before they show up in the database.[302]

FIGURE 4.20
ESTIMATES OF PROVED RESERVES OF CRUDE OIL
Billion Barrels

Oil and Gas Journal

Saudi Arabia (1)	260.1
Venezuela (2)	211.2
Canada (3)	175.2
Iran (4)	137.0
Iraq (5)	115.0
Kuwait (6)	101.5

OPEC's Annual Statistical Bulletin

Venezuela (1)	296.5
Saudi Arabia (2)	264.5
Iran (3)	151.17
Iraq (4)	143.1
Kuwait (5)	101.5
UAE (6)	97.8

BP Statistical Review of World Energy

Saudi Arabia (1)	264.5
Venezuela (2)	211.2
Iran (3)	137.0
Iraq (4)	115.0
Kuwait (5)	101.5
UAE (6)	97.8

Sources: EIA, *International Energy Outlook 2011*, Oil & Gas Journal, p. 38; OPEC, *Annual Statistics Bulletin (2010/2011 Edition)*, p. 22; BP, *Statistical Review of World Energy*, June 2011, p. 6.

FIGURE 4.19
COMPARISON OF 2011 CRUDE OIL PRODUCTION AND EXPORT DATA FROM DIFFERENT SOURCES
MBPD
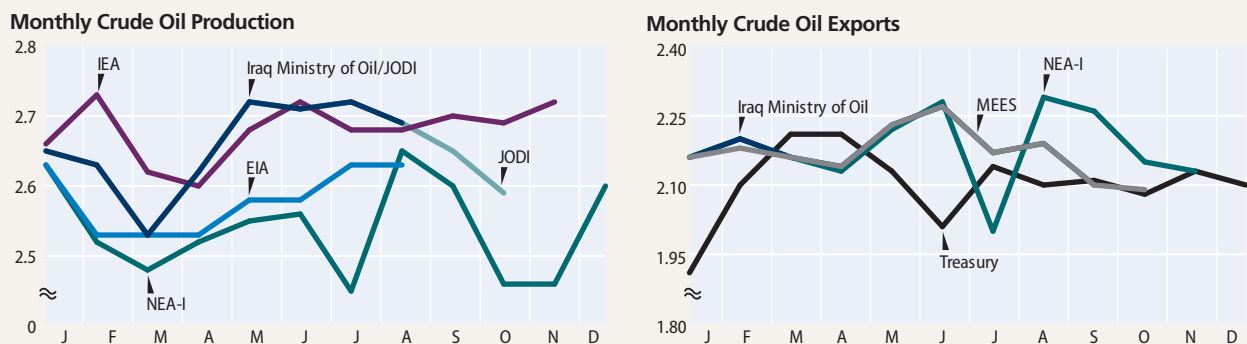
Sources: GOI, Ministry of Oil, *Domestic Consumption*, www.oil.gov.iq, accessed 1/4/2012; EIA, *Total Oil Supply*, www.eia.gov, accessed 1/4/2012; IEA, information provided to SIGIR, 1/6/2011; JODI, *Production Top 30 Countries (Last 15 Months)*, www.jodidb.org, accessed 1/4/2012; Oil Marketing Company, SOMO, www.somooil.gov.iq, accessed 1/7/2012; MEES, *Weekly Report*, Vol. 54 No. 45, 11/7/2011, p. 4; NEA-I, responses to SIGIR data calls, 4/5/2011, 7/7/2011, 10/17/2011, and 1/6/2012; U.S. Treasury, response to SIGIR data call, 1/10/2012.

General of the Iraqi initiative promised to publish more and improved reports in the future.[303]

Refineries and Petroleum Products

Iraq's refineries produced less diesel fuel, gasoline, kerosene, and liquefied petroleum gas (LPG) this quarter compared with the same quarter in 2010. Diesel fuel was down by 15%, gasoline by 11%, kerosene by 9% and LPG by 8%. Imports of diesel fuel during the first two months of the quarter averaged 2.28 million liters per day compared to zero for the corresponding period of 2010. Gasoline imports jumped by 65%, averaging 7.02 million liters per day over the corresponding period of 2010, while imports of LPG rose by 69% to 899 million liters. For the first time since April 2010, Iraq this quarter imported kerosene, purchasing an average of 1.28 million liters per day during October and November 2011.[304]

This quarter, the Ministry of Oil awarded a contract to the Louisiana-based Shaw Group to provide a feasibility study for rehabilitating one of Iraq's major refineries, in Basrah, that has the capacity to process 140,000 BPD of crude oil. The study is expected to assess the current condition of the refinery and estimate the engineering, equipment supply, and construction services required to improve its operation. The contract will be funded by a direct grant of $502,000 to Iraq's South Refineries Company from the United States Trade and Development Agency, the agency's first direct grant to an Iraqi entity.[305]

Natural Gas

According to the Ministry of Oil, production of associated natural gas averaged 1,577 million cubic feet per day (MCFD) during the first nine months of 2011, and 908 MCFD (58%) was flared.[306] As Figure 4.21 shows, Iraq ranked fourth-largest among all gas-flaring nations in 2010.

This quarter, Royal Dutch Shell and the Ministry of Oil signed a long-delayed agreement, valued at $17 billion, to capture much of the estimated 700 MCFD of associated natural gas currently flared at Iraq's southern oil fields. Shell will provide the technical and mechanical expertise for a joint venture called the Basrah Gas Company, which was created to operate the project. Shell and its partners will capture associated gas produced at

> Royal Dutch Shell and the Ministry of Oil signed a long-delayed agreement to capture much of the estimated 700 MCFD of associated natural gas currently flared at Iraq's southern oil fields.
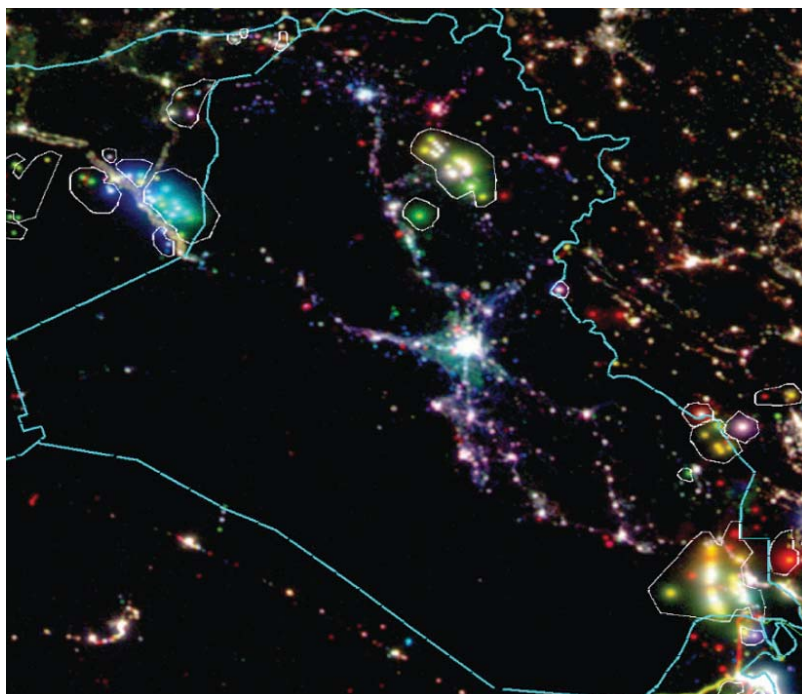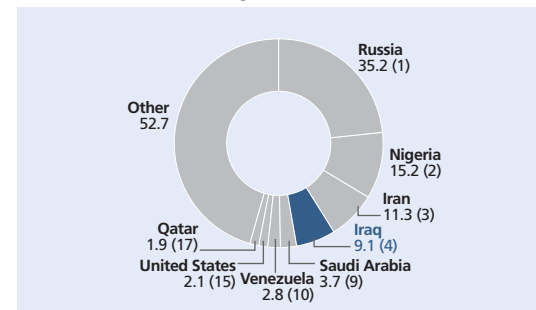

Satellite image—a composite of photos taken 1992–2008—shows flared associated natural gas. Gas from the northern oil fields is at the top center of the image, while flaring from the large southern fields appears at the lower right. (NOAA satellite image)

FIGURE 4.21

NATURAL GAS FLARING IN 2010, IRAQ VS. OTHER COUNTRIES
Billion Cubic Meters (Ranking)

Russia 35.2 (1)
Other 52.7
Nigeria 15.2 (2)
Iran 11.3 (3)
Iraq 9.1 (4)
Qatar 1.9 (17)
United States 2.1 (15)
Venezuela 2.8 (10)
Saudi Arabia 3.7 (9)

Source: World Bank, *Estimated Flared Volumes from Satellite Data, 2006–2010*, web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTOGMC/EXTGGFR/0,,contentMDK:22137498~menuPK:3077311~pagePK:64168445~piPK:64168309~theSitePK:578069,00.html, accessed 12/12/2011.

al-Rumaila, al-Zubair, West Qurna-1, and Majnoon fields. Under terms of the agreement, Iraq's state-owned South Gas Company holds a 51% share of the joint venture, with Shell holding 44% and Japan's Mitsubishi 5%. Shell was first selected for the project in 2008, but the absence of competitive bidding for the contract, together with its massive size, caused controversy and delay. However, the need for gas to fuel power plants, the desire to stop the loss of billions of dollars in revenues, and recognition of the environmental consequences of flaring combined to overcome opposition to the contract.[307]

In another sign of tensions between GOI central authorities and regional governments, the Basrah Provincial Council announced shortly after the agreement was made public that it wanted the Shell contract canceled and planned to take legal action against the Ministry of Oil for failing to consult on a major project in its province.[308]

Communications

Telecommunications remain both the fastest-growing non-oil sector of Iraq's economy and one of the most attractive private investment opportunities. This quarter, the Minister of Communications detailed ongoing efforts to expand and upgrade the country's telecommunications network:[309]

- Of the one million new landlines that have been installed since 2003, three-quarters use Next Generation Network (NGN) technology; another four million NGN lines are planned.
- Fiber-to-the-home technology is being expanded to reach about 2 million connections by the end of 2012.
- The ministry has set ambitious targets to increase Internet connectivity from the current 300,000 subscriptions to 3 million by the end of 2012. Only a few hundred connections existed in 2003.

Mobile Telephones

Iraq's mobile telephone subscriber network grew at an annual rate of just over 10% during the first half of 2011, reaching about 23 to 24 million subscribers. Continued growth was expected to drive that subscriber number to more than 25 million by the end of 2011, representing a 75% penetration rate. The country's three mobile telephone service providers—Zain Iraq (Kuwaiti-owned), Asia Cell (Qatari-owned), and Korek Telecom (partly owned by France Telecom and Agility of Kuwait)—are currently preparing to fulfill a legal obligation to sell 25% of their equity on the ISX, although the timing of the initial public offerings is uncertain. A fourth mobile telephone operating license is expected to be offered at auction in 2012.[310]

Transportation

Ports

According to Iraq's Ministry of Transportation, a revised design was completed this quarter for the major new port at al-Faw, and construction on a main service road leading to the site is expected to begin during the first half of 2012. The selected design calls for a facility larger than the one considered at the feasibility-study stage. The port will extend farther offshore and be located four miles farther east than specified in earlier design proposals to take advantage of more favorable tidal currents. The new location calls for a longer access channel and a longer breakwater. The new design is expected to bring the cost above the initial estimate of $5.8 billion. According to senior Iraqi officials responsible for the project, a Kuwaiti port currently under construction on nearby Bubiyan Island has played no role in the Iraqi port's revised design and is not expected to hinder its operation once completed.[311]

Aviation

By the end of the quarter, all of Iraq's civil aviation assets that had previously been operated by USF-I were under GOI control. The airport at Mosul, including the civil aviation tower, was the last of five regional airports transferred to Iraqi Civil

All of Iraq's civil aviation assets that had previously been operated by USF-I were under GOI control.

Aviation Authority (ICAA). Control of the west runway at Baghdad International Airport, the country's biggest airport, was also transferred to ICAA this quarter.[312]

The Minister of Transportation this quarter formally reaffirmed the ministry's intention to move forward on a contract with Boeing Corporation, valued at about $4.5 billion, for the purchase of up to 55 commercial airliners. Under terms of the contract initially agreed to nearly four years earlier, the GOI is expected to take delivery on 30 short- to medium-range 737 jets and 10 larger, long-range 787 Dreamliners over an eight-year period beginning in 2013. The GOI has the option to buy 10 additional 737s and 5 additional 787s. According to ministry officials, the deal is based on a strategic vision that in part calls for:[313]

- positioning Baghdad and its international airport as a major hub and transit point linking Asia and the Far East with destinations in Europe and North America, in much the same way Dubai does today
- capitalizing on the Haj, by offering Mecca-bound Muslim pilgrims the chance to visit some of Islam's many holy shrines in Iraq

> Foreign commercial activity nearly doubled in 2011 to about $70 billion.

A Boeing official told SIGIR, however, that the company remained concerned about the implications of a 2010 Canadian court ruling that Kuwait Airways had the right to pursue Iraqi Airways assets to compensate for losses sustained when Saddam Hussein seized its aircraft following the 1990 invasion of Kuwait. That ruling interrupted a $400 million deal between Iraqi Airways and Canada's Bombardier for ten CRJ900 commercial aircraft after just four had been delivered; however, deliveries resumed in July 2011 with the GOI taking possession of two additional CRJ900s, and Bombardier sees no reason to believe it will not be able to deliver the remaining four aircraft.[314]

Railroads
The GOI is working with a Swedish company to provide technical support for the advanced Digital Microwave Radio Communications Network that was completed earlier in 2011 at a cost of $48 million from the Economic Support Fund. According to Iraqi Republic Railway Company (IRR) officials, start-up of a train-control system has been delayed by higher-than-expected operational costs and a lack of reliable electricity; others, however, attribute the delay to a lack of an operating budget. The communications and control systems are part of a major upgrade underway for Iraq's railways so the country can establish links with neighboring Kuwait, Saudi Arabia, and Turkey and become part of a vast surface-transportation network linking the lower Persian Gulf states with Europe. As part of this plan, the IRR plans to double its track length from its current 1,500 miles to more than 3,100 miles.[315]
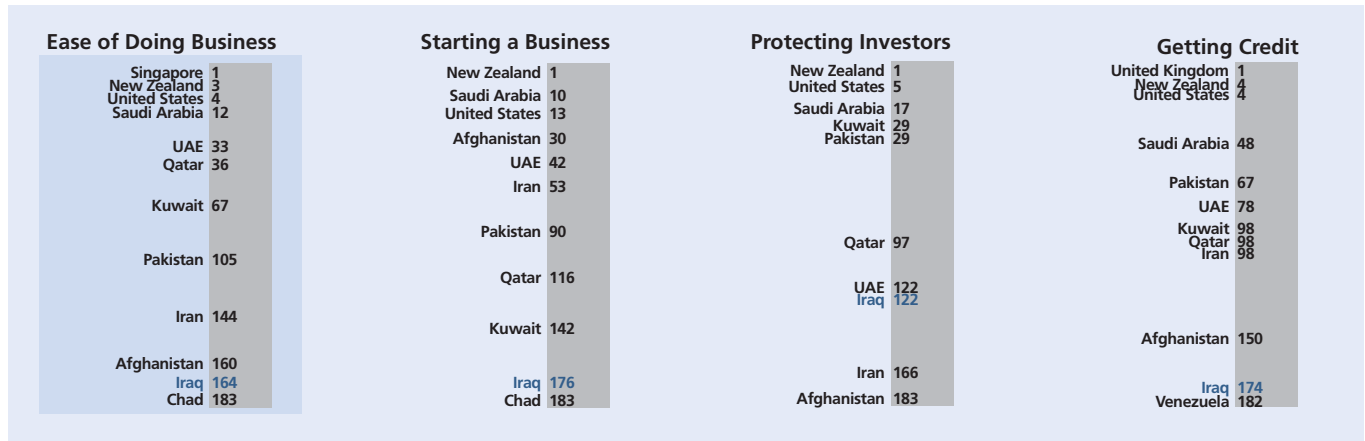
International Trade and Investment

Driven by Iraq's enormous infrastructure needs, foreign commercial activity nearly doubled in 2011 to about $70 billion, compared with $42.7 billion in 2011, according to preliminary results of a review conducted by Dunia Frontier Consultants.[316] The rise came despite difficult business conditions throughout much of Iraq. According to the World Bank's "Doing Business 2012" survey released this quarter, Iraq remained near the bottom—ranked 164 of 183 nations studied and last among all Middle East nations in the overarching "ease of doing business" category. It was also far below the average ranking (93) of all Middle East and North Africa nations.[317] For a more detailed look at Iraq's business climate, see Figure 4.22.

World Bank
The World Bank's activities in Iraq focus on capacity-and-institution building, development of a strong private-sector economy, and improved management of GOI resources, including elements of its vast petroleum wealth. Its current commitments to Iraq total approximately $1.25 billion. This

FIGURE 4.22

WORLD BANK RANKINGS, IRAQ VS. OTHER COUNTRIES

Ease of Doing Business		Starting a Business		Protecting Investors		Getting Credit	
Singapore	1	New Zealand	1	New Zealand	1	United Kingdom	1
New Zealand	3	Saudi Arabia	10	United States	5	New Zealand	4
United States	4	United States	13	Saudi Arabia	17	United States	4
Saudi Arabia	12	Afghanistan	30	Kuwait	29		
				Pakistan	29		
UAE	33	UAE	42			Saudi Arabia	48
Qatar	36	Iran	53				
						Pakistan	67
Kuwait	67					UAE	78
		Pakistan	90			Kuwait	98
				Qatar	97	Qatar	98
Pakistan	105	Qatar	116			Iran	98
				UAE	122		
		Kuwait	142	Iraq	122		
Iran	144						
						Afghanistan	150
Afghanistan	160			Iran	166		
Iraq	164	Iraq	176	Afghanistan	183	Iraq	174
Chad	183	Chad	183			Venezuela	182

Source: World Bank, "Doing Business 2012," www.doingbusiness.org/rankings, accessed 12/12/2011.

quarter, the International Finance Corporation, the World Bank's investment arm, outlined Iraq-related initiatives that could total as much as $800 million to reform and rebuild the private banking sector and finance efforts to capture flared natural gas. The World Bank is already assisting the GOI in efforts to privatize more than 170 state-owned enterprises—a step that, if successful, could broaden the base of Iraq's economy.[318]

International Monetary Fund

The IMF reaffirmed its current $3.80 billion Stand-By Arrangement (SBA) this quarter after praising the GOI for efforts to control growth of operational spending (on such items as government salaries) in its draft 2012 budget so that more resources could go toward infrastructure investment and social support. The SBA serves as a safety net to finance government spending should oil prices fall sharply. The IMF currently supports GOI efforts to maintain macroeconomic stability as a central prerequisite for growth and employment. It is also working with the GOI to further develop the banking sector's ability to help finance private-sector growth. An IMF team was scheduled to meet in January with GOI authorities in Baghdad to review progress of its current programs and discuss next steps.[319]
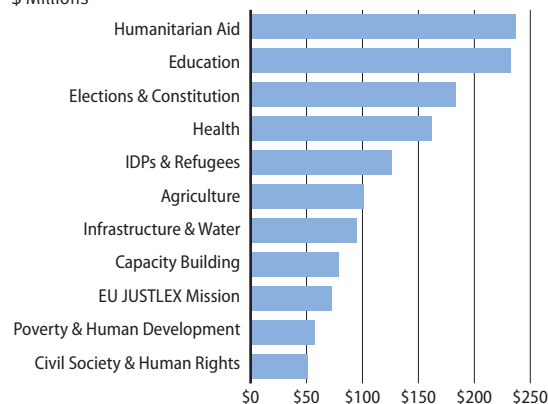
Europe and Beyond

European Union

European Union (EU) support for Iraq through the European Commission continued its gradual decline in 2011 to the equivalent of just under $40 million, about half the $78 million provided in 2010 and roughly 15% of its peak year of 2006, when it contributed $274 million. This total does not include bilateral assistance from the EU's 27 individual member states. European Commission reconstruction support has focused mainly on programs to improve basic services, such as health care, education, and water and sanitation. In 2011, it committed $20 million to water management and efficiency issues. (For details of this program, see the Public Services subsection of this Report.) The EU is expected to spend $29 million in 2012 on development programs in Iraq and slightly less than that in 2013.[320] EU aid to Iraq in 2003–2010 is detailed in Figure 4.23.

EU support for Iraq through the European Commission continued its gradual decline in 2011.

FIGURE 4.23

EUROPEAN UNION TOTAL AID, BY SECTOR, 2003–2010

$ Millions

Sector	
Humanitarian Aid	
Education	
Elections & Constitution	
Health	
IDPs & Refugees	
Agriculture	
Infrastructure & Water	
Capacity Building	
EU JUSTLEX Mission	
Poverty & Human Development	
Civil Society & Human Rights	

$0 $50 $100 $150 $200 $250

Note: Data was provided in Euros and converted into U.S. dollars on 1/10/2012 using the current exchange rate.

Source: EU, *Overview of EU Support During the Years 2003-2010,* eeas.europa.eu/delegations/iraq/eu_iraq/tech_financial_cooperation/overview/index_en.htm, accessed 1/8/2012.

U.S. Investment Activity

U.S. business activity in Iraq picked up this quarter after a long period of lagging behind the efforts of more aggressive competitors from neighboring Turkey and Iran, South Korea, and Western European countries such as Italy and France. The U.S. Chamber of Commerce reported that, during the first half of 2011, total U.S. business activity—including trade, distribution, and investment—reached $2.92 billion, nearly $1 billion above the figure for U.S. business activity in Iraq recorded for all of 2010. U.S.-Iraqi business developments this quarter included a Ministry of Oil contract award to the Louisiana-based Shaw Group to provide a feasibility study for rehabilitating one of Iraq's major refineries, in Basrah.[321]

Indicative of a growing U.S. commercial presence in Iraq, General Electric Company this quarter announced the opening of three new offices—in Baghdad, Basrah, and Erbil. Honeywell announced in December it would open a full-service office in Basrah, its second since coming to Baghdad in 2010.

> During the first half of 2011, total U.S. business activity reached $2.92 billion.

The 38th Baghdad International Trade Fair, November 1–10, 2011.

In November, U.S. companies returned to the Baghdad International Trade Fair, exhibiting there for the first time in two decades. More than 80 entities were represented, including Fortune 500 companies like General Motors, Hewlett Packard, and Citibank; institutions of higher learning such as Michigan State and Oklahoma State Universities; and travel industry groups such as the San Francisco Travel Association and Visit Orlando. Collectively, the U.S pavilion represented the largest single national exhibit.[322]

The acceleration in U.S. business activity came as Iraq took steps to encourage foreign investors, especially U.S. companies, to work in Iraq. The Basrah Provincial Investment Commission this quarter said it would end a bureaucratic system that caused visa backlogs measured in months and pledged to process visa requests from foreign investors within 48 hours. During a visit to Washington in December, Iraq's Prime Minister publicly pushed for greater U.S. private-sector investment in his country, declaring that "all sectors

Prime Minister Nuri al-Maliki addresses U.S. business leaders at the Chamber of Commerce in Washington, D.C. (U.S. Chamber of Commerce photo)

of the economy are there, open for business—for American business."[323]

Finance

Efforts to clear the balance sheets of Saddam-era non-performing loans at two of the country's biggest banks reportedly made little progress this month, despite the formation of a high-level government committee chaired by the CBI to work on the issue. Bad loans are one of several impediments that prevent the state-owned Rasheed and Rafidain banks from playing a more central role in providing the financial products needed for private-sector business to take hold and grow in Iraq. Together with the third state-run bank, the Trade Bank of Iraq, Rasheed and Rafidain account for 85% of all bank transactions in the country. One factor that could encourage banks to do more lending is the consistently low policy interest rate, which the CBI kept at 6% throughout 2011. The low rate undercuts a low-risk business model favored by some Iraqi banks; those banks place their deposits at the CBI and simply collect the interest on them rather than risk providing funds to loan applicants.

Thirteen smaller private banks came together this quarter to form a national federation to represent their collective interests. One of the group's first actions was to begin work on the establishment of a credit rating institution.[324] For details of USAID support for the private banking sector, see Section 3 of this Report.

Six months after the CBI required all Iraqi private banks to have a minimum reserve capital of 100 billion Iraqi dinar ($854 million), 6 of the 21 banks listed on Iraq's stock exchange had failed to achieve the minimum-reserve target. Some of these banks are expected to seek mergers either with other Iraqi banks or foreign lending institutions to meet the minimum capital requirements.[325]

6 of the 21 banks listed on Iraq's stock exchange had failed to achieve the minimum-reserve target.

SOE Reform

Efforts to find private-sector partners for at least some of Iraq's 170-plus SOEs continued this quarter. The Semawa cement plant was in the final stages of entering into a partnership agreement, and two pilot-stage public-private partnerships involving an engineering SOE and a pharmaceutical factory also moved forward, but have yet to enter into a formal agreement.[326] ◆

SOE complex east of Baghdad.

FOCUS ON CORRUPTION

Corruption is an unremitting theme in contemporary Iraqi political discourse. In October 2011, Prime Minister Nuri al-Maliki said that corruption within the Government of Iraq (GOI) was as dangerous a threat to national stability as terrorism.[327] Provocative words, indeed, but they merely echoed what Iraqi leaders have said about their own government's corruption for most of the past eight years. In 2006, for example, a former high-ranking Iraqi government official told SIGIR that corruption within the GOI "threatened the state." That same year, the Inspector General (IG) for the Ministry of Health put the total annual cost of corruption in Iraq at about $4 billion.[328]

The problem of corruption within the GOI resonated in recent months when Iraq's new chief of the Commission of Integrity (COI), Judge Alla'a Jwad Hameed, said that "one of the biggest problems in Iraq is corruption. It leads to the loss of confidence in government institutions."[329]

In its most recent annual report (covering 2010), the COI quantified some progress it had made in fighting petty corruption. But it observed that prosecuting senior officials remains a major challenge. On this point, the report recounted that "senior officials with strong political connections [have] become more powerful than even the law or the constitution, and that constitutes a significant hindrance in the achievement of rule of law advances within Iraq."[330] According to the COI report, Iraqi officials "continue to resist true accountability though they raise slogans of accountability and transparency. Resisting oversight and accountability deflates the wheels of the corruption-fighting process. It creates an aspect where the corrupters become stronger then the pursuers."[331]

Since 2004, COI investigators and other Iraqi anticorruption officials uncovered a

March 15, 2011, Iraqi political cartoon: Word at upper left says "Corruption"; words at upper right say "Tsunami Baghdad." (Al-Mada)

number of corruption schemes, including the diversion of state funds, the theft and resale of medicines, and the paying of ghost employees.[332] In the most egregious example (described in "Anatomy of a Billion-dollar Crime," in this subsection), the first interim Minister of Defense was investigated, tried, and convicted in absentia for stealing nearly $1.3 billion in Iraqi funds through a fraudulent arms deal executed in 2004–2005.[333] The Minister and other alleged participants remain free because of the "Amnesty Law" passed by the Council of Representatives (CoR) in 2008, which wiped the slate of many corruption crimes committed by government officials before the law's passage.

According to the COI, the level of corruption in Iraq remains high because "many ministries and government institutions still are reluctant to adopt transparency processes in their functions."[334] Iraq's banking sector is particularly affected because of a lack of transparency. GOI anticorruption officials estimate that the diversion of state funds in the

banking sector has caused the loss of hundreds of millions of dollars (in one case alone, as much as $360 million).[335]

In June 2011, an Iraqi court issued an arrest warrant for the Director of the Trade Bank of Iraq, who allegedly authorized corrupt loans and diverted state funds for personal use. The COI has also received indications of unreported money transfers out of Iraq (in the tens of millions of dollars per transaction). Most of these transactions derived from government funds.[336] According to the COI, "The obsolete and infirm Iraqi banking system makes it difficult to adopt the proper techniques and procedures to prevent money laundering. No tangible advances have been accomplished to pursue or limit this criminal phenomenon, which, as a practical matter, aids corrupt actors to benefit from their illegitimate conduct."[337]

Assessing Corruption

The World Bank provides Worldwide Governance Indicators covering more

than 200 nations and territories, some of which speak to the issue of corruption. Measured on a 100-point scale, nations with the most complete anticorruption institutions score 100, and those with no anticorruption institutions score zero. In 2010, Iraq scored 5 (see Figure C.1).[338]

Transparency International, a nongovernmental organization that monitors international corruption, annually publishes the Corruption Perception Index (CPI). Drawn from surveys of businesses and analysts, the CPI's rankings provide the most widely accepted judgments about the levels of governmental corruption around the world.[339] According to the 2010 Index, Iraq ranks 175 of 182 nations; it has been in the CPI's bottom 5% each year since 2006.

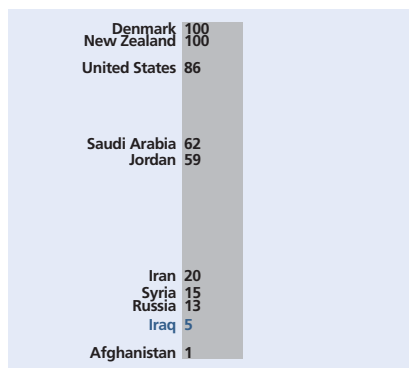## Iraq's Anticorruption Framework and Infrastructure

GOI efforts to address corruption are guided by the United Nations Convention Against Corruption (UNCAC), which Iraq ratified in 2008. The UNCAC provides standards that parties must follow and details their obligations, including information-sharing and support for the recovery of funds.[340]

According to the COI, "Despite successes in implementing some requirements of the UNCAC via the serious efforts of the concerned personnel, the Iraqi legal system still seems incapable of effective response to the most important requirements of the Convention's provisions."[341] The United States and the United Nations provide training assistance to Iraq under the UNCAC through the International Criminal Investigative Training Assistance Program (ICITAP) and the United Nations Development Programme (UNDP).[342]

National Anti-Corruption Strategy

As part of the UNCAC process, the GOI adopted a *National*

FIGURE C.1

WORLD BANK MEASURE OF THE ABILITY TO CONTROL CORRUPTION, IRAQ VS. OTHER COUNTRIES

Country	Score
Denmark	100
New Zealand	100
United States	86
Saudi Arabia	62
Jordan	59
Iran	20
Syria	15
Russia	13
Iraq	5
Afghanistan	1

Source: World Bank, *Worldwide Governance Indicators,* http://info.worldbank.org/governance/wgi/index.asp, accessed 12/12/2011.

Anti-Corruption Strategy for 2010–2014 (NACS). An $8 million U.S. grant to the UNDP supported the strategy's development. Formally adopted by the Council of Ministers (CoM) in December 2009, the strategy provides a 201-point action plan monitored by the Office of Strategic Planning within the COI.[343] Table C.1 lists some of the strategy's provisions.

The GOI has yet to assess which, if any, of the plan's goals have been accomplished. Several causes have been cited as preventing this assessment:

- the delay in forming a government following the 2010 election
- newly appointed officials who are still learning their jobs
- officials who are resistant to rules and regulations
- a lack of new legislation, such as a new Inspector General law and a new Civil Service Law
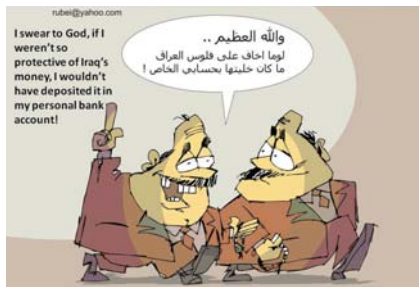
September 20, 2011, Iraqi political cartoon. (As-Sabah al-Jadeed)

Anticorruption Infrastructure

The Office of the Prime Minister and CoM provide strategic direction for the fight against corruption. Upon first taking office in 2006, Prime Minister al-Maliki appointed an Anti-Corruption Advisor, who was then also serving as the Ministry of Health's IG.

The Joint Anti-Corruption Council (JACC), created by the Prime Minister in mid-2007 with assistance from U.S. Embassy-Baghdad, coordinates Iraq's anticorruption entities and efforts. The JACC is supposed to serve strictly as a guide for the committee's membership, which includes representatives from the CoM, Office of the Prime Minister, IGs, COI, the Board of Supreme Audit (BSA), and the Iraqi court system.[344] The Prime Minister also has formed several committees, one of which makes recommendations on the qualifications of IG candidates.[345]

The prosecution of corruption cases in Iraq is more complex than the prosecution of other crimes. While general criminal activities are quickly sent to investigative judges, cases involving corruption are usually sent to an IG for an initial administrative investigation. Unlike the American IG system, these investigations in Iraq are overseen by a minister, sometimes with additional supervision from the Office of the Prime Minister. In cases that are politically sensitive, the Prime Minister may create an ad hoc investigative committee, which decides whether the case should be sent to court. The recently passed COI law provides that the COI could use its independent judgment not to send a case to court if it finds that the evidence does not support prosecution. For an overview of the authorities and relationships among these entities, see Figure C.2.

The Board of Supreme Audit

First established by the United Kingdom's administration in 1927, the BSA is Iraq's

TABLE C.1

IRAQ'S *NATIONAL ANTI-CORRUPTION STRATEGY FOR 2010–2014*: SELECTED PROBLEMS AND PROPOSED ACTIONS

EXISTING PROBLEM	RISK	ACTION PLAN TO ADDRESS PROBLEM	IMPLEMENTING BODY
Lack of transparency in political parties' funding	Using state money to finance parties, or obtaining funding from other sources that could pressure and influence decision-making	Setting up a system for political financing that depends on: • registering party members • limiting contributions or donations parties and candidates can receive • submitting financial disclosures • defining penalties for non-compliance • prohibiting the use of state money and public property for campaigning	CoR, MOF, IHEC, BSA
Conflict of interests in awarding contracts	Unfair competition	Monitoring the tendering process in all ministries and provinces and applying relevant codes of conduct; setting up regulations and standards to avoid conflicts of interest	CoR, MoPDC, all ministries, Provincial Councils, COI
Long period between awarding and signing contracts	Spread of financial and administrative corruption through collusion with suppliers	Setting up and keeping schedules	Internal Audit Directorate, IGs
Poor field supervision on worksites and no checking to ensure delivered project's specifications match contract terms	Substandard implementation of jobs; waste of public money; corruption	Appointing an adequate number of supervisors to check project implementation and compliance with specifications; adhering to prescribed procedures in receiving completed projects and verifying their compliance with specifications listed in the feasibility study	All ministries, directorates, and provinces
Forgery of high school certificates and certificates from outside Iraq for high schools and postgraduate studies	Admitting unqualified students; awarding certificates to ineligible students	Verifying documents via advanced mechanisms and techniques; canceling all temporarily assessed certificates	MoHE, MOE, Ministry of Foreign Affairs
Corruption in prison administration	Prison guards and officials have the opportunity to exploit inmates; bribes to get some privileges; damaging implementation of the criminal justice management policy	Observing the international norms to identify prison space and capacity and resolving cases; separating sentenced inmates and those under trial; improving detention procedures and inmate treatment	MOI, MOJ, MoHR, COI
Manipulation of the ration and fuel card systems	Administrative and financial corruption	Designing controls, measures, and instructions to regulate work in the following fields: • receiving the ration card • receiving the fuel card • deleting deceased family members from the ration card system	Not specified
Poor performance of health institutions with regard to offering services to citizens; offering services in exchange for bribes	Poor public health; waste of public money	Preparing a general health-care plan that guarantees providing human resources and material needs and intensifying field visits to health institutions to ensure optimal job performance	MOH IG, Civil Society Organizations (CSOs)
Slowdown in transport and marketing of oil and gas products due to spread of corruption	Poor performance; waste of public money and energies; illicit enrichment at the expense of public money and the people; higher prices for oil products; decrease in production capacities of factories and production units that depend on oil and gas, in both the public and private sectors	The relevant companies and directorates should intensify efforts to develop transport mechanisms and market oil and gas products according to a yearly plan prepared for this purpose (and those who do follow the plan should be punished); publicizing the mechanisms of transport and marketing in newspapers in application of the pleasure principle; coordinating with ministries and directorates that use oil and gas products to estimate actual need and prepare a mutually agreed-upon timetable	Ministry of Oil, MOI's Economic Security Directorate, local administrations, CSOs, directorates and ministries that make use of oil products, media
Existence of made-up names on the payroll	Waste of public money	Preparing tight internal-control procedures by automating the personnel and salaries system; separation of concerns (preparing, paying, checking); continually matching records between the various parties involved	All ministries and directorates

**Source:** GOI, *National Anti-Corruption Strategy for 2010–2014*, 1/2010.

oldest anticorruption institution. The organization was modernized in 2004 by Coalition Provisional Authority (CPA) Order 77, and its charter was modified in September 2011 by the CoR.

The BSA audits all Iraqi government agencies. Its function is similar to that of the U.S. Government Accountability Office (GAO); and like the GAO, it has no law-enforcement powers. In 2005, the BSA was enshrined as an independent agency in the new Iraqi Constitution and recently made more so by the new law that gives the CoR—and not the Prime Minister—the authority to appoint or dismiss the leadership of the BSA. The BSA, in conjunction with the COI, exposed the first case of grand corruption in Iraq, when, in 2005, it found that about $1.3 billion had been lost to corruption through a series of 89 Ministry of Defense contracts.[346]

Figure C.2

Adjudicating Corruption Crimes vs. Adjudicating Common Crimes
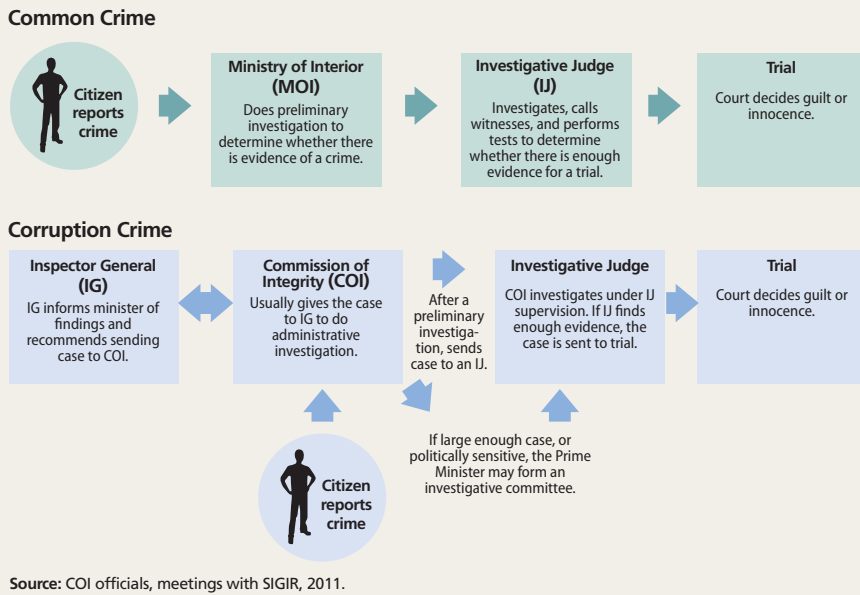
Source: COI officials, meetings with SIGIR, 2011.

The BSA's 2010 annual report included the following findings:[347]

- Many ministries and state-owned enterprises (SOEs) did not submit financial statements to the BSA for auditing, as required by law.
- Most GOI agencies improperly accumulated unspent funds over several years, instead of returning these funds, as required, to the Ministry of Finance.
- More than 2,100 GOI officials improperly received double salaries during 2009, and duplicate payments were regularly made to the families of GOI personnel killed in terrorist attacks.
- Weak internal control systems in "most" GOI agencies caused them to be incapable of either performing their duties properly or maintaining public funds in the proper manner.
- While the National Investment Commission granted 19 investment licenses in the 2008–2009 period, "most of them were not executed because of the non-allocation of lands or the withdrawal of investment licenses from some of the investors."
- The two major state-owned banks—Rasheed and Rafidain—do not use a merit-based promotion/bonus system.
- Due to failures by the Ministry of Health inspections system, foodstuffs "not suitable for human consumption" were admitted into Iraq during 2009. Moreover, many hospitals continued to use expired medications and lacked needed medical supplies.
- BSA was unable to determine the Ministry of Trade's spending levels for 2006–2009.
- The Ministry of Oil was "not serious" about installing a system for metering volumes of oil.

The Inspectors General

CPA Order 57 created Iraq's IG system in 2004, generally patterning it on the U.S. IG system. Like their U.S. counterparts, Iraqi IGs conduct inspections, audits, and investigations of their respective GOI institutions. Each ministry and some of the independent commissions (such as the Sunni and Shia Endowments) have IGs. Under an agreement brokered by the Prime Minister, IGs conduct most initial investigations before they go to the COI for judicial investigation and prosecution.

Unlike the U.S. system, the IGs serve under the direction of their ministers, who decide what corrective action is appropriate to use for wrongful acts—criminal or administrative sanctions. The Prime Minister selects each IG, and their budgets are independent of their agencies; however, in another key difference from the U.S. system, the agency minister—not the Prime Minister—has the power to dismiss the IG.[348]

The IG offices have formed an unofficial professional association, referred to as a *Diwan* (or council), for mutual support and training. This organization meets monthly with the COI to work out common problems and evaluate issues concerning the NACS. The current president of the *Diwan* is the IG of Industry and Mining, and he represents the IG community on the JACC.[349]

Some of Iraq's IGs have said they have been under political attack from their ministers. At the start of Prime Minister al-Maliki's first term in 2006, the CoM made several changes in the IG offices, including removing the IGs at the Ministries of Defense and Culture. The most controversial move was the elimination of the IG that oversaw the Central Bank of Iraq (CBI).

At the start of the Prime Minister's second term in 2010, several IGs were switched to different ministries to accommodate the preference of certain new ministers. Several ministers have criticized the IGs for exceeding their charter and interfering with ministry operations.[350] As a result, some of the IGs admit to being less aggressive in their audits and inspections. Other IGs claim that their staff have been removed and replaced with staff selected by the minister. There have been several controversial dismissals of IGs, which appeared to be politically motivated. With the creation of several independent agencies, such as the Fund for Martyrs and Prisoners, the Prime Minister has installed IGs that are not required by law.

Since 2009, the IG community's emphasis has been on improving contracting procedures and exposing false educational certificates submitted by job applicants or employees. Years of conflict and poverty, combined with the reality that public-sector jobs are often the only stable employment available, have created a thriving underground industry of fake degrees.[351]

The Commission of Integrity

Initially established by the CPA in 2004, and enshrined in the Iraqi Constitution in 2005, the COI is an independent investigating agency, with its duties defined by the CoR. The agency was envisioned as a combination enforcement, educational, and transparency agent for the GOI. The agency has been repeatedly blamed by the public for failing to fight corruption effectively and by the government ministries for using its law enforcement powers to intimidate employees to so great a degree that they are afraid to perform their duties.[352]

The exact total of COI investigators varies, but approximately 450 are posted in 15 of the 18 provinces.[353] (The Kurdistan Region has its own Integrity Commission.) Six COI directorates undertake different missions:

- **Investigations**—investigates criminal corruption.
- **Legal Affairs**—plays the major role in drafting proposed anticorruption legislation.
- **Prevention**—collects reporting on assets from senior Iraqi officials. The original law governing this area was

May 11, 2011, Iraqi political cartoon: Word on mouse trap says "Commission of Integrity." (Al Mada)

weak, allowing for amendments to the declaration of assets after discovery of errors. The passage of the new COI law in September 2011 provides a remedy, making it a crime to have unexplained wealth.

- **Education and Public Relations**—educates the public and the civil servants on honest government and encourages the reporting of corrupt activities; issues a weekly newspaper, broadcasts TV shows, publishes magazines, distributes children's publications, and operates a website in both English and Arabic at www.nazaha.iq.
- **Non-governmental Organizations**—plays the chief role in monitoring obligations under UNCAC; tries to develop civil-society efforts that advance the NACS.
- **Administration**—monitors and evaluates progress on the NACS.

The Struggle for Independence

Since its inception, the COI has been criticized by GOI leaders, legislators, the public, and the press. According to its own report, "the COI is not yet a fully independent agency and has received poor support from the government. At times, the COI struggles with pressure from politicians and tribes. Potential targets try to obstruct COI investigators, and political parties attempt to involve them in political matters as a method of limiting their investigations."[354]

These weaknesses have variously been forced upon or allowed by the COI. In 2007, for example, the Office of the Prime Minister issued a secret order instructing that no current or former minister could be taken into custody without its permission.[355] An agreement brokered that year between the IGs and the COI provided that the COI would not conduct investigations in a ministry without first informing the IG. In some cases, the Prime Minister used his power to prevent prosecution of ministers.[356]

Prime Minister al-Maliki visits the COI in October 2011. (COI photo)

In the most salient attack upon the COI, Commissioner Radhi al-Radhi departed Iraq in late summer 2007, after an apparent assassination attempt upon him and his family. The United States granted him residence.

After Judge Radhi left, Deputy Commissioner Mossa Farraj served as the temporary head of the COI, even though corruption charges were pending against him with an investigative judge. Commissioner Farraj remained in office for approximately four months, but was dismissed after he announced in the CoR that he had uncovered evidence of serious corruption in the Ministry of Oil.

Judge Raheem al-Ugaili replaced Commissioner Farraj in January 2008. Throughout his tenure, Commissioner al-Ugaili repeatedly complained to U.S. officials and the Iraqi press of political interference with his investigations. The Commissioner also cited the misuse of Article 136(b) to avoid corruption prosecutions. This provision, which the CoR has since repealed, allowed any minister to shield by fiat any employee from investigation for corruption.

In September 2011, Commissioner al-Ugaili resigned, allegedly under political pressure. The current temporary Commissioner of the COI is Judge Alla'a Jwad Hameed, who is also the Commissioner of the Property Dispute Commission.

Leadership changes of the COI have been closely tied to the political situation in Iraq. All three departing

Commissioners have claimed that political parties have interfered with their investigations.
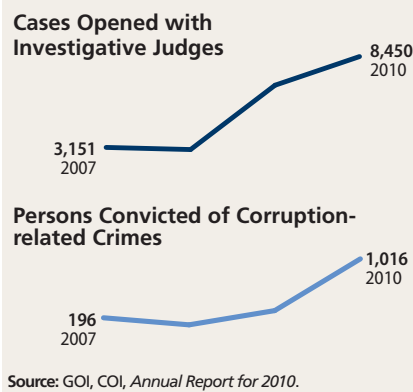
COI Prosecutions

As Figure C.3 demonstrates, the COI has opened a large number of cases and produced significant numbers of convictions.[357] The number of senior officials investigated has recently increased as well. In 2010, the COI submitted to court 207 suspects of the rank of director general or higher.[358]

In 2008, the legislature granted amnesty for most crimes as a means to encourage reconciliation after years of fighting and to ease ethnic tensions. One of the consequences of that pardon was to release from threat of prosecution a significant number of individuals accused of corruption.[359]

The Capacity Challenge

In its annual report for 2010, the COI reiterated that it faces challenges in capacity to investigate certain crimes. One area of concern is in the capacity of the agency to conduct sophisticated investigations. "Corruption-fighting efforts

Figure C.3
COI Summary of Performance, 2007–2010

Cases Opened with Investigative Judges

8,450
2010

3,151
2007

Persons Convicted of Corruption-related Crimes

1,016
2010

196
2007

Source: GOI, COI, *Annual Report for 2010*.

in Iraq still utilize mainly outdated investigative tools; with no substantial steps being taken system-wide to rectify this shortcoming."[360]

While the COI has demonstrated some competence in addressing simple bribery and other common crimes, the agency has shortcomings in several key areas, such as computer forensics, money laundering, criminal intelligence, financial crimes, and organized crime. The report states that "COI investigators are faced with threats, intimidation, risks, and adverse political influences daily."

Investigators face a lack of transparency in gathering evidence in some high-level cases where the suspects are surrounded by their own relatives, making unbreakable co-conspirator linkages. Furthermore, internal and external obstacles and challenges make it difficult to construct authentic improvements in fighting corruption."[361]

Recent GOI Legal Reforms

In 2011, the CoR enacted several new laws that fortified the GOI anticorruption infrastructure. Most significantly, in mid-April, the CoR, acting on its own, and not on the initiative of the CoM, repealed of Article 136(b) of the Criminal Procedure Code.[362] In late September, the CoR passed a new law for the COI, which made clear that the CoR—and not the Prime Minister—appoints the COI Commissioner. Table C.2 summarizes the key features of the new COI and BSA laws.

The permanence of these reforms, however, remains an open question. The repeal of Article 136(b) has been appealed to Iraq's highest constitutional court on the grounds that the law originated in the CoR and not the CoM. A 2010 court decision appears to hold that all laws must originate with the CoM, thus leaving open the possibility that Article 136(b) will be reinstated. In addition, an Iraqi federal court decision rendered in early January calls into question the validity of the newly passed COI and BSA laws and, as of mid-January, their status remains unsettled.[363]

Kurdistan Anticorruption Agency

In August 2011, the Iraqi Kurdistan Parliament passed a law creating its own Commission on Public Integrity (KRG CPI). Unlike the COI, the KRG CPI assigns its investigators directly to the Investigative Judges. For a comparison of COI and KRG CPI authorities, see Table C.3.

Political pressure
الضغط السياسي

Integrity Commission
النزاهة
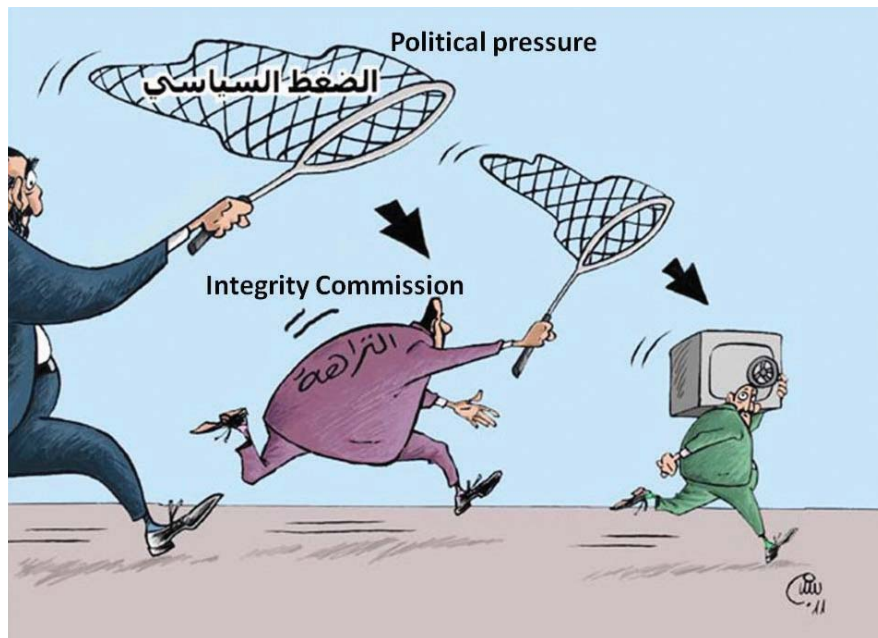
September 15, 2011, Iraqi political cartoon. (Al-Mada)

Table C.2

Selected Features of New Laws for the BSA and COI

Board of Supreme Audit

Authorizes the CoR to appoint the BSA President

Reaffirms that the BSA is lead GOI audit agency

Calls for the BSA to perform any audit requested by the CoR

Provides the BSA authority to ask the relevant minister to suspend or fine employees under investigation for violations

Provides for a new legal department in the BSA

Obligates the BSA to inform the Attorney General, the COI, or "other investigative agencies based on their jurisdiction" about every financial violation if it constitutes a crime

Authorizes the BSA to conduct an administrative investigation into a financial violation that it discovers in agencies that do not have IGs, or if an IG fails to complete an investigation within 90 days from when it was notified of the violation by the BSA

Places the BSA in charge of supervising monetary oversight bodies in the regions

Provides the BSA jurisdiction over "any entity" whose bylaws state that it falls under BSA oversight, including political parties, and claims jurisdiction over private companies and international donors doing business with the GOI

Specifies that the BSA has no jurisdiction over the judiciary

Commission of Integrity

Authorizes the CoR to appoint the COI Commissioner

Reaffirms that the COI is primary GOI anticorruption agency

Expands COI authority to include jurisdiction over investigations of corruption in the MOD and MOI (previously, a special court heard cases involving MOD and MOI personnel when there was not a civilian victim)

Expands COI authority to include jurisdiction over investigations of graft, which is defined as the possession of unexplained wealth

Rescinds COI authority to investigate alleged crimes involving the escape of prisoners and negligence or incompetence in office

Replaces COI power to investigate human-rights violations with the ambiguous authority to investigate allegations involving officials exceeding "job powers"

Establishes a new department in the COI dedicated to the recovery of stolen funds

Leaves ambiguous the nature of the relationship between the COI and the new Kurdistan Regional Government Commission on Public Integrity

Sources: COI and BSA officials, information provided to SIGIR, 10/2011; 2011 Law of the Commission of Integrity; 2011 Law of the Board of Supreme Audit.

U.S. Support in Fighting Corruption

U.S. support for GOI anticorruption efforts was weakened by poor coordination among the U.S. government entities involved in helping Iraq to confront its problem.

As early as 2004–2005, SIGIR observed indications of a lack of political will to fight corruption across the spectrum of the Iraqi government. SIGIR identified the need to depoliticize and protect Iraqi IGs from political interference, to create a public education campaign on the corruption problem, and to reduce incentives for "grand corruption" by eliminating subsidies for fuels and commodities and pursuing other market reforms.[364]

From 2003 to 2006, Department of State (DoS) support to GOI anticorruption agencies focused almost exclusively on the COI, with little assistance to the other anticorruption institutions. The IGs, in particular, suffered from insufficient budgets, a lack of professional staff, and little independence.[365] The U.S. military provided some support to the MOI and MOD IGs, but this assistance was not coordinated with DoS's efforts to build institutional anticorruption capacity. The IGs, whose numbers remained steady (near 30) during most of this period, generally received little assistance. The Department of the Treasury worked with the BSA on some matters, but its assistance was not focused on anticorruption issues.[366]

By mid 2006, it was clear that there was no effective measurement of the outcomes of strategic activities of U.S. Embassy-Baghdad's Anticorruption Working Group (ACWG)—the coordinating body for U.S. agencies conducting anticorruption activities in Iraq.[367] DoS would later effectively measure outputs, such as numbers of people trained, but would not seek to measure outcomes, such as the level of corruption in Iraq or the state of institutional accountability, transparency, activities of NGOs, or effectiveness of agencies in enforcing laws or regulations against corruption.[368]

In July 2006, SIGIR issued the first of its five anticorruption-related audits, recommending additional resources for anticorruption efforts. The audit also recommended better coordination of U.S. assistance to the GOI anticorruption agencies. In the late summer and fall of 2006, the Embassy, in response to SIGIR's findings, undertook a review of the U.S. anticorruption programs. This review led to the establishment of the Office of Accountability and Transparency (OAT), which began operations in January 2007.[369]

Initial DoS plans called for OAT to have a staff of more than 20 DoS temporary employees, but DoS's Iraq Reconstruction Management Office (IRMO), citing the imminent end of IRMO's mission, eliminated more than half of these slots before the hiring process even began. Moreover, OAT did not have operational authority over anticorruption programs being run by the Department of Justice (DoJ), U.S. military, or USAID. OAT also lacked a dedicated programmatic budget.[370]

OAT integrated the DoS personnel already supporting the COI with two

TABLE C.3
COI AND KRG CPI AUTHORITIES

AUTHORITY	GOI COMMISSION OF INTEGRITY (COI)	KRG COMMISSION ON PUBLIC INTEGRITY (KRG CPI)
Relationship to the Judiciary	Independent of the judiciary; required to forward cases to investigative judge after conducting autonomous inquiry	Explicitly defined as an arm of the judiciary with investigators provided by the judicial branch
Financial Disclosure	Can collect data from GOI officials	Can promulgate regulations for KRG officials and prosecute cases based solely on existence of unexplained wealth
Financial Controls	No authority	Can regulate the administration of public funds, including issuing regulations on spending and procurement
Political Parties, NGOs, Unions, etc.	No authority	Can regulate and investigate activities
Jurisdiction over Police and Armed Forces	Not exclusive; MOI and MOD officials can investigate their own personnel	Not exclusive; KRG MOI and MOD officials can investigate their own personnel
Administrative Remedies	Required to refer all matters to a criminal court (investigative judge)	Can refer minor matters for administrative resolution by appropriate internal government body

Note: This table is based on the COI's authorities under Coalition Provisional Authority (CPA) Order 55. However, a new COI law is pending in the CoR and, when finalized, will likely alter COI authorities.

Sources: CPA Order 55, 1/28/2004; KRG officials, information provided to SIGIR, 9/27–28/2011.

new advisors—one assigned to work with the senior leadership at the BSA, and the other with senior IG leaders. However, SIGIR subsequently identified several shortfalls in these well-intentioned new efforts, including the absence of a program manager with the authority and resources to vet and coordinate the overall anticorruption effort and the lack of a comprehensive, integrated plan that tied anticorruption programs to the overall U.S. Embassy-Iraq strategy.

The first director of OAT departed Baghdad in June 2007, several months before the end of his tour. His replacement arrived in July and returned home one month later for personal reasons. The position of director was then left vacant until U.S. Embassy-Baghdad decided to dissolve OAT and replace it

with the Anti-Corruption Coordination Office (ACCO), which was established in March 2008 and led by a senior-level DoS official.[371]

Figure C.4 shows the structure of the U.S. anticorruption effort in summer 2007, when the DoS and DoJ programs were largest in size.[372]

In 2007, following COI Commissioner al-Radhi's resignation and relocation to the United States, the U.S. Ambassador stated that pervasive corruption posed a serious threat to Iraq's stability.[373] Focusing more closely on the issue, U.S. Embassy-Baghdad took additional steps to actively fight corruption in Iraq, recognizing that the threat undermined mutual U.S. and Iraqi goals. In writing a new U.S. anticorruption strategy, DoS stated that corruption in Iraq:[374]

- contributes to capital flight and harms Iraq's ability to obtain foreign investment
- significantly hinders economic growth by permitting black markets
- undermines public confidence in Iraq's public institutions
- funds illegal actors and activities, including terrorism

In mid-2010, the DoS Bureau of Internal Narcotics and Law Enforcement Affairs (INL) incorporated ACCO under its control. By June 2011, these activities were merged under the authority of the Assistant Chief of Mission for Law Enforcement and Rule of Law.

Table C.4 lists current programs supported by ACCO. ◆

FIGURE C.4
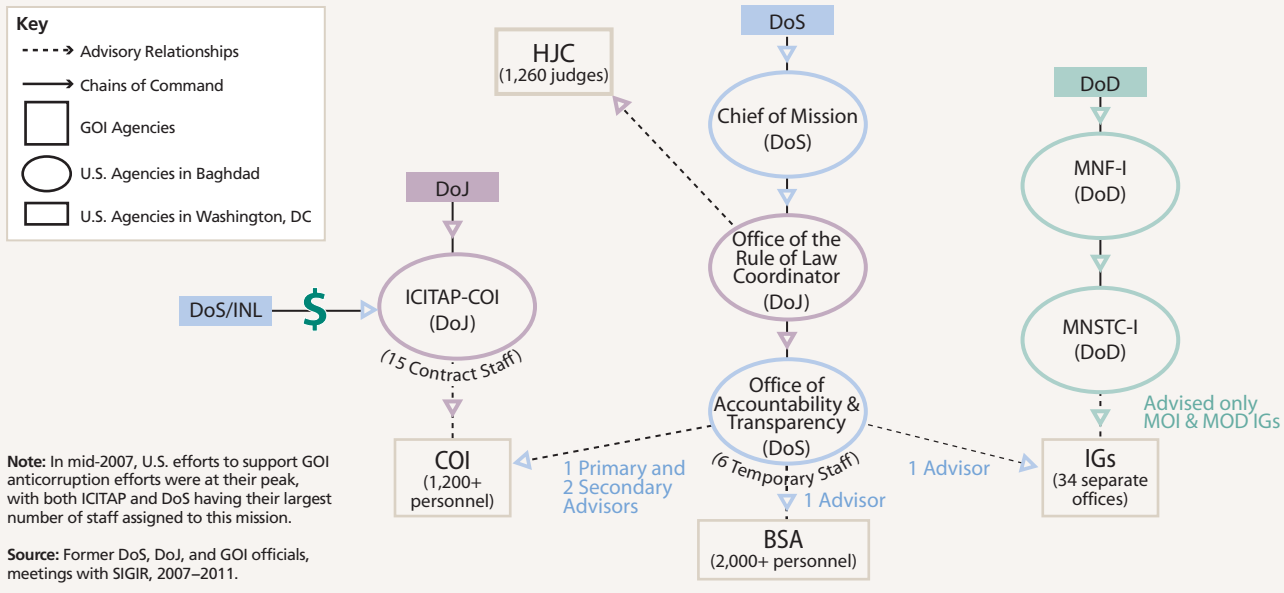**U.S. ANTICORRUPTION EFFORTS, MID-2007**

Note: In mid-2007, U.S. efforts to support GOI anticorruption efforts were at their peak, with both ICITAP and DoS having their largest number of staff assigned to this mission.

Source: Former DoS, DoJ, and GOI officials, meetings with SIGIR, 2007–2011.

TABLE C.4
ACCO-SUPPORTED ANTICORRUPTION PROGRAMS, AS OF 1/4/2012

PROGRAM	IMPLEMENTER	PERFORMANCE PERIOD	FUNDING	DESCRIPTION
Iraq Compliance with the UN Convention Against Corruption Program	UNDP	9/2008–3/2012	$8,000,000	Supports GOI compliance with the UNCAC; helps the GOI develop a comprehensive national anticorruption strategy; develops the capacity of the BSA, COI, and IGs to carry out prevention and enforcement at the regional and provincial levels
Anti-Corruption Investigative Training Program for Iraqi Inspectors General	UNDP	7/2011–12/2012	$6,000,000	Supports GOI efforts to improve administrative organization and the capacity of IG offices; provides for the extension of the IG offices to the provinces
COI Financial Investigative Training and Asset Recovery Program	UNDP	1/2011–12/2012	$4,000,000	Assists COI to increase competence with financial investigations and asset-recovery actions, in partnership with foreign jurisdictions
Anti-Money Laundering Training and Assistance	DoJ/OPDAT	9/2010–9/2013	$3,173,636	Funds an OPDAT Resident Legal Advisor, who provides training, mentoring, and guidance to the GOI to enhance its capability to combat money laundering and terrorist financing
Provincial Accountability and Governance Program	The Iraq Foundation	10/2009–9/2012	$2,359,050	Aims to improve provincial governance through educating, monitoring, and building alliances between provincial officials and local civic leaders
Kurdistan Regional Government (KRG) Budget Execution Project	UNDP	9/2009–9/2012	$2,000,000	Assists the KRG in setting priorities across key sectors and ensuring that spending within sectors is efficient; strengthens budget policy, planning, and formulation; improves budget execution, reporting, oversight, and control; builds the capacity of information-management systems
Financial Crimes Training Program	U.S. Treasury Office of Technical Assistance (OTA)	9/2011–10/2013	$1,900,245	Funds an OTA resident advisor who provides training assistance to the COI in preventing, detecting, investigating, and prosecuting government corruption and serious financial crimes
"GoCase" COI Database Sharing Program	UNODC	11/2009–TBD	$1,075,916 (US: $702,039; COI: $373,877)	The GoCase information management system will connect COI offices in Baghdad in a centralized database. Project falls under the umbrella of the joint UNODC/UNDP project "Build an Effective Anti-Corruption System for Iraq"
Support for the Iraq Extractive Industry Transparency Initiative (EITI)	Revenue Watch International	1/2012–1/2013	$1,000,000	Works with the GOI's EITI to promote transparency in the oil and gas sectors
Public Integrity/Anti-Corruption Program	DoJ/ICITAP	11/2009–7/2012	$242,369	Funds one ICITAP advisor to assist the COI in building its management and investigative capacities

Source: U.S. Embassy-Baghdad, response to SIGIR data call, 1/4/2012.

Judge Radhi Hamza al-Radhi (left) confers with the Inspector General.

Interview with Judge Radhi Hamza al-Radhi, former Commissioner, Commission of Integrity

In January 2012, SIGIR talked with Judge Radhi Hamza al-Radhi, who served as the first Commissioner of Integrity in Iraq, beginning service in 2004 and continuing until he was forced out of the country in 2007 under threat of assassination. Judge Radhi was born in Baghdad in the 1940s and studied law in Lebanon and Iraq in the 1960s. He began practicing law in Iraq in the early 1970s amid the tumultuous ascent to power of the Ba'ath Party (a socialist and Arabic nationalist movement with roots in Syria).

Eventually, Judge Radhi became a public advocate (prosecutor) and then a government attorney in Baghdad. But the Ba'athists soon targeted him because of his failure to join the party, leading to his arrest and imprisonment. During a 100-day confinement, Judge Radhi had his skull fractured while undergoing torture. The Ba'athists arrested him again in the 1990s on the same grounds, releasing him only after he signed an oath swearing that he would never join any opposition party.

After the U.S.-led invasion in 2003, the CPA's Interim Minister of Justice appointed al-Radhi to serve as a judge. Soon thereafter, he was selected to lead the Commission on Public Integrity, a new U.S.-created agency assigned to fight corruption in Iraq (later designated as the Commission of Integrity, or COI). In August 2007, Judge Radhi resigned from his position after threats against his life. He was subsequently granted residence in the United States, where he now lives with his family.

When you became the first Commissioner of Integrity in Iraq in 2004, what did you find?

Those were challenging days. We were building an agency from the ground up. The job was enormously difficult but critical to the future of Iraq. Corruption was widespread in the government. We focused on the enforcement of the existing laws and, with the help of American advisers, we opened more than 3,000 criminal cases. But corruption was out of control, and we needed a broader approach. I stressed developing civil-society partners across the country. This was a major undertaking, because the prior dictatorship had destroyed all structures of civil society. We needed to rebuild that pillar from the ground level. We put an emphasis on prevention through education and implemented a public-sector employee code of conduct. But all of these efforts only made a small dent in the burgeoning corruption problem that swept the country as it moved from the oppressively controlled system of graft that prevailed under Saddam's authoritarian regime to the chaotic mess that followed the fall of his dictatorship.

How much support did you get from the senior leadership of Iraq?

They gave a lot of what you would call "lip service" to our efforts. Leaders did not take our new anticorruption agency seriously. The whole idea of an independent agency authorized to fight corruption was new to Iraq and, thus, not well understood or accepted. The new Prime Minister could not understand why he could not order us around like the rest of the government. This became a problem because the Prime Minister is a politician subject to the political pressures of the moment—and those political pressures began to interfere with our work.

How big a problem was this political interference?

It was a very big problem, and it had sectarian and ethnic effects. I happen to be Shia. When I prosecuted a Kurd or Sunni, I was always accused of sectarian or ethnic bias. When I prosecuted a Shia, I was accused of being antireligious. Everyone said I was interfering with their work, and they could not put pen to paper without being prosecuted. The usual defense to crimes we prosecuted was that the defendant was targeted for political reasons. Sometimes American advisers would repeat this line, even when the

evidence was overwhelming that a crime had occurred.

When you did obtain conclusive evidence of a crime, were you able to secure convictions?

Yes, but only in those cases that did not implicate political interests. But in cases where politics entered into it, the Prime Minister or his ministers would use a loophole in the law that allowed the protection of the accused from prosecution. That loophole, Article 136(b) [now repealed], allowed ministers to block investigations of ministry employees. The law did not allow the Prime Minster to grant similar immunity to ministers, but the Prime Minister claimed it did, and no one challenged him. There were other tools used to block investigations, which the Prime Minister asserted as inherent powers that belonged to him as the head of the government—though they were not spelled out in the Constitution. Along these lines, I would receive orders from the Prime Minister simply to cease investigations. Such was the case regarding an investigation of the Minister of Transportation. Upon issuance of the Prime Minster's order, we could not prosecute further what was a fairly conclusive crime that we had uncovered. Sadly, the minister went free, and he later became involved with a Shia insurgent group called Assaib Ahl al-Haq, which targeted and killed American soldiers.

Damage inflicted by a rocket on the house across the street from Judge Radhi's residence in the International Zone, summer 2007. (Former DoS official photo)

In 2007, you came to the United States for a training course and stayed, seeking and obtaining permission to remain here. Why did you not return to Iraq?

Shortly before I left for the United States in the summer of 2007, a rocket was fired into the Green Zone that narrowly missed my house. I had confidential informants in many of the ministries. One of my reliable sources within the Ministry of Defense informed me that I was on a list for "elimination," and that the rocket attack was an attempt to carry out that elimination. This was a plausible report. My Commission had just completed the prosecution of a number of senior officials in the Ministry of Defense for crimes involving more than a billion dollars. The COI also had a number of ongoing investigations involving senior government officials who were backed by militias at the time. I realized that I could no longer function as an effective law- enforcement officer, and that my life and the lives of my family were in grave danger. Thankfully, the United States recognized my life-threatening predicament, granting me and my family a home here.

Anatomy of a Billion-dollar Crime

Of all the cases Judge Radhi al-Radhi prosecuted while serving as Commissioner of Integrity, the largest involved nearly $1.3 billion in Ministry of Defense funds. According to Judge Radhi, these funds were corruptly diverted in 2004–2005 by then-Minister of Defense Hazim al-Sha'alan and his associates under bogus procurement contracts. Judge Radhi discussed this case during a recent interview with SIGIR. His description, which follows, outlines what is perhaps the most significant fraud ever to lead to a conviction in Iraq (see Figure C.5).

In June 2004, Minister of Defense al-Sha'alan, then newly in office, decided to build a quick-reaction force (QRF) to respond to the growing insurgency. To this end, he sought to purchase armored vehicles, machine guns, HUMVEES, and helicopters. Under Iraqi law, the purchase of such equipment required the MOD to publicly solicit bids. Even military contracts had to follow these rules, which were meant to enhance transparency and accountability in the contracting process.

Seeking to circumvent these legal standards—in furtherance of a criminal conspiracy, as the COI would learn—Minister al-Sha'alan appealed to the new Prime Minister, Ayad Allawi, asserting that these crucial national defense contracts required secrecy and that military exigencies demanded a blanket exception from the burdensome transparency rules. Prime Minister Allawi agreed to the request, granting Minister al-Sha'alan waivers from all legal requirements encumbering his proposed purchases for the new QRF.

Minister al-Sha'alan then ordered the MOD advisor for logistics to work with another advisor, Ziyad Qattan, to execute the QRF procurements. Qattan gave secret "no-bid" contracts to a company whose Arabic name loosely translates to "Flowing Springs." This corporation had been recently formed by Na'er al-Jumaily

and Abd al-Hameed Merza (brother-in-law to a high-ranking MOD official).

The next step in the scheme involved paying for goods that were either never delivered or utterly inadequate. The MOD Chief of Finance accepted bribes to pay out the full $1.3 billion in contract value before any deliveries were made. Al-Jumaily then transferred the money from local accounts to banks outside of Iraq, and the funds disappeared.
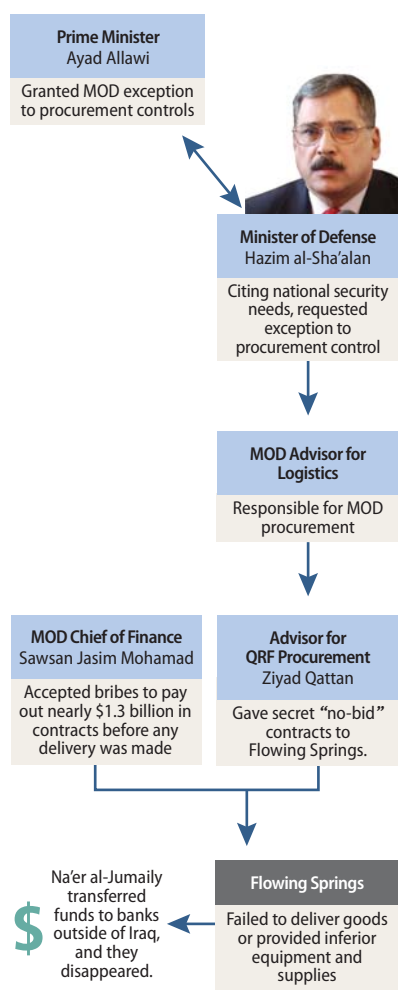
The QRF contracts included the purchase of 24 Russian helicopters for $10 million. The aircraft turned out to be more than 30 years old and in such

FIGURE C.5
THE FINDINGS OF THE COI INVESTIGATION

Prime Minister
Ayad Allawi

Granted MOD exception to procurement controls

Minister of Defense
Hazim al-Sha'alan

Citing national security needs, requested exception to procurement control

MOD Advisor for Logistics

Responsible for MOD procurement

MOD Chief of Finance
Sawsan Jasim Mohamad

Accepted bribes to pay out nearly $1.3 billion in contracts before any delivery was made

Advisor for QRF Procurement
Ziyad Qattan

Gave secret "no-bid" contracts to Flowing Springs.

Na'er al-Jumaily transferred funds to banks outside of Iraq, and they disappeared.

Flowing Springs

Failed to deliver goods or provided inferior equipment and supplies

Source: Former COI Comissioner al-Radhi, SIGIR interview, 1/9/2012; photo courtesy of Alhurriatv.com.

bad condition that the Iraqi military refused to accept them. In another case, an order went out for the purchase of U.S.-made MP-5 submachine guns at a price of $3,500 each. Flowing Springs delivered surplus Egyptian hand-me-down machine guns that it acquired for $200 apiece. Similarly, instead of providing the MOD with modern armored vehicles, Flowing Springs provided used Pakistani armored cars that were in such bad condition that the Iraqi Army refused to accept them. Many other large contracts amounted to no more than paper transactions, for which nothing was provided.

All of these bogus transactions went largely unnoticed initially because of the exception from transparency rules granted by Prime Minister Allawi. Claims of national security further obstructed inquiries. Moreover, the Central Bank of Iraq's Money Laundering Reporting Office failed to detect the large movements of cash out of Iraqi banks and into foreign banks that were made in connection with this scheme. By the time the COI picked up the trail of this fraud, all the money had left the country along with most of the defendants, including Defense Minister al-Sha'alan and his advisor, Ziyad Qattan.

Long after they had left the country, Minister al-Sha'alan and Qattan were convicted by an Iraqi court in absentia, but neither were extradited to serve jail sentences. Several others who did not flee Iraq, however, did spend short periods in prison. In early 2008, a few months after Judge Radhi resigned as the Commissioner of Integrity, the CoR passed an "amnesty law," ostensibly to advance Sunni-Shia reconciliation. This law granted amnesty for virtually all who committed criminal frauds before 2008, including the defendants who were party to this scheme. As of mid-January 2012, Hazim al-Sha'alan and Ziyad Qattan were living comfortably abroad.

SIGIR
OVERSIGHT

SECTION

5

SIGIR AUDITS

Since March 2004, SIGIR has issued 206 audit reports. From November 1, 2011, to January 30, 2012, SIGIR issued five audits addressing the following reconstruction issues:

- whether the Department of Defense (DoD) properly accounted for $2.8 billion deposited in the Federal Reserve Bank of New York (FRBNY) and $217.7 million in cash that remained in the Presidential Palace vault when the Coalition Provisional Authority (CPA) was dissolved
- the Department of State (DoS) process to provide information on reconstruction projects to the Government of Iraq (GOI)
- the status of SIGIR recommendations to DoD
- whether U.S. Army Corps of Engineers (USACE) contract terminations resulted in wasted funds
- the disposition of $13.1 million that SIGIR had reported was returned to the Central Bank of Iraq (CBI) in 2009

For a list of these audit products, see Table 5.1.

SIGIR currently has nine announced or ongoing audits, and others are expected to start this quarter. SIGIR performs audit work under generally accepted government auditing standards.

SIGIR Audits Completed This Quarter

Development Fund for Iraq: The Department of Defense Cannot Fully Account for the Funds It Used after the Coalition Provisional Authority Dissolved
(SIGIR 12-008, 1/2012)

Introduction

The CPA was established in May 2003 to provide for the temporary governance of Iraq. United Nations Security Council Resolution 1483 created the Development Fund for Iraq (DFI) and assigned the CPA full responsibility for managing it. The DFI comprised revenues from Iraqi oil and gas sales, certain remaining Oil for Food deposits, and repatriated national assets. It was used, in part, for Iraq relief and reconstruction efforts.

During its almost 14-month governance, the CPA had access to $20.7 billion in DFI funds and directed expenditures of about $14.1 billion. The CPA had $6.6 billion under its control when its mission ended on June 28, 2004. The GOI gave DoD access to about $3 billion of these funds to pay bills for contracts the CPA awarded prior to its dissolution. Most of these funds were deposited into a DFI sub-account at the FRBNY established for this purpose.

Table 5.1

SIGIR Audit Products since 11/1/2011

Report Number	Report Title	Date Issued
12-008	Development Fund for Iraq: The Department of Defense Cannot Fully Account for the Funds It Used after the Coalition Provisional Authority Dissolved	1/2012
12-009	The Department of State's Process To Provide Information on Reconstruction Projects to the Government of Iraq	1/2012
12-010	Status of Recommendations Made by the Special Inspector General for Iraq Reconstruction to the Department of Defense	1/2012
12-011	Few Contracts Terminated by the U.S. Army Corps of Engineers Resulted in Wasted Funds in Iraq	1/2012
12-012	Development Funds for Iraq Returned to the Central Bank of Iraq	1/2012

SIGIR initiated this audit to determine whether DoD properly accounted for its use of the (1) $2.8 billion deposited into the DFI sub-account at the FRBNY after the CPA dissolved, and (2) $217.7 million in cash that remained in the presidential palace vault when the CPA dissolved.

Results

DoD cannot account for about two-thirds of the approximately $3 billion in DFI funds made available to it by the GOI for making payments on contracts the CPA awarded prior to its dissolution. Most of these funds ($2.8 billion) were held in the DFI sub-account at the FRBNY; the remainder ($217.7 million) was held in the presidential palace vault in Baghdad. FRBNY records show that DoD made about $2.7 billion in payments from the DFI sub-account. However, the FRBNY does not have specifics about the payments or financial documents, such as vendor invoices, to support them. It required only written approval from the GOI to issue payment.

Although DoD had responsibility for maintaining documentation to support the full $2.7 billion in expenditures made from the FRBNY sub-account, it could provide SIGIR documentation to support only about $1 billion. Although DoD established internal processes and controls to report sub-account payments to the GOI, the bulk of the records are missing. As a result, SIGIR's review was limited to the $1 billion in available records. SIGIR examined 15 payments from this group and found most of the key supporting financial documents. DoD continues to search for documents supporting the remaining $1.7 billion in payments. DoD's problems with DFI records management are not new, and both SIGIR and DoD have previously reported on them.

DoD is also missing other key documents, including copies of monthly reports documenting expenditures from the DFI sub-account and from the palace vault. When the Minister of Finance gave DoD authority to spend the money, he directed DoD to submit monthly reports and a final report documenting its payments from the DFI sub-account to the ministry. From July 2004 through December 2007, DoD should have provided 42 monthly reports. However, it can locate only copies of the first four reports. SIGIR found evidence indicating that other monthly reports were sent. For example, SIGIR found transmittal letters dated July 2006 and October 2007, but the attachments providing the transaction details were missing. SIGIR also contacted the DoD official who signed the October 2007 letter, who confirmed that the monthly report was sent. However, neither SIGIR nor DoD could locate any of the other reports.

Finally, DoD cannot locate documentation supporting $119.4 million of the $193.3 million it spent from the $217.7 million in cash remaining in the presidential palace vault when the CPA dissolved; $24.4 million was returned to the GOI in March 2008. DoD did not establish the required U.S. Treasury account to maintain accountability for the funds. Instead, DoD established its own internal processes and controls to account for and report cash payments to the Minister of Finance. DoD has Excel spreadsheets supporting about $73.9 million of the $193.3 million spent from the palace vault cash. SIGIR reviewed 15 payments from the $73.9 million to assess DoD's financial controls and found most of the required documents to support them. DoD continues to search for documentation supporting the remaining $119.4 million in cash payments.

Recommendations

This report contains no recommendations.

Management Comments

Management Comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

The Department of State's Process To Provide Information on Reconstruction Projects to the Government of Iraq
(SIGIR 12-009, 1/2012)

Introduction

In SIGIR's previous asset-transfer report, it found that each U.S. agency was using its own procedures for turning over completed projects to the Iraqis. As a result of these disparate processes, the GOI and its ministries responsible for planning the sustainment and integration of assets generally had incomplete information on U.S.-funded and completed projects. SIGIR initiated this report to determine how DoS is accounting for tens of thousands of completed projects and providing information on these projects to the GOI.

Results

SIGIR found that because ISPO uses a narrowly focused definition of a reconstruction project, the GOI receives only a partial inventory of all completed and transferred reconstruction projects. A November 10, 2009, memorandum of understanding between U.S. Embassy-Baghdad and the GOI's Ministry of Planning and Development Cooperation (MoPDC) declares that "in the view of the large volume of projects funded by the [U.S. government] it is necessary to put together appropriate procedures and mechanisms to document and inventory those projects and exchange information concerning their operation and maintenance." However, ISPO is reporting only "capital assets," defined as tangible property that cannot easily be converted into cash. Additionally, ISPO requires that eligible capital asset projects (1) have a value of $250,000 or more, (2) have an expected life of five years or more, and (3) are funded by one of four major U.S. reconstruction funds: the Iraq Relief and Reconstruction Fund (IRRF), Iraq Security Forces Fund (ISFF), Commander's Emergency Response Program (CERP), and Economic Support Fund (ESF). Using these criteria, ISPO has provided the MoPDC with information on 5,289

projects valued at approximately $15 billion as of June 30, 2011.

DoS obtains its project information from the Iraq Reconstruction Management System (IRMS)—a database that SIGIR has previously reported contains incomplete and inaccurate information—and the Iraq Status of Construction (ISOC) database. However these systems do not contain complete information on the U.S.-funded reconstruction efforts in Iraq. As of September 30, 2011, the total value of projects listed in IRMS and ISOC as a percentage of obligations was about 58%, or $27.1 billion of the $46.9 billion of obligations for projects funded by the IRRF, ISFF, CERP, and ESF. Thus, about $19.8 billion is not captured in either IRMS or ISOC.

Because of the lack of transparency identified in this report, SIGIR will be conducting a comprehensive overview of how U.S. dollars were spent in Iraq and expects to report in the summer of 2012.

Recommendation

To ensure that the U.S. government is identifying all major projects, SIGIR recommends that the U.S. Ambassador to Iraq develop criteria for selecting projects that are to be reported to the GOI that better reflect the numerous variables that have been identified in this report.

Management Comments

Management Comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

Status of Recommendations Made by the Special Inspector General for Iraq Reconstruction to the Department of Defense
(SIGIR 12-010, 1/2012)

Introduction

The Inspector General Act of 1978, as amended, requires SIGIR to identify in its semiannual reports

each significant recommendation described in previous semiannual reports on which corrective action has not been completed. This report follows up on 37 audit recommendations SIGIR made primarily to the Secretary of Defense and other senior DoD headquarters officials that were unresolved (that is, open) as of September 30, 2011. The objectives of this report are to determine whether DoD officials took appropriate action to address these recommendations and whether DoD has a system to track and oversee the status of SIGIR's audit recommendations.

Results

As a result of information received from DoD organizations, and information developed during other SIGIR audits, SIGIR closed 32 of the 37 open recommendations. The details, as of December 31, 2011, are as follows.

1. There were 21 open recommendations addressed to officials within the Office of the Secretary of Defense (OSD), including the Secretary of Defense, Under Secretary of Defense (Comptroller), and Deputy Under Secretary of Defense for Business Transformation. Based on responses from OSD offices and documentation provided, SIGIR closed 19 recommendations: 10 because they were implemented, 5 because they were overtaken by events and became obsolete, and 4 because management decided not to take action. One recommendation remains open because implementing action is planned for March 2012, and the other recommendation remains open because it was referred to another DoD office for action, and SIGIR was not able to verify the status of that recommendation.

2. There were eight open recommendations addressed to the U.S. Central Command (CENTCOM) or its former subordinate command, U.S. Forces-Iraq. Based on responses from CENTCOM and documentation provided, SIGIR closed five recommendations: one because it was implemented and four because they were overtaken by events and became

obsolete. Three recommendations remain open because CENTCOM stated that another organization was responsible for their implementation, and SIGIR was not able to verify the status of those recommendations.

3. There were six open recommendations addressed to the Defense Contract Management Agency (DCMA). Based on responses from DCMA and documentation provided, SIGIR closed all six: three because they were implemented, two because management decided not to take action, and one because it was overtaken by events and became obsolete.

4. There were two open recommendations addressed to or referred to Department of the Army officials. Based on responses and documentation provided, SIGIR closed both recommendations: one because it was implemented and the other because it was overtaken by events and became obsolete.

SIGIR will continue to follow up on the five open recommendations. In agreement with the DoD Office of Inspector General (DoD OIG), all remaining open SIGIR recommendations and all future SIGIR recommendations addressed to DoD will be tracked through the DoD OIG system.

Recommendations

This report contains no recommendations.

Management Comments

Management Comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

Few Contracts Terminated by the U.S. Army Corps of Engineers Resulted in Wasted Funds in Iraq
(SIGIR 12-011, 1/2012)

Introduction

The U.S. government has appropriated $61.83 billion for Iraq reconstruction, primarily through four reconstruction funds: $20.86 billion from the IRRF, $20.54 billion from the ISFF, $4.83 billion from the ESF, and $3.96 billion from the CERP. The four funds account for 81.2% of all U.S. funds appropriated for Iraq reconstruction through November 2011. Most of the funds have been obligated for contracts.

This report examines USACE's Iraq reconstruction contracts terminated from June 2008 through April 2011. SIGIR undertook this review to examine the outcomes of USACE-terminated contracts to determine if the agency maintains effective controls over contracts and if wasted U.S. funds resulted from the execution of these contracts.

Results

USACE terminated 55 reconstruction contracts during the period reviewed, far fewer than the 227 contracts terminated by USACE from 2005 through June 2008. According to USACE senior contracting officials, the reduction is attributable to several reasons, including improved security conditions in Iraq, USACE improvements in contract management, and a smaller reconstruction program. Thirty-one contracts were terminated at the convenience of the government because requirements changed and the services were no longer needed, and 24 contracts were terminated for default due to poor contractor performance.

SIGIR could not determine if there was waste associated with 22 of the 55 terminated contracts because USACE could not find 11 contract files, and SIGIR could not determine from available documentation if the other 11 terminated contracts were rewarded and the projects successfully completed. For the remaining 33 terminated contracts, SIGIR determined that 10 resulted in

approximately $3.8 million in waste. For example, on October 18, 2008, USACE terminated the contract for the construction of the Ghazaliya sewage and pump station after having spent $1.9 million. USACE suspended construction because the Baghdad public works department directed that the construction be stopped until the contractor obtained its approval of all designs, material tests, and permits. Ultimately, the Mayor of Baghdad and the public works department would not allow the contractor to resume work. Therefore, USACE terminated the contract for the convenience of the U.S. government. While responsibility for the waste does not fall exclusively on USACE, SIGIR believes better planning and coordination between the U.S. agencies involved and the Baghdad government might have prevented $1.9 million in wasted funds that could have been put to better use.

SIGIR also identified eight terminated contracts costing $11.1 million that had possible waste in amounts that were indeterminate, and 15 had no waste that SIGIR could determine. An example of possible waste is the $2.9 million the U.S. government spent on the renovation of the Radwaniya water treatment plant network. USACE terminated the contract for default after the contractor abandoned the project, and on April 30, 2009, unilaterally transferred the non-functional project to the Iraqi Ministry of Municipalities and Public Works "as is." In a memorandum, USACE stated the project was 95% complete but also identified deficiencies, such as incomplete service connections and tanks and pumps that had not been installed. If the Iraqis do not complete the project, the funds will be mostly wasted.

Better planning and coordination by USACE, its customers, and the Iraqi government could have avoided much of the waste. SIGIR recognizes that wasted funds on 18 terminated contracts do not indicate systemic problems for an agency that has managed hundreds of contracts. For example, according to USACE, it completed or terminated 864 contracts with a total value of $2.5 billion from June 2008 through April 2011. However, SIGIR

believes that lessons can be learned from these terminations.

Recommendations

This report contains no recommendations.

Management Comments

Management Comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

Development Funds for Iraq Returned to the Central Bank of Iraq
(SIGIR 12-012, 1/2012)

Introduction

This report responds to a November 2011 inquiry from the Prime Minister of Iraq to SIGIR about $13.1 million from the DFI, which consisted of Iraqi oil proceeds—used for development projects in 2003 and 2004—that SIGIR reported were returned to the CBI in March 2009. The inquiry was made because former and current GOI officials informed the Prime Minister that they could not locate any records supporting the return of the funds. SIGIR initiated this review to determine the disposition of the $13.1 million.

Because this report contains sensitive information, such as names and account numbers, the full report is being released "For Official Use Only" and is not available to the public.

Results

FRBNY documents clearly show that the funds in question were transferred to an FRBNY account under the control of the GOI on March 3, 2009. The documents supporting this transfer are as follows:

1. An instruction sheet with information the FRBNY said it received from an Iraq Ministry of Finance official, directing that the funds be deposited in an FRBNY account identified as the Central Bank of Iraq-Development Fund for Iraq account.

2. A wire transfer form showing that on March 3, 2009, USACE transferred $13,129,168.11 to the FRBNY, for deposit to an FRBNY account under the control of the GOI and identified as the Central Bank of Iraq-Development Fund for Iraq account. An FRBNY official told SIGIR that when the funds were deposited into this account, they became comingled with other funds in the account. The wire transfer also identified the Minister of Finance, Accountancy Department as the beneficiary of the returned funds.

3. A Society for Worldwide Interbank Financial Telecommunications (SWIFT) message from the FRBNY to the CBI dated March 5, 2009, notifying the CBI that $13,129,168.11 had been deposited into the Central Bank of Iraq's-Development Fund for Iraq account at the FRBNY. SWIFT provides a highly secure network to allow financial and non-financial institutions to transfer banking instructions, including payment instructions and account information. The FRBNY SWIFT message to the CBI on March 5, 2009, served first to advise the CBI that a deposit had been made to its account. In addition, it provided information directing the CBI to apply the funds for credit to a specific GOI account. Typically, it would be expected that the CBI would credit the funds to that same account on its own books in Baghdad, and the FRBNY would not be involved in or aware of the ultimate credit. In this case, the FRBNY's records do not establish whether the funds were physically transferred or otherwise credited to the designated account at the CBI in Baghdad.

Recommendations

This report contains no recommendations.

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 in-depth assessments of the reasonableness, allowability, and allocability of costs charged to the United States. SIGIR will continue to also closely monitor and review DoS management and oversight of reconstruction activities.

Announced or Ongoing Audits

SIGIR is currently working on these audits:

- Project 1204: Audit of the Status of SIGIR Recommendations Made To Improve Oversight of Anham LLC's Contracts
- Project 1203: Audit of State Department's Efforts To Address Quick Response Fund Management Controls
- Project 1202: Audit of the Cost, Outcome, and Management of the Temporary Internment Facility Rehabilitation Center in Ramadi
- Project 1201: Audit of the Department of State's Progress in Implementing the Police Development Program
- Project 1114: Audit of Plans To Spend Remaining Funds from Iraq Security Forces Fund
- Project 1113: Audit of the Government's Reviews of Business Systems for Contractors Receiving U.S. Funds To Work in Iraq
- Project 1112c: Audit of the Department of Defense's Efforts To Account for Funds from the Development Fund for Iraq
- Project 1020: Audit of the Departments of Justice and State Management of Rule of Law Activities in Iraq
- Projects 9005, 9012, and 9013: Audits of Department of Defense, Department of State, and the U.S. Agency for International Development Appropriation, Obligation, and Expenditure Transaction Data Related to Iraq Relief and Reconstruction

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 24 focused contract and grant audits dealing with outcomes, costs, and the oversight associated with major reconstruction contracts in Iraq, as well as vulnerabilities to fraud, waste, and abuse. SIGIR is planning to issue a report detailing the results of all of its forensic efforts in the near future.

SIGIR will continue to audit the management, costs, and outcomes of U.S. reconstruction efforts in Iraq. Additionally, SIGIR will maintain its oversight of issues related to DoD's withdrawal from Iraq and the transfer of reconstruction activities, such as police training, to DoS as well as issues related to the management of DFI funds.

SIGIR Audits: 2003–2012

Since March 2004, SIGIR has published 206 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 478 recommendations to improve reconstruction activities in Iraq, and management has already agreed to and implemented 209 of them. These recommendations are discussed in depth in the next subsection.

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 also enable face-to-face communications and relationship building with DoD, DoS, and 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, SIGIR and the Office of the Under Secretary of Defense (Comptroller) coordinated and worked together throughout SIGIR's six DFI audits. In commenting on a draft report entitled "Development Fund for Iraq: The Coalition Provisional Authority Transferred Control over Most Remaining Funds to the Central Bank of Iraq" (SIGIR 12-001), dated October 26, 2011, the Under Secretary of Defense (Comptroller) stated, "I appreciate the collaborative effort with my team and your willingness to conduct this follow-up audit to the previous report... Your independent validation of our research and discoveries further addresses the issue of Department of Defense (DoD) accountability for the Development Fund for Iraq (DFI) program funds." SIGIR also coordinates regularly with the Comptroller's office regarding actions taken to address DFI report recommendations.

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 190 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 200 recommendations to improve oversight of contracts and contractors to encourage economy and efficiency and minimize the potential for fraud, waste, and abuse
- nearly 200 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 in Iraq even as the U.S. reconstruction effort scales back. Moreover, these recommendations provide important lessons learned in implementing reconstruction activities in other contingency operations. To illustrate:

- SIGIR has issued 12 CERP and Iraq-CERP (I-CERP) reports and made 29 recommendations addressing the need to improve the management of the 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. In July 2011, SIGIR completed a review of the uses and management of FY 2011 CERP-funded projects and concluded that the emphasis to concentrate on capacity-development projects likely does not meet DoD CERP objectives, and that there are no meaningful metrics to measure these projects' impact. Another related report looked at DoD's

management of the funds the GOI provided for I-CERP projects. SIGIR found that DoD was using U.S. CERP funds for projects that would have been more appropriately funded under I-CERP, and that DoD was not maintaining accurate information on the I-CERP funds or projects.

- SIGIR has issued approximately 30 reports that, to varying degrees, addressed DoD efforts to develop a functioning Iraqi Army, Air Force, Navy, and Police. These reports ranged from the management of contracts that provided training and other services, ministerial capacity development, oversight of weapons provided, asset transfer, use of CERP funds, anticorruption efforts, and other topics—including logistics, maintenance responsibilities, and training of security forces personnel. Recommendations addressed issues such as the need to determine whether billings and costs questioned by SIGIR should be disallowed and recovered, and the need to ensure that the Iraqi Ministry of Defense assumes responsibility for maintaining U.S.-built facilities.
- SIGIR has looked specifically at the progress in developing the Iraqi police forces. SIGIR issued seven reports that dealt exclusively with U.S. police training programs. For example, SIGIR made numerous recommendations to improve oversight of, and reduce vulnerabilities to fraud, waste, and abuse. SIGIR examined both the contract under which police advisors were training Iraqi police and the actual assistance program to provide the training. To illustrate, SIGIR reviewed whether DoS had adequately planned for its assumption of the Police Development Program and found significant problems. SIGIR found that DoS lacked a current assessment of Iraqi police forces' capabilities upon which to base the program, had not obtained GOI written commitment regarding either its support for the program or its intended financial contributions, and only 12% of program costs will be used for actual program implementation, with the vast preponderance of funds going for security. SIGIR recommended that DoS work

with the Ministry of Interior (MOI) to develop an assessment of the police forces, develop an in-depth development plan to include metrics from which to evaluate success, and complete a written agreement with the MOI on its roles and responsibilities in developing their police. Moreover, SIGIR provided matters for the Congress to consider in encouraging more effective and efficient delivery of this training.

SIGIR's Audits Directorate has also taken a number of steps to determine the extent to which SIGIR recommendations have been implemented, and to ensure adequate follow-up of still-open recommendations once SIGIR is dissolved. To assess the current status of recommendations, SIGIR initiated reviews of the actions DoD, DoS, and the U.S. Agency for International Development (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. During the past three quarters SIGIR audits found:

- USAID had taken corrective actions on four of the six open SIGIR recommendations and is working with SIGIR to close the remaining two. Moreover, SIGIR found that the agency's audit tracking system is effective and well managed.
- While DoS reports that it has acted on most of the open recommendations and informed SIGIR that it has closed 38 of the 45 recommendations, SIGIR could close only 13 because DoS did not provide sufficient information to allow us to close the others. SIGIR also found that DoS has a follow-up process and tracking system for audit reports and recommendations and has agreed to use that process for SIGIR audit reports and recommendations. Nevertheless, DoS has not clearly delineated an organization responsible for reporting the status of recommendations to the Congress, nor for resolving disagreements and questions about recommendations, as required by Office of Management and Budget Circular A-50.

- Three DoD agencies—CENTCOM, USF-I, and USACE—provided sufficient information to allow SIGIR to close 24 of the 26 recommendations made to these organizations. Two remain open because USACE could not provide sufficient information, but SIGIR will continue to monitor their status.
- SIGIR has been able to close 32 of the 37 audit recommendations made primarily to the Secretary of Defense and other senior DoD headquarters officials that were unresolved (that is, open) as of September 30, 2011. Additionally, DoD OIG has a follow-up process and tracking system that will now include all SIGIR open and future recommendations made to DoD.

SIGIR is working with all cognizant agency IGs or other department officials to ensure that the status of SIGIR recommendations is adequately tracked.

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 actually saved because the agency under review accepted SIGIR's recommendation to put funds to better use, or to recover monies that were inappropriately spent by a contractor, grant recipient, or other organization receiving U.S. funding, or funds that were saved because the Congress elects to reduce appropriations based on SIGIR's work

TABLE 5.2
SIGIR POTENTIAL AND ACTUAL FINANCIAL IMPACTS
$ Millions

ACCOMPLISHMENTS	LAST 6 MONTHS	CUMULATIVE
Potential Savings If Funds Are Put to Better Use[a]	387.00	973.62
Potential Savings If Agencies Recover Questioned Costs[b]	0.00	635.83
Actual Saved and Recovered Funds Based on Agency and Congressional Actions Responding to SIGIR Findings and Recommendations	0.57	644.89

Notes:
[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 pre-award 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 as of 1/2012.

SIGIR has identified a total of $973.62 million that could be used more efficiently and effectively elsewhere.

SIGIR has also questioned $635.83 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 major problems in U.S. oversight of a contract with Anham, LLC, and is therefore questioning the entire $113 million that has thus far been expended on the contract.

Through January 30, 2012, agency management has concurred with certain SIGIR audit findings and recommendations, which has resulted in about $644.89 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 $509 million was saved in the Iraqi police training program through measures such as improved contractor invoice review procedures.

Table 5.3 lists SIGIR's financial impact audit reports and the value of the financial accomplishments.

SIGIR's Forensic Audit Approach

SIGIR's approach to performing forensic audits combined automated data mining with standard audit and investigative techniques to detect problematic payments and develop relevant evidence for use in administrative actions or civil or criminal fraud prosecutions. A "Forensics Group" was established and staffed with personnel from SIGIR's Audits and Investigations Directorates to perform those tasks. The group's initial working framework involved three primary efforts discussed below.

• SIGIR conducted in-depth audits of major DoD, DoS, and USAID reconstruction awards. In these focused contract and grant audits, SIGIR examined costs, outcomes, and

TABLE 5.3
SIGIR POTENTIAL AND ACTUAL FINANCIAL IMPACT REPORTS
$ Millions

		POTENTIAL SAVINGS FROM SIGIR FINDINGS AND RECOMMENDATIONS			ACTUAL SAVINGS
			QUESTIONED COSTS		
REPORT NUMBER	REPORT TITLE	FUNDS THAT COULD BE BETTER USED	UNALLOWABLE UNALLOCABLE UNREASONABLE	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	0.00[a]
05-008	Administration of Contracts Funded by the Development Fund of Iraq		0.04		0.00[a]
05-015	Management of Rapid Regional Response Program Grants in South-Central Iraq			2.70	0.00[a]
05-016	Management of the Contracts and Grants Used To Construct and Operate the Babylon Police Academy	1.30			0.00[a]
05-017	Award Fee Process for Contractors Involved in Iraq Reconstruction	7.80			7.80
05-020	Management of the Contracts, Grant, and Micro-Purchases Used To Rehabilitate the Karbala Library		0.15		0.00[a]
05-023	Management of Rapid Regional Response Program Contracts in South-Central Iraq		0.57		0.00[a]
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	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			23.30
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			3.80
08-018	Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with FluorAMEC, LLC		0.57		0.57
09-003	Cost, Outcome, and Oversight of Local Governance Program Contracts with Research Triangle Institute		0.19		0.06[a]
09-004	Iraq Reconstruction Project Terminations Represent a Range of Actions	16.62			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	502.25		508.66
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			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

Continued on next page

| | | POTENTIAL SAVINGS FROM SIGIR FINDINGS AND RECOMMENDATIONS | | | ACTUAL SAVINGS |
| | | | QUESTIONED COSTS | | |
REPORT NUMBER	REPORT TITLE	FUNDS THAT COULD BE BETTER USED	UNALLOWABLE UNALLOCABLE UNREASONABLE	UNSUPPORTED COSTS	DOLLARS SAVED & RECOVERED
11-009	Iraqi Government Support for the Iraq International Academy	12.00			
11-014	The Iraq Community Action Program: USAID's Agreement with CHF Met Goals, but Greater Oversight Is Needed		1.08		1.08
11-022	Poor Government Oversight of Anham and Its Subcontracting Procedures Allowed Questionable Costs To Go Undetected		113.40		
12-006	Iraqi Police Development Program: Opportunities for Improved Program Accountability and Budget Transparency	387.00			
			624.48	11.35	
Totals		**973.62**	**635.83**[b]		**644.89**

Note: All SIGIR audit reports can be found on the SIGIR website at www.sigir.mil.
[a] SIGIR previously reported that agencies saved some, or more money, but collection efforts were stopped for reasons such as the company went out of business, or the cost of collection would have exceeded the funds recovered.
[b] The total dollar amount of questioned costs comprises two subcategories which are delineated in this table in order to clarify the nature of the questioned cost as defined by the Inspector General Act.

management oversight and identified whether internal controls were in place to ensure effective contract management and use of reconstruction funds.

- SIGIR established a joint audit and investigative initiative in January 2009. Known as the Forensic Evaluation, Research, Recovery and Enforcement Team (FERRET), this multi-disciplinary initiative involved auditors, analysts, and investigators working together to examine programs where U.S. military and civilian personnel involved in the reconstruction of Iraq had easy access to cash and where controls over expenditures appeared to be weak.
- SIGIR auditors examined transaction data of payments made to vendors to identify irregular, or anomalous, transactions that could indicate

potential fraud. SIGIR selected nearly 180,000 payments totaling about $40 billion from DoD, DoS, and USAID financial systems for close review. These transactions came from four major reconstruction funds: IRRF (totaling $19.83 billion), ISFF ($14.1 billion), ESF ($1.83 billion), and CERP (about $4.0 billion).

More recently, SIGIR added an additional component to the forensic effort. SIGIR analyzed nearly 100 closed criminal investigations related to the Iraq reconstruction effort to identify internal control weaknesses that contributed to individuals' ability to commit criminal acts. SIGIR continues to explore ways in which to examine expenditures and payments for Iraq reconstruction activities in order to reduce fraud, waste, and abuse. ◆

SIGIR LESSONS LEARNED

In December 2011, SIGIR published *Iraq Reconstruction: Lessons in Inspections of U.S.-funded Stabilization and Reconstruction Projects.* This report provides details on how SIGIR implemented its Inspections program and what lessons SIGIR derived from its assessment of projects in a war zone. The report also summarizes SIGIR's most significant and notable project assessments, and it describes the impact of SIGIR's work on the oversight of U.S.-funded reconstruction projects in Iraq.

SIGIR's Inspections Program

SIGIR established its Inspections Directorate in June 2005 to focus on the rapid assessment and reporting of U.S.-funded reconstruction work in Iraq. Over the next five years, SIGIR sent teams of experienced engineers and auditors to project sites throughout the country. SIGIR selected a cross section of projects to be inspected from each reconstruction sector, from large and small contractors, from different geographic areas, from each of the major U.S. agencies, and from different funding sources. Also considered in the selection of projects were the requests of military commanders and Department of State officials; the significance of the project; the likelihood of fraud or waste; and allegations about specific projects, sites, and contractors.

In assessing construction projects, SIGIR aimed to determine the following:
- Were projects properly designed?
- Were projects built in accordance with contract specifications?
- Were adequate contractor quality control and government quality assurance in place?
- Was Iraqi sustainability considered and planned for?
- Were projects likely to meet their stated objectives?

Construction official briefs the Inspector General on the status of construction at the Nassiriya Prison during an on-site inspection.

For sustainment project assessments, SIGIR inspected completed projects to determine if the projects were at full capability or capacity when accepted by the U.S. government, when transferred to the GOI, and when observed by SIGIR inspectors during site visits.

The work of SIGIR's Inspections Directorate ended in April 2010, just as major U.S. construction projects were winding down and as the sovereign Iraq was assuming greater control of the reconstruction program. In all, SIGIR issued 170 reports, providing snapshots of reconstruction activities valued at nearly $2.1 billion. Of the 116 in-progress projects that SIGIR inspected, almost one-half did not meet the contract specifications and had major deficiencies. For the contract value of projects inspected, by reconstruction sector, see Figure 5.1. Of the 54 completed projects assessed, more than three-fourths had deficiencies, with 14 having major deficiencies that, if left unaddressed, would place those projects in jeopardy.

Lessons Learned from Inspecting Projects in a Contingency Environment

During the course of its 170 project assessments, SIGIR's Inspections Directorate identified 13 essential lessons about project planning, execution,

and oversight in a stabilization and reconstruction operation:

1. Achieve a secure environment before initiating major reconstruction activities.
2. Enforce contracts to reward good performance and hold poor performers accountable.
3. Design projects in accord with the host nation's capacity to maintain and sustain them.
4. If a project requires sophisticated equipment, encourage the host nation to contract for operations and maintenance with a qualified contractor until organic capacity is established.
5. Base project reporting on actual construction progress and not on the amount that the contractor has been paid to date.
6. Ensure that contractor invoices are reviewed by U.S. construction management before payment is made.
7. Do not allow construction activities to begin before detailed drawings have been prepared and approved.
8. Design projects that anticipate potential limitations of electrical power and potable water sources.
9. Require oversight managers to regularly visit sites as part of a project's quality assurance program.
10. When designing projects, work with host-nation users to create effective, usable, and culturally sensitive facilities.
11. Enhance coordination and decision making by consolidating all project data in a unified information management system.
12. Do not underestimate the importance of relatively small "last-mile" projects to the success of large-scale reconstruction projects.
13. Minimize use of "nested tiers" of subcontractors in stabilization and reconstruction operations.

Best Practices of SIGIR's Inspections Program

The unpredictable and challenging environment in Iraq helped shape the approach used by SIGIR's Inspections Directorate in conducting

CONTRACT VALUE OF PROJECTS SIGIR INSPECTED, BY RECONSTRUCTION SECTOR

$ Millions
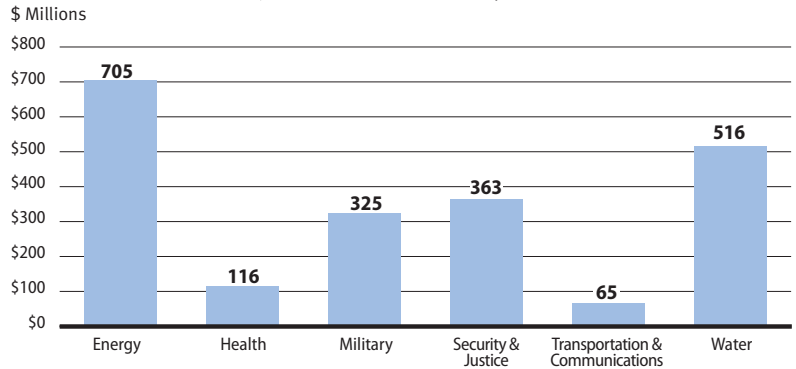
Note: Data not audited. Numbers affected by rounding.

assessments of individual construction projects. This approach could serve as a template, or at least as a starting point, for project assessments in other contingency operations.

1. Provide reconstruction officials with near real-time reporting.
2. Team engineers with auditors.
3. Report on complex technical topics in accessible language.
4. Use graphics to explain complex engineering issues.
5. Prepare for rapid but effective inspections.
6. Whenever possible, visit project sites in person.
7. Visit as many projects as possible early in the construction phase.
8. Develop alternative approaches to executing inspections.
9. Support the host government's IG system.
10. Always consider sustainability in assessing reconstruction projects.
11. Engage with host-country end users and government officials when developing the reconstruction program.
12. Establish working relationships with all parties involved in the reconstruction effort.
13. Become an informational resource for reconstruction officials.
14. Perform assessments in all sectors throughout the country.
15. Complement and augment existing audit and investigative functions. ♦

SIGIR INVESTIGATIONS

The SIGIR Investigations Directorate continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 90 active investigations as of January 30, 2012. During this reporting period, SIGIR had 1 investigator assigned in Baghdad; 12 investigators in offices in Pennsylvania, Florida, Texas, Oklahoma, and California; and 6 investigative personnel at SIGIR headquarters in Arlington, Virginia. Investigative accomplishments this quarter included 2 indictments, 3 convictions, and 6 sentencings. As of December 31, 2011, the work of SIGIR investigators had resulted in 70 indictments, 61 convictions, and more than $175 million in fines, forfeitures, recoveries, restitution, and other monetary results. For SIGIR convictions, by affiliation of wrongdoer, see Figure 5.2. For the monetary results of SIGIR investigations, by affiliation of wrongdoer, see Figure 5.3. Investigative accomplishments this quarter also included 1 proposal for debarment and 7 debarments.

SIGIR Investigative Activities This Quarter

This quarter, SIGIR continued to conduct a number of significant criminal investigations related to Iraq reconstruction and to work closely with prosecutors, U.S. partner investigative agencies, coalition partner investigators, and law-enforcement personnel from other countries. As a result of SIGIR investigations, 7 defendants are awaiting trial, and an additional 16 defendants are awaiting sentencing. Figure 5.4 shows the increases in the number of judicial actions and monetary results achieved in each of the last four years based on SIGIR's investigations. With prosecutors currently handling a substantial number of additional cases, this trend is expected to continue. For a comprehensive list of convictions compiled by the Department of Justice (DoJ), see Table 5.4 at the end of this subsection.

FIGURE 5.2
SIGIR CONVICTIONS, BY AFFILIATION OF WRONGDOER, AS OF 12/31/2011

Total: 61

Contractor (DoD) 10 — 16%
Contractor (non-DoD) 5 — 8%
U.S. Military Dependent 4 — 7%
USG Civilian (DoD) 3 — 5%
Civilian 3 — 5%
Foreign Military 3
U.S. Military 30 — 49%
USG Civilian (non-DoD) 2 — 3%
USG Civilian/Contractor 1 — 2%

FIGURE 5.3
SIGIR INVESTIGATIONS MONETARY RESULTS, BY AFFILIATION OF WRONGDOER, AS OF 12/31/2011
$ Millions

Total: $175.2

Contractor (DoD) $37.3 — 21%
Contractor (non-DoD) $83.4 — 48%
U.S. Military $37.0 — 21%
Civilian $8.4 — 5%
Foreign Military $1.1 (1%) — 2%
USG Civilian (non-DoD) $3.8 (2%)
U.S. Military Dependent $1.4 1%
USG Civilian (DoD) $2.5 (1%)

Note: Numbers affected by rounding.

FIGURE 5.4

SIGIR INVESTIGATIONS: CRIMINAL AND MONETARY RESULTS

Former U.S. Army Major Sentenced to Twelve Years in Prison in Bribery and Money-laundering Scheme

On January 5, 2012, Eddie Pressley, a former U.S. Army major and contracting official, was sentenced in U.S. District Court in Birmingham, Alabama, for his participation in a bribery and money-laundering scheme related to contracts awarded in support of the Iraq war. Pressley was sentenced to 12 years in prison and was ordered to serve 3 years of supervised release following the prison term. Pressley also was ordered to forfeit $21 million as well as real estate and several automobiles.

Pressley and his wife, Eurica, were found guilty at trial on March 1, 2011, of one count of bribery, one count of conspiracy to commit bribery, eight counts of honest-services fraud, one count of money-laundering conspiracy, and 11 counts of engaging in monetary transactions with criminal proceeds. A sentencing date for Eurica Pressley has been scheduled for February 23, 2012.

The case against the Pressleys arose from a corruption probe focusing on Camp Arifjan, a U.S. military base in Kuwait. As a result of this investigation, 17 individuals, including the Pressleys, have pled guilty or been found guilty at trial for their roles in the scheme.

Evidence presented at trial showed that Eddie Pressley took various actions to benefit certain contractors who paid him bribes, including Terry Hall. Pressley served as a U.S. Army contracting official at Camp Arifjan during 2004–2005. From spring 2004 through fall 2007, Hall operated and had an interest in several companies, including Freedom Consulting and Catering Co. and Total Government Allegiance.

In February 2005, Pressley arranged for Hall to obtain a blanket purchase agreement (BPA) to deliver goods and services to the Department of Defense (DoD) and its components in Kuwait and elsewhere. Under the BPA, DoD would order supplies on an as-needed basis, and the contractor would then be obligated to deliver the supplies

SIGIR notes these investigative activities this quarter:

- A former U.S. Army major was sentenced to 12 years in prison for participating in a bribery and money-laundering scheme.
- A former Louis Berger Group, Inc., chief executive officer (CEO) was indicted for his alleged role in a multimillion-dollar billing fraud scheme for Iraq and Afghanistan reconstruction contracts.
- A Department of State (DoS) employee was sentenced to prison term for soliciting and accepting kickbacks.
- A former U.S. Army major was sentenced to two years in prison for money laundering.
- A DoS contractor was charged and pled guilty to conspiracy to steal DoS equipment in Iraq.
- A former U.S. Army Corps of Engineers (USACE) employee was sentenced for accepting bribes from Iraqi contractors.
- A contractor pled guilty and was sentenced for lying to federal agents.
- A former U.S. Army sergeant was placed in pretrial diversion for receiving stolen cash.

ordered at the price agreed to in the BPA. The term for such an order by DoD is a "call."

According to Hall's testimony and other evidence presented at trial, Pressley demanded a $50,000 bribe before he would issue Hall calls for bottled water. Hall testified that, in April 2005, he and his associates arranged for Pressley to receive the money in a bank account established in the name of a shell company, EGP Business Solutions Inc.

Hall's testimony and other evidence at trial showed that soon after the $50,000 bribe was paid, Pressley and another U.S. Army contracting official increased the bribe demand to $1.6 million—$800,000 for Pressley and $800,000 for the other official. After Hall and others agreed to pay the money, Pressley and the other official took various official acts to benefit Hall, including, among other things, issuing calls for bottled water and fencing, arranging for Hall to receive a fence contract, and modifying Hall's BPA to remove the upper limit of the money Hall could receive from DoD under the BPA for bottled water.

Evidence at trial also showed that Eddie Pressley enlisted the help of his wife to receive the bribes. Eurica Pressley traveled to Dubai in May 2005 and to the Cayman Islands in June 2005 to open bank accounts to receive the bribe money. She also took control of the U.S.-based account in the name of EGP Business Solutions Inc.

In addition, Eddie and Eurica Pressley, attempted to conceal the true nature of their corrupt scheme by having Eurica Pressley execute bogus "consulting agreements." They also prepared false invoices that were designed to justify the bribe payments as payment for nonexistent "consulting services."

Bank statements and wire transfer reports demonstrated that, in total, the Pressleys received approximately $2.9 million in bribe payments, approximately $1.6 million of which consisted of payments from other contractors that Hall facilitated for Eddie Pressley. Evidence presented at trial showed that the Pressleys used the money to purchase real estate, expensive automobiles, and home-decorating services, among other things.

This case is being jointly conducted by SIGIR, the U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit (CID-MPFU), the Defense Criminal Investigative Service (DCIS), the Department of Homeland Security's Bureau of Immigration and Customs Enforcement (ICE), the Internal Revenue Service-Criminal Investigation (IRS-CI), and the Federal Bureau of Investigation (FBI).

Former Louis Berger Group, Inc., CEO Indicted for Multimillion-dollar Billing Fraud Scheme

On October 20, 2011, Derish Wolff, the former president and CEO of New Jersey-based international engineering consulting company Louis Berger Group, Inc. (LBG), surrendered to face a six-count indictment alleging he led a scheme to intentionally overbill the United States in connection with hundreds of millions of dollars in overseas reconstruction contracts over a nearly 20-year period. The indictment charges Wolff—who was president and CEO of LBG from 1982 to 2002 and more recently served as the chairman of LBG's parent company, Berger Group Holdings, Inc.—with one count of conspiring to defraud the U.S. Agency for International Development (USAID) and five counts of making false claims in connection with those billings.

According to the indictment, as well as other documents filed and statements made in court in this and related cases, USAID awarded LBG hundreds of millions of dollars in reconstruction contracts in Iraq, Afghanistan, and other nations. The indictment alleges that, while at LBG, Wolff conspired to defraud USAID by billing the agency on cost-plus contracts—including hundreds of millions of dollars in contracts for reconstruction work in Iraq and Afghanistan—for LBG's overhead and other indirect costs at falsely inflated rates. From at least 1990 through about July 2009, LBG, through Wolff and other former executives, intentionally overbilled USAID in connection with the contracts in a scheme carried out by a number of LBG employees at Wolff's direction.

It is further alleged that, regardless of the actual numbers, Wolff targeted a particular overhead rate and ordered his subordinates to achieve that target rate through a variety of fraudulent means. From at least as early as 1990 through 2000, Wolff ordered LBG's assistant controller to pad time sheets with hours ostensibly devoted to federal government projects when that employee had not actually worked on such projects. Wolff ordered this subordinate to instruct the accounting division to do the same.

At an LBG annual meeting in September 2001, Salvatore Pepe—who was then the controller and eventually became the chief financial officer—presented a USAID overhead rate that was significantly below Wolff's target. In response, it is alleged that Wolff denounced Pepe, called him an "assassin" of the overhead rate, and ordered him to target a 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 supposedly incurred by LBG.

It is further alleged that in response to this instruction to target an overhead rate, Pepe and former Controller Precy Pellettieri, with Wolff's supervision, hatched a fraudulent scheme to systematically reclassify the work hours of LBG's corporate employees, such as those in the general accounting division, to make it appear as if those employees worked on federal projects when they did not. At Wolff's direction, Pepe and Pellettieri reclassified these hours from approximately 2003 through 2007 without the employees' knowledge and without investigating whether the employees had correctly accounted for their time; and at times they did so over an employee's objection. In addition to padding employees' work hours with fake hours supposedly devoted to USAID work, Wolff instructed his subordinates to charge all commonly shared overhead expenses for LBG's Washington office, such as rent, to an account created to capture USAID-related expenses, even though that office supported many projects unrelated to USAID or other federal government agencies.

The conspiracy charge carries a maximum potential penalty of 10 years in prison; each of the false-claims counts carries a maximum potential penalty of five years in prison. Each of the six counts also carries a maximum $250,000 fine, or twice the loss from the offense.

On November 5, 2010, Pepe and Pellettieri each pled guilty to separate criminal informations charging them with conspiring to defraud the government with respect to claims. They await sentencing. Also on that date, LBG resolved criminal and civil fraud charges related to Wolff's and others' conduct. The components of the settlement included:

- a Deferred Prosecution Agreement (DPA), pursuant to which the U.S. Attorney's Office in New Jersey suspended prosecution of a criminal complaint charging LBG with a violation of the Major Fraud Statute. In exchange, LBG agreed, among other things, to 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 would evaluate and oversee the company's compliance with the DPA for a two-year period.
- a civil settlement that required the company to pay the government $50.6 million to resolve allegations that LBG violated the False Claims Act by charging inflated overhead rates.
- an administrative agreement between LBG and USAID, which was the primary victim of the fraudulent scheme.

The settlement took into consideration LBG's cooperation with the investigation and the fact that those responsible for the wrongdoing are no longer associated with the company.

This case is being jointly conducted by USAID, DCIS, SIGIR, and the FBI.

Department of State Employee Sentenced to Prison Term for Soliciting and Accepting Kickbacks

On January 19, 2012, Richard L. Razo was sentenced in U.S. District Court in San Antonio, Texas, to 33 months in prison followed by two years supervised release. Razo was also ordered to pay $106,820 in restitution and a $200 special assessment. The sentencing is the result of Razo's guilty plea on February 28, 2011, to a two-count criminal information charging wire-fraud conspiracy and wire fraud. From 2005 through May 2009, according to court documents, Razo entered into a scheme to enrich himself by fraudulently providing Iraqi contractors with confidential bidding information and otherwise helping those contractors obtain contracts on Iraqi reconstruction projects in exchange for a percentage of the face value of the fraudulently obtained contracts. He did so first as an employee of an international company doing business in Iraq under contracts with the U.S. government and then as a DoS employee. Razo collected more than $106,000 in kickbacks and was promised a total of more than $370,000 for his illegal conduct.

The case is being conducted by SIGIR, DCIS, ICE, and the DoS Office of Inspector General (DoS OIG) and prosecuted by a SIGIR Prosecutorial Initiative (SIGPRO) attorney.

Former U.S. Army Major Sentenced to Two Years in Prison for Money Laundering

On December 13, 2011, Charles Joseph Bowie, Jr., a retired U.S. Army major, was sentenced to 24 months in prison followed by three years supervised release. Bowie was also ordered to pay $400,000 in restitution and a $100 special assessment. Bowie pled guilty to a criminal information filed on April 14, 2011, charging him with one count of engaging in monetary transactions improperly derived from specified unlawful activity. According to court documents, Bowie, while serving in Kuwait from April 2004 to April 2005,

became friends with former U.S. Army Major John Cockerham, who directed a government contractor to pay Bowie money in exchange for the award of a bottled-water contract. Bowie admitted that he received four wire transfers of approximately $100,000 each from the contractor between July 2005 and February 2006. Bowie also admitted that he entered into a sham consulting agreement with the contractor to conceal the payments.

The case is being conducted by SIGIR, DCIS, Army CID-MPFU, IRS-CI, ICE, and the FBI.

DoS Contractor Charged and Pleads Guilty to Conspiracy To Steal DoS Equipment in Iraq

On November 10, 2011, John F. Hayes, a retired U.S. Army sergeant, pled guilty to conspiring to steal DoS equipment related to his work as an employee of a DoS contractor. Hayes pled guilty before a U.S. Magistrate Judge in the Middle District of Alabama in Montgomery, Alabama, to a criminal information charging him with one count of conspiracy to steal public property. According to the court document, Hayes was a civilian contractor in Iraq who managed air operations for a DoS contractor during reconstruction efforts. While working in Iraq, Hayes agreed with other co-conspirators to steal a truck and a generator. Once the truck and generator were stolen, a co-conspirator began to arrange for them to be sold in the black market in Iraq. The investigation into this conspiracy continues.

Hayes faces up to five years in prison, as well as a maximum fine of $250,000 and up to three years of supervised release after serving any prison sentence he may receive. Additionally, Hayes has agreed to pay $12,000 in restitution to the United States. A sentencing date has been scheduled for February 1, 2012.

This case is being investigated by SIGIR, the FBI, and DoS OIG, and it is being prosecuted by a SIGPRO attorney.

Former USACE Employee Sentenced for Accepting Bribes from Iraqi Contractors

On December 9, 2011, Thomas Aram Manok, a former USACE employee stationed in Baghdad, was sentenced in U.S. District Court in the Eastern District of Virginia to 20 months in prison followed by 3 years of supervised release. The sentencing is the result of Manok's guilty plea on September 19, 2011, to conspiring to receive bribes from Iraqi contractors involved in U.S.-funded reconstruction efforts.

Manok admitted to using his official position to conspire with Iraqi contractors to accept cash bribes in exchange for recommending that USACE approve contracts and other requests for payment submitted by the contractors to the U.S. government. In March and April 2010, Manok agreed to receive a $10,000 payment from one such contractor who had been involved in constructing a kindergarten and girls' school in the Abu Ghraib neighborhood of Baghdad and had sought Manok's influence in having requests for payment approved by USACE. According to court documents, Manok was to receive an additional bribe payment from the contractor once the contractor's claim had been approved. Manok also admitted that he intended to conceal the payments from authorities by transferring them, via associates, from Iraq to Armenia. At a forfeiture hearing on January 13, 2012, Manok was ordered to forfeit $73,500 and pay a $100 special assessment.

This case was investigated by the FBI, DCIS, Army CID-MPFU, and SIGIR as participants in the International Contract Corruption Task Force. The case is being prosecuted by the U.S. Attorney's Office for the Eastern District of Virginia and the Fraud Section of DoJ's Criminal Division. Initial prosecutorial work was handled by a SIGPRO attorney.

U.S. Contractor Pleads Guilty and Is Sentenced for Lying to Federal Agents

On December 21, 2011, Brian Cornell, a U.S. contractor in Iraq, was sentenced in U.S. District Court in Waco, Texas, to three months confinement followed by two years supervised release, and was ordered to pay a fine of $1,000 and a special assessment of $100. The sentencing was the result of Cornell's guilty plea on October 27, 2011, to a one-count indictment charging him with lying to federal agents during the course of an investigation. The agents were investigating a fraud scheme involving the theft and resale of generators in Iraq to various entities, including the U.S. government. Cornell admitted that when initially interviewed in Iraq, he denied any involvement in the fraud scheme, when in fact he had signed fraudulent U.S. documents, acted as an escort for a load of generators onto the secure civilian section of the Baghdad International Airport, and had received money on several occasions as part of the fraud scheme. This investigation continues.

This case is being investigated by SIGIR, DCIS, Army CID-MPFU, and the FBI.

Former U.S. Army Sergeant Placed into Pretrial Diversion for Receiving Stolen Cash from Iraq

On October 21, 2011, a former U.S. Army sergeant was placed in a Pretrial Diversion (PTD) program by the U.S. District Court in Los Angeles, California. The PTD was the result of a one-count indictment charging the former U.S. Army sergeant with receiving more than $12,000 in stolen cash from Iraq. According to court documents, the money had been stolen by another U.S. Army soldier who was deployed to Tallil, Iraq, in 2008, and mailed to the former U.S. Army sergeant. The funds were a cash payment for pickup by a local contractor who failed to appear for the payment. The cash was then stolen, concealed in a stuffed animal, and sent through the U.S. postal system to the former Army sergeant in California. The investigation into this case continues.

The case is being investigated by SIGIR, DCIS, Army CID-MPFU, and the FBI.

SIGPRO Update

The SIGIR Prosecutorial Initiative (SIGPRO) 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 DoJ prosecutors. They were detailed as a unit to the Fraud Section of the DoJ Criminal Division to prosecute SIGIR investigation cases, handling their own DoJ caseloads, and working closely with the SIGIR General Counsel and other DoJ prosecutors assigned SIGIR cases. The SIGPRO attorneys are now firmly ensconced at DoJ with full dockets of criminal fraud matters emanating from the Iraq reconstruction effort. They are currently leading or significantly involved in a host of prosecutorial matters and continue to play integral roles in the development and prosecution of cases being worked by the SIGIR Investigations Directorate. In line with SIGIR reductions in staff, the SIGPRO unit is now comprised of two prosecutors and one legal analyst.

Suspensions and Debarment

Since December 2005, SIGIR has worked closely with DoJ, Army 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 involved in 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. The Army has suspended 116 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait since 2003; and 172 individuals and companies have been proposed for debarment, resulting in 127 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 2012. 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 F. ◆

TABLE 5.4
CONVICTIONS (AS COMPILED BY THE DEPARTMENT OF JUSTICE)

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
John F. Hayes	Conspiracy	11/10/2011	Pending
Brian D. Cornell	False statements	10/27/2011	3 months confinement; 2 years supervised release; $1,000 fine; and $100 special assessment
Robert A. Nelson, former USA sergeant	Conspiracy to steal public property	10/5/2011	Four years probation with the first six months in home confinement; $44,830 restitution; and $100 special assessment
Thomas A. Manok, former USACE employee	Conspiracy	9/19/2011	20 months in prison; 3 years supervised release; forfeiture of $73,500; and $100 special assessment
Tamimi Global Company LTD	Kickbacks	9/16/2011 (Deferred Prosecution Agreement (DPA))	$13 million to resolve criminal and civil allegations
Eric Scott Hamilton, USMC gunnery sergeant	Conspiracy	8/10/2011	Pending
Francisco Mungia	Conspiracy	7/22/2011	Pending
Barry S. Szafran	Illegally receiving a gratuity	7/15/2011	One year probation with the first four months in home confinement; $7,169 restitution; and $100 special assessment
Justin W. Lee, former DoD contractor	Conspiracy, bribery	7/15/2011	Pending
Derrick Shoemake, former USA major	Bribery	6/13/2011	Pending
David Pfluger, former USA Lt. Col.	Conspiracy, accepting gratuities, and converting the property of another to his own use	3/25/2011	18 months in prison; 3 years supervised release; and $24,000 restitution
Charles Bowie, retired USA major	Engaging in monetary transactions in property derived from specified unlawful activity	5/11/2011	24 months in prison; 3 years supervised release; $400,000 restitution; and $100 special assessment
Eddie Pressley, former USA major	Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds	3/1//2011	144 months in prison; 3 years supervised release; forfeiture of $21 million, real estate, and several automobiles
Eurica Pressley, former contractor and military spouse	Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds	3/1/2011	Pending
Richard Razo, former DoS contractor and DoS employee	Wire fraud, wire fraud conspiracy	2/28/2011	33 months in prison; 2 years supervised release; $106,820 restitution; and $200 special assessment
Maj. Kevin Schrock, USA	Money laundering	2/8/2011	Pending
Osama Ayesh, former U.S. Embassy-Baghdad employee	Theft of public money, engaging in acts affecting a personal financial interest	2/2/2011	42 months in prison; 36 months supervised release; $243,416 restitution; and $5,000 fine
Capt. Bryant Williams, USA	Honest services fraud, accepting bribes	12/17/2010	36 months in prison; 3 years supervised release; forfeiture of $57,030; and $200 special assessment
Mark Carnes, USAF master sergeant	Bribery	12/16/2010	20 months in prison; 3 years supervised release; and $4,000 fine
Michelle Adams, former DoD contractor	Bribery	12/7/2010	15 months in prison followed by supervised release
Frankie Hand, Jr., retired USN lieutenant commander	Fraud, bribery, and receiving illegal gratuities	12/7/2010	3 years in prison and forfeiture of $757,525

Name	Charges	Date of Conviction	Sentence
Peter Dunn, former DoD contractor	Bribery	11/19/2010	14 months in prison; 2 years supervised release
Louis Berger Group	Major fraud statute	11/5/2010 (DPA)	$18.7 million in criminal penalties; civil settlement of $50.6 million; full restitution to USAID; adopt effective standards of conduct, internal control systems, and ethics training for employees; and employ an independent monitor to evaluate and oversee the companies compliance with the DPA for 2 years
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	12 months and 1 day in prison; and restitution
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	5 years probation and $25,000 restitution
Ismael Salinas	Kickbacks	10/1/2010	Pending
Dorothy Ellis	Conspiracy	9/2/2010	37 months in prison; 3 years probation; and $360,000 restitution
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 supervised release; and 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; $10,000 fine; $25,500 restitution; and $100 special assessment
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	72 months in prison; 3 years probation; and $2,150,613 restitution
William Collins, USA civilian	Bribery	4/21/2010	42 months in prison; 3 years supervised release; $1,725 fine; and forfeit $5,775
SFC Ryan Chase, USA	Illegal gratuities, money laundering, false statements	4/21/2010	1 year and 1 day in prison; 2 years probation; and $1.4 million restitution
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	12 months home confinement; 3 years probation; and $2,150,613 restitution
Terry Hall, contractor	Conspiracy, bribery	2/17/2010	Pending
Theresa Russell, former USA staff sergeant	Money laundering	1/28/2010	5 years probation and $31,000 restitution

Continued on the next page

Name	Charges	Date of Conviction	Sentence
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	39 months in prison; 2 years supervised release; and $70,000 fine
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 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 $26,276,472 restitution
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 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 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 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

Continued on the next page

Name	Charges	Date of Conviction	Sentence
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
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
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
Jacqueline Fankhauser	Receipt of stolen property	6/30/2008	1 year probation; 180 days home confinement; 104 hours community service; $10,000 fine; and $100 special assessment
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	12 months in prison; 3 years supervised release; $5,000 fine; and $9,000 restitution
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; $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

Continued on the next page

Name	Charges	Date of Conviction	Sentence
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
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	15 months in prison; 2 years supervised release; $6,000 fine; and $200 special assessment
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 or results from courts martial.

TABLE 5.5
DEBARMENT LIST

NAME	DEBARRED
Ehsan Hassan Al-Ameli	11/29/2011
Al AALI General Contracting Co.	11/28/2011
Mahmoud Shakier Mahmoud	10/14/2011
Ahmad Muhammed Hassan	10/13/2011
Al Ula Iraq	10/12/2011
Al Ula FZCO	10/12/2011
Al Ula Global Trading, LLC	10/12/2011
Chet M. Fazand	9/13/2011
Chad M. Fazand	9/13/2011
Fazand International Trading, LLC	9/13/2011
Al Dalla Co.	9/13/2011
Faustino L. Gonzales, CAPT, USA	9/7/2011
Chasib Khazal Mehadi Al Mosawi	9/7/2011
Quasay Shamran Mehdi Al-Mosawi	9/7/2011
The Economical Group	9/7/2011
Jenna International, Inc.	8/4/2011
Al-Methwad Company	7/21/2011
Tariq Zadan Dawood	7/21/2011
Tareq Zaidan Dawod	7/21/2011
Tariq Zaidan Dawod	7/21/2011
Tariq Zaidon Dawod	7/21/2011
Tarik Zaidon Dawood	7/21/2011
Abd Al Alim Abbod	7/21/2011
Frankie Joseph Hand	7/21/2011
Richard Joseph Harrington	7/21/2011
Janet L. Schmidt	6/22/2011
Mariam M. Steinbuch	6/6/2011
Mark Carnes	6/3/2011
Terence O. Walton	6/3/2011
Al Aali Future Mario Company	5/11/2011
Eric K. Schmidt	4/20/2011
Mark R. Fuller	4/1/2011
Ahmad Mustafa	1/25/2011
Mubarek Hamed	1/25/2011
Ali Mohammed Bagegni	1/25/2011
Abdel Azzim El-Saddig	1/25/2011

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NAME	DEBARRED
Mark Deli Siljander	1/25/2011
Precy Pellettieri	1/12/2011
Salvatore Pepe	1/12/2011
Ammar Tariq Al Jazrawi	1/10/2011
Ammar Tareq Al Jazrawi General Contracting Company	1/10/2011
Liberty Al-Ahlia General Trading and Contracting Company	12/13/2010
Bronze Al-Taqoos 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

Continued on next column

NAME	DEBARRED
Marko Rudi	5/26/2010
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
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

Continued on next column

Name	Debarred
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
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

Name	Debarred
First AIM Trading and Contracting	9/17/2008
Vasantha 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
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

Name	Debarred
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 HOTLINE

The SIGIR Hotline facilitates the reporting of fraud, waste, abuse, mismanagement, and reprisal in all programs associated with Iraq reconstruction efforts funded by the U.S. taxpayer. Cases received by the SIGIR Hotline that are not related to programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq are transferred to the appropriate entity. The SIGIR Hotline receives walk-in, telephone, mail, fax, and online contacts from people in Iraq, the United States, and throughout the world.

Fourth Quarter Reporting

As of December 31, 2011, the SIGIR Hotline had initiated 871 cases. Of these cases, 853 have been closed, and 18 cases remain open. For a summary of these cases, see Table 5.6.

TABLE 5.6

SUMMARY OF SIGIR HOTLINE CASES, AS OF 12/31/2011

OPEN CASES				
Investigations				17
Audits				1
Total Open				**18**

CLOSED CASES	2ND QTR 2011	3RD QTR 2011	4TH QTR 2011	CUMULATIVE*
FOIA	0	0	0	4
OSC Review	0	0	0	2
Assists	0	0	0	47
Dismissed	1	1	2	144
Referred	8	2	8	392
Inspections	0	0	0	80
Investigations	0	18	9	155
Audits	0	12	0	29
Total Closed	**9**	**33**	**19**	**853**
Cumulative* Open & Closed				**871**

*Cumulative total covers the period since the SIGIR Hotline began operations—from 3/24/2004 to 12/31/2011.

New Cases

During this reporting period, the SIGIR Hotline received 8 new complaints, bringing the cumulative total to 871 Hotline cases. The new complaints were classified in these categories:
- 5 involved contract fraud.
- 2 involved waste.
- 1 involved personnel issues.

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal through the website and email. Of SIGIR's 8 new Hotline complaints, 5 were received through the SIGIR website and 3 were received through email.

Closed Cases

During this quarter, SIGIR closed 19 Hotline cases:
- 9 were closed by the SIGIR Investigations Directorate.
- 8 were referred to other inspector general agencies.
- 2 were dismissed because they did not fall under SIGIR's purview.

Referred Complaints

After a thorough review, SIGIR referred 8 complaints to outside agencies for proper resolution:
- 5 were sent to the Department of Defense Office of Inspector General.
- 2 were sent to the Department of the Army Office of Inspector General.
- 1 was sent to the Department of State Office of Inspector General. ◆

SIGIR WEBSITE

During this reporting period, the SIGIR website (www.sigir.mil) recorded these activities:

- More than 113,131 users visited the SIGIR website—1,229 users per day.
- The Arabic-language section of the site received 3,004 visits.
- The most frequently downloaded documents were SIGIR's most recent Quarterly Reports.
- The SIGIR website fed more than 38,000 content subscriptions. Information is updated to the web feeds, which are automatically downloaded to subscribers' computers and can be viewed by feed-reader programs.
- SIGIR's custom Google Site Search has returned almost 12,000 results since inception. The most popular search terms have been "Anham," "Wamar," "Mosul," "Missan Surgical Hospital," and "Parsons."

For an overview of daily visits to the SIGIR website, see Figure 5.5. ◆

FIGURE 5.5

AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, BY QUARTER, 10/1/2010–12/31/2011
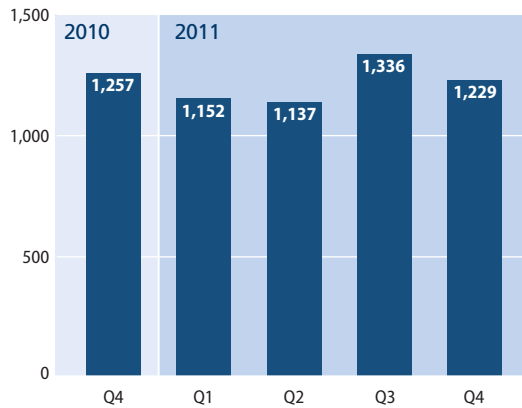
Source: DoD, IMCEN, response to SIGIR data call, 1/6/2012.

LEGISLATIVE UPDATE

Consolidated Appropriations Act, 2012

On December 23, 2011, President Barack Obama signed into law the Consolidated Appropriations Act, 2012 (P.L. 112-74), which appropriates funds for the Department of State (DoS), U.S. Agency for International Development (USAID), and Department of Defense (DoD), among other agencies.[375]

The Senate Committee on Appropriations considered the DoS and USAID provisions on September 21 and issued a report, but the legislation was not considered on the Senate floor.[376] The relevant House Subcommittee met and approved a bill, sending it to the full House Appropriations Committee, but the full Committee did not vote on the report.[377] A conference was held on another bill (which became the Consolidated Appropriations Act), and the conference report was eventually considered and passed, becoming P.L. 112-74.

The DoD provisions were considered on the House floor on July 8, but in the Senate, they were considered only in Committee, on September 15. The House bill and Senate committee position were the subject of a conference held on the bill, which also became part of the Consolidated Appropriations Act.[378]

For details on the provisions of P.L. 112-74, see Section 2 of this Quarterly Report.

National Defense Authorization Act for FY 2012

The National Defense Authorization Act for Fiscal Year 2011 (P.L. 112-181) (NDAA), was signed into law on December 31, 2011.[379]

OSC-I and Arms Sales

Section 1215 provides detailed guidance for the activities of OSC-I. The statute provides that the Secretary of Defense may support transition activities in Iraq by providing funds for the operations and activities of OSC-I and security assistance teams in Iraq. Among the types of support permitted are "life support, transportation and personal security, and construction and renovation of facilities." The act also requires reporting on the activities of OSC-I, including:

- any capability gaps in the security forces of Iraq, including capability gaps relating to intelligence matters, protection of Iraqi airspace, and logistics and maintenance
- the manner in which OSC-I programs, in conjunction with other U.S. programs—such as the FMF program, the Foreign Military Sales program, and joint training exercises—will address the capability gaps if the GOI requests assistance in addressing such gaps

The NDAA also requires that the President ensure "any letter of offer for the sale to Iraq of any defense articles or defense services issued after the date of the enactment of this Act includes ... charges sufficient to recover the costs of operations and activities of security assistance teams in Iraq in connection with such sale."

Procurement Matters

Contractor Support Requirements

Section 820 of the NDAA requires the inclusion of contractor support requirements in certain DoD planning documents, such as the Quadrennial Defense Review and Joint Chiefs of Staff contingency planning; in military advice on requirements, programs, and budget; and in the biennial review of national military strategy. The conferees noted

"that the Commission on Wartime Contracting found significant deficiencies in the Department's requirements determination processes, [and its] management, oversight, and administration of operational contract support in recent contingency operations." They urged the Secretary of Defense "to take aggressive steps to address shortfalls in education, training, information-sharing, pre-deployment exercises and experiments, and workforce planning related to the Department's continued reliance on operational contract support."

Voiding CENTCOM Contracts That Support an Insurgency

Section 841 requires the Defense Supplement to the Federal Acquisition Regulation to be amended "to authorize the head of a contracting activity, pursuant to a request from the Commander of the United States Central Command [CENTCOM]":

- to "restrict the award of Department of Defense contracts, grants, or cooperative agreements that the head of the contracting activity determines in writing would provide funding directly or indirectly to a person or entity … actively supporting an insurgency or otherwise actively opposing United States or coalition forces in a contingency operation" in the CENTCOM area of operations
- "to terminate for default any Department contract, grant, or cooperative agreement" in the CENTCOM area of operations if the contractor or recipient "fails to exercise due diligence with respect to ensuring that no funds go to active supporters of an insurgency or which actively oppose U.S. forces," or
- "to void in whole or part any contract, grant, or cooperative agreement if it provides funding to a person or entity supporting an insurgency" that actively opposes U.S. forces.

Section 841 also requires that any contract, grant, or cooperative agreement that has a value of more than $100,000 and is to be performed in the CENTCOM area of operations must include

a clause requiring the contractor or grantee to exercise due diligence to ensure that none of the funds received under the contract are provided to a person or entity who is actively supporting an insurgency or otherwise actively opposing U.S. or Coalition forces. The clause must also notify the contractor that the head of the contracting activity has the authority to terminate or void the contract under the above conditions. In addition, to the maximum extent practicable, existing contracts shall be modified to include this clause.

CENTCOM is required to establish a program to review those receiving U.S. funds and identify persons or entities actively supporting an insurgency or otherwise actively opposing U.S. or Coalition forces. The authority to identify these persons or entities may not be delegated below the CENTCOM Commander. The authority to restrict, terminate, or void contracts may not be delegated below the head of the contracting activity. This section sunsets after three years.

Access to CENTCOM Contractor and Subcontractor Records

Section 842 requires that the Defense Supplement to the Federal Acquisition Regulation be modified to require a clause authorizing the Secretary of Defense to examine any records of certain contracts that support contingency operations in CENTCOM—including records of subcontractors and subgrantees. The examination would be authorized to the extent necessary to ensure that funds available under the vehicle are not subject to extortion or corruption, and are not providing benefits to those actively supporting an insurgency or actively opposing U.S. or Coalition forces. The clause must also be included in subcontracts and subgrants with an estimated value of more than $100,000. To the maximum extent practicable, existing contracts shall be modified to include this clause.

In order to examine those records, the contracting officer must determine, based on a finding by the CENTCOM Commander, that there is reason to believe that funds available under the contract

may have been subject to extortion or corruption or may have been provided to persons actively supporting an insurgency or otherwise actively opposing U.S. or Coalition forces. The provision requiring the clause expires after three years, but the terms of the clause in existing contracts would remain in effect.

LOGCAP and Competition in Contracting

Under Section 844, a DoD competition advocate must review the Logistics Civil Augmentation Program (LOGCAP) contract each year that contract is in force in support of a contingency operation. DoS currently uses DoD's LOGCAP IV contract to provide for support and subsistence in Iraq.

The NDAA also requires the Secretary of Defense to establish goals for competition in contracts awarded for the provision of property or services outside the United States in support of a contingency operation. The Secretary must develop processes to measure and monitor such competition. The explanatory statement of the conferees notes that "separate goals would be established" under the section "for each contingency operation requiring significant contract support," requiring reports on levels of competition achieved. The conferees reported that they expect DoS to transition to sustainment contracting, with increasing levels of competition, "as rapidly as practicable."

Other Matters in the NDAA

A House provision[380] that would have established new quality assurance surveillance requirements for private security contractors operating in all future contingency operations was not adopted by the conferees. Conferees also did not adopt a House provision[381] to establish a new Senate-confirmed position of Assistant Secretary of Defense for Contingency Contracting and a new Office of Contingency Contracting, as recommended by the Commission on Wartime Contracting.

Section 1214 of the NDAA prohibits the use of funds it authorizes from being obligated to establish any military installation or base for the purpose of providing for the permanent stationing of U.S. Armed Forces in Iraq or Afghanistan.

SIGIR Congressional Testimony This Quarter

Police Development Program

On November 30, the Inspector General testified about the DoS Police Development Program (PDP) before the Subcommittee on the Middle East and South Asia of the House Committee on Foreign Affairs. He reviewed the history of U.S. government efforts to assist the Iraqi police forces, which began in 2003, and summarized SIGIR's six audits of U.S. government assistance to the Iraqi police, which found significant program and contract management problems. The most recent audit, released in October, found that the PDP effort continued to be hampered by a failure to assess the state of Iraq's police forces and the impact of prior U.S. assistance on their readiness, noting that a proper assessment is necessary to determine what is needed. In addition, the Inspector General testified that the PDP lacks a plan setting out, in detail, what it intends to accomplish, as well as a comprehensive set of intermediate and long-term milestones and sufficient measures of program outcomes. He stated that DoS's request for $877 million for the PDP in FY 2012 was not in line with actual needs, citing DoS's estimate that it will require about $500 million to carry out the PDP in its present structure. Moreover, SIGIR's audit identified an additional $200 million–$300 million unspent from prior-year PDP appropriations.

The Inspector General also reported on meetings with Iraq's Ministry of Interior, which called into question whether Iraq had "bought in" sufficiently to the PDP. The GOI had not, for example, made any financial commitment to the program, as required by law. Meetings in November with senior staff at U.S. Embassy-Baghdad gave the Inspector General reason to be encouraged by

progress made in putting SIGIR's recommendations to DoS into effect.

Oversight in Iraq Today: A Special Inspector General for Overseas Contingency Operations

On December 7, the Inspector General testified before the Subcommittee on National Security, Homeland Defense, and Foreign Operations of the House Committee on Oversight and Government Reform. He shared SIGIR's views on the current state of oversight in Iraq and on ways to improve contingency oversight in the future. The Inspector General supported the idea of a standing, expandable Special Inspector General for Overseas Contingency Operations (SIGOCO) as recommended by the Commission on Wartime Contracting for Iraq and Afghanistan. He noted that the advantages of such an entity would include:

- quick reaction and continuous oversight from the inception of stabilization and reconstruction operations
- cross-jurisdictional oversight
- flexibility
- experience
- a staff committed to deployment

Staffing for oversight in contingencies through SIGOCO would improve coordination and complement the work of agency inspectors general while reducing the burden of contingency operation oversight on their staffs, which have significant ongoing responsibilities. Ultimately, a SIGOCO would save taxpayers money and improve outcomes. ◆

OTHER AGENCY
OVERSIGHT

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 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 transitioned 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 no longer take place. SIGIR continues to actively participate in the Joint Planning Group. In November 2011, the Joint Planning Group held its 18th 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 had 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 2012. SIGIR no longer reports on these agencies in this section. ◆

OTHER AGENCY OVERSIGHT REPORTS

This quarter, other oversight agencies issued 5 reports related to Iraq reconstruction, bringing the cumulative total to 657 reports issued since 2003. This section updates the audits that former IIGC member agencies reported to SIGIR:

- For recently completed oversight report activity of other U.S. agencies, see Table 6.1.

- For ongoing oversight report activity of other U.S. agencies, see Table 6.2.
- For more information on other agency oversight reports, including report summaries, see Appendix G.
- For a complete historical list of oversight reports and reviews on Iraq reconstruction by all entities, see Appendix H. ◆

TABLE 6.1

RECENTLY COMPLETED OVERSIGHT REPORTS OF OTHER U.S. AGENCIES, AS OF 12/31/2011

AGENCY	REPORT NUMBER	REPORT DATE	REPORT TITLE
DoD OIG	DODIG-2012-032	12/14/2011	Funding for Enhancements to the Standard Procurement System
DoD OIG	DODIG-2012-004	11/3/2011	Changes Are Needed to the Army Contract with Sikorsky to Use Existing DoD Inventory and Control Costs at the Corpus Christi Army Depot
DoD OIG	DODIG-2012-005	10/28/2011	DoD Countermine and Improvised Explosive Device Defeat Systems Contract–Vehicle Optics Sensor System
USAID OIG	E-267-12-001-S	11/30/2011	Survey of USAID/Iraq's Awards and Subawards
USAID OIG	E-267-12-001-P	11/15/2011	Audit of USAID/Iraq's Community Action Program Activities Implemented by International Relief and Development

TABLE 6.2
Ongoing Oversight Activities of Other U.S. Agencies, as of 12/31/2011

Agency	Project Number	Date Initiated	Project Title
DoD OIG	D2011-D000JA-0281.000	9/7/2011	DoD Management of the Redistribution Property Assistance Team Operations in Kuwait
DoD OIG	D2011-D000JA-0212.000	4/25/2011	Theater-Provided Equipment Refurbishment Program for Tactical Wheeled Vehicles
DoD OIG	D2011-D00SPO-0203.000	3/25/2011	Assessment of the DoD Establishment of the Office of Security Cooperation-Iraq
DoD OIG	D2011-D000JB-0098.000	12/8/2010	Contracting for Force Protection for U.S. Installations in Iraq
DoD OIG	D2011-D000LF-0041.000	11/2/2010	Follow-up of Health Care Provided by Military Treatment Facilities to Contractors in Southwest Asia
DoD OIG	D2011-D000CH-0032.000	10/19/2010	Contractor Logistics Support Contract for Stryker Vehicles with General Dynamics Land Systems
DoD OIG	D2010-D000LD-0264.000	8/30/2010	Controls and Processes Pertaining to the Defense Logistics Agency's Procurement Automated Contract Evaluation System
DoD OIG	D2010-D00SPO-0209.000	4/16/2010	Assessment of DoD Wounded Warrior Matters
DoD OIG	D2009-D000AS-0266.000	7/31/2009	Contracts Supporting Base Operations in Kuwait
DoS OIG	MERO 3014	5/17/2011	Evaluation of Emergency Action Plan for Embassy Baghdad
DoS OIG	MERO 3010	1/10/2011	Antiterrorism Assistance Program in Iraq
DoS OIG	MERO 3012	11/23/2010	Evaluation of PAE Operations and Maintenance Support of Embassy Baghdad
GAO	351634	7/12/2011	DoD Efforts to Institutionalize Security Force Assistance Capabilities
GAO	320852	6/20/2011	Religious Minorities in Iraq
GAO	351617	5/27/2011	Biometrics, Last Tactical Mile
GAO	320843	4/22/2011	Transition to a Predominantly Civilian Presence in Iraq
GAO	351603	3/31/2011	Intelligence, Surveillance, and Reconnaissance Collection and Tasking Management
GAO	120976	3/31/2011	State Contracting for Conflict Countries
GAO	351431	1/7/2010	Army's Equipping Strategies to Reset Equipment Returning from Iraq
USAAA	A-2011-ALL-0525.000	4Q/FY 2011	Commander's Emergency Response Fund and I-CERP Closeout-Iraq
USAAA	A-2011-0094.000	4Q/FY 2011	Army Prepositioned Stock (APS V) Requirements Determination Processes-Kuwait
USAAA	A-2012-ALL-0018.000	4Q/FY 2011	Followup Audit of Management and Visibility of Government Property Provided on the Base Operations Support Contract in Kuwait
USAAA	A-2011-ALL-0539.000	4Q/FY 2011	Contractor Payments in Afghanistan
USAAA	A-2011-ALL-0534.000	4Q/FY 2011	Financial Transparency in the Afghanistan Transportation Network Contract, Regional Command-South
USAAA	A-2011-ALL-0490.000	4Q/FY 2011	Contract Management–Atmospherics Program-Afghanistan
USAAA	A-2011-ALL-0330.000	4Q/FY 2011	Bulk Fuel Accountability in Afghanistan-Phase II
USAAA	A-2011-ALL-0414.000	3Q/FY 2011	Property Accountability of Organizational and Theater-Provided Equipment in Iraq
USAAA	A-2011-ALL-0346.000	2Q/FY 2011	Property Accountability -Over Unit Equipment Shipped to Afghanistan-CONUS
USAAA	A-2011-ALL-0344.000	2Q/FY 2011	Property Accountability –Over Unit Equipment Shipped to Afghanistan-Afghanistan
USAAA	A-2011-ALL-0342.000	2Q/FY 2011	Commander's Emergency Response Program-Afghanistan
USAAA	A-2011-ALL-0092.000	2Q/FY 2011	Foreign Excess Personal Property (FEPP) Program–Phase II
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	Management Controls over Department of Defense Activity Address Codes (DODAAC), U.S. Army Central Command

Continued on next page

Agency	Project Number	Date Initiated	Project Title
USAAA	A-2010-ALL-0541.000	4Q/FY 2010	Bulk Fuel Operations in Iraq
USAAA	A-2010-ALL-0421.000	2Q/FY 2010	LOGCAP IV Contract Requirements Determination–Afghanistan
USAAA	A-2009-ALL-0118.000	2Q/FY 2009	Controls over Vendor Payments–Southwest Asia (Phase II)
USAID OIG	Not reported	1Q/FY 2012	Audit of the QED Group's Monitoring and Evaluation of USAID Programs in Iraq
USAID OIG	Not reported	1Q/FY 2012	Audit of USAID/Iraq's Legislative Strengthening Program
USAID OIG	Not reported	3Q/FY 2011	Audit of Audit of the Sustainability of Selected USAID/Iraq-Funded Information Technology Systems
USAID OIG	Not reported	2Q/FY 2011	Audit of USAID/Iraq's Elections Support 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 12/31/2011

AGENCY	INVESTIGATORS IN IRAQ	INVESTIGATORS IN KUWAIT	OPEN/ONGOING CASES*
U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit	1	2	106
Defense Criminal Investigative Service	0	2	144
DoS OIG	2	0	11
Federal Bureau of Investigation	2	1	26
Naval Criminal Investigative Service	0	1	2
U.S. Air Force Office of Special Investigations	0	0	4
USAID	1	0	12
Total	**6**	**6**	**305**

* Numbers include pending cases worked with other agencies within the Joint Operations Center.

ENDNOTES AND ACRONYMS AND DEFINITIONS

1. SIGIR analysis of open-source documents in Arabic and English, 11/2011–1/2012.
2. SIGIR analysis of open-source documents in Arabic and English, 10/2011–1/2012.
3. GOI, MOH, information provided to SIGIR, 1/17/2012.
4. GOI, CoR, information provided to SIGIR, 1/12/2012.
5. SIGIR analysis of open-source documents in Arabic and English, 10/2011–12/2011.
6. USAID and OSC-I, information provided to SIGIR, 1/2012; INL, response to SIGIR data call, 1/4/2012.
7. DoS, Deputy Secretary of State, meeting with SIGIR, 1/10/2012.
8. SIGIR Audit 12-006, "Iraqi Police Development Program: Opportunities for Improved Program Accountability and Budget Transparency," 10/24/2011.
9. GOI, MOI, Principal Deputy Minister, meeting with SIGIR, 11/16/2011; INL, response to SIGIR data call, 1/13/2012.
10. INL, response to SIGIR data call, 1/4/2012.
11. OSD, response to SIGIR data call, 1/5/2012.
12. OSD, response to SIGIR data call, 1/5/2012.
13. OSC-I officials, meetings with SIGIR, 11/2011 and 1/2012.
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ACRONYMS AND DEFINITIONS

This section contains all of the abbreviations and acronyms found in this Report.

ACRONYM	DEFINITION
AAFES	U.S. Army and Air Force Exchange Service
ABO	U.S. Army Budget Office
ABOT	al-Basrah Oil Terminal
ACCO	Anti-Corruption Coordination Office (U.S. Embassy-Baghdad)
ACDI/VOCA	Agricultural Cooperative Development Int'l/Volunteers in Overseas Coop Assistance (CAPIII)
ACWG	Anticorruption Working Group
AFCEE	U.S. Air Force Center for Engineering and the Environment
AMC	U.S. Army Materiel Command
BBG	Broadcasting Board of Governors
bbl	barrel
BGC	Basrah Gas Company
BP	British Petroleum
BPA	blanket purchase agreement
BPD	barrels per day
BSA	Board of Supreme Audit
C3	U.S. CENTCOM Contracting Command
CAP	Community Action Program (ESF)
CBG	Coastal Border Guard (GOI)
CBI	Central Bank of Iraq
CBP	Customs and Border Protection
CCC-I	Central Criminal Court of Iraq
CD	Capacity Development
CEFMS	Corps of Engineers Financial Management System
CENTCOM	U.S. Central Command
CEO	chief executive officer
CERP	Commander's Emergency Response Program
CID-MPFU	U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit
CIDNE	Combined Information Data Network Exchange
CIO	Contributions to International Organizations (United States)

Continued next column

ACRONYM	DEFINITION
CMEC	China Machinery Engineering Corporation
COI	Commission of Integrity (previously known as Commission on Public Integrity)
COM	Chief of Mission
CoM	Council of Ministers
Commerce	U.S. Department of Commerce
CoR	Council of Representatives (GOI)
COSIT	Central Organization for Statistics and Information Technology (GOI)
CPA	Coalition Provisional Authority
CPI	Corruption Perception Index
CSH	Child Survival and Health Programs Fund
CSO	DoS Bureau of Conflict and Stabilization Operations
CSSP	Common Seawater Supply Project
CTOC	Counterterrorism and Organized Crime General Directorate
CTS	Counter Terrorism Service
D&CP	Diplomatic and Consular Programs
DARPA	Defense Advanced Research Projects Agency
DCA	U.S. Defense Contract Agency
DCAA	U.S. Defense Contract Audit Agency
DCIS	Defense Criminal Investigative Service
DCMA	Defense Contract Management Agency
DFI	Development Fund for Iraq
DHS	Department of Homeland Security
DISA	Defense Information Systems Agency
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)

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ACRONYM	DEFINITION
DSCA	Defense Security Cooperation Agency
ECA	Education and Cultural Exchange Programs
EIA	Energy Information Administration (DoE)
EITI	Extractive Industries Transparency Initiative
EIU	*Economist* Intelligence Unit
ESD	Energy and Services Division (USF-I)
ESF	Economic Support Fund
EU	European Union
FBI	Federal Bureau of Investigation
FERRET	Forensic Evaluation, Research, Recovery and Enforcement Team
FIIA	Federal Information and Investigations Agency
FMF	Foreign Military Financing
FMS	Foreign Military Sales
FRBNY	Federal Reserve Bank of New York
GAO	Government Accountability Office
GDP	gross domestic product
GE	General Electric
GINL	Global International Narcotics and Law Enforcement Affairs
GSCF	Global Security Contingency Fund
GSP	Governance Strengthening Project (ESF)
GTM	Government Technical Monitors
HCC	Higher Coordinating Committee
HJC	Higher Judicial Council
HQDA	Headquarters, U.S. Department of the Army
H.R.	House Resolution
IA	Iraqi Army
IAO	Iraq Area Office (USACE MED)
IAU	Inter-Agency Information and Analysis Unit (UN)
ICAA	Iraq Civil Aviation Authority
ICCTF	International Contract Corruption Task Force
ICE	U.S. Immigration and Customs Enforcement
I-CERP	Iraq Commander's Emergency Response Program
ICITAP	International Criminal Investigative Training Assistance Program (DoJ)

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ACRONYM	DEFINITION
ICS	Iraqi Corrections Service
IDP	internally displaced person
IED	improvised explosive device
IFMIS	Iraq Financial Management Information System
IG	inspector general
IHEC	Independent High Electoral Commission
IIGC	Iraq Inspectors General Council
IJ	investigative judge
IKN	Iraq Knowledge Network
IMCEN	Information Management Center (U.S. Army)
IMET	International Military Education and Training Program
IMF	International Monetary Fund
IN	Iraqi Navy
INA	Iraqi National Alliance
INCLE	International Narcotics Control and Law Enforcement account (INL)
INL	Bureau of International Narcotics and Law Enforcement Affairs (DoS)
Inma	"Growth" in Arabic— Agribusiness Program (USAID)
IOM	International Organization for Migration
IP	Iraqi Police
IRD	International Relief and Development
IRFFI	International Reconstruction Fund Facility for Iraq
IRMO	Iraq Reconstruction Management Office
IRMS	Iraq Reconstruction Management System
IRR	Iraqi Republic Railway Company
IRRF	Iraq Relief and Reconstruction Fund
IRS-CI	Internal Revenue Service-Criminal Investigation
ISAM	Iraq Security Assistance Mission
ISCI	Islamic Supreme Council of Iraq
ISF	Iraqi Security Forces
ISFF	Iraq Security Forces Fund
ISOC	Iraq Status of Construction
ISPO	Iraq Strategic Partnership Office (replaces ITAO)
ISX	Iraq Stock Exchange
ITAM	Iraq Training and Advisory Mission
ITAO	Iraq Transition Assistance Office

ACRONYM	DEFINITION
IZ	International Zone
Izdihar	Private Sector Development Program (Arabic for "prosperity") (USAID)
JACC	Joint Anti-Corruption Council
JCC	Joint Coordination Committee (GOI)
JDI	Judicial Development Institute
JODI	Joint Oil Data Initiative
KAAOT	Khawr al-Amaya Oil Terminal
KRG	Kurdistan Regional Government
KRG CPI	Kurdistan Regional Government Commission on Public Integrity
KRG-MOE	Kurdistan Regional Government Ministry of Electricity
kV	kilovolt
LBG	Louis Berger Group, Inc
LGP	Local Governance Program (USAID)
LOGCAP	Logistics Civil Augmentation Program
LTU	Large Taxpayer Unit
M1A1	140 M1 Abrams main battle tanks
M&E	Monitoring and Evaluation
MAAWS	*Money as a Weapon System* (DoD)
Maharat	Education survey (Arabic for "skills") (USAID)
MBPD	million barrels per day
MCD	Ministerial Capacity Development Program (DoS or USAID)
MCF	million cubic feet
MCFD	million cubic feet per day
MCTF	Major Crimes Task Force
MED	Middle East District (USACE)
MEES	*Middle East Economic Survey*
MEK	Mujaheddin-e Khalq
MENA	Middle East, North Africa
MENAP	Middle East, North Africa, and Pakistan
MIM	Ministry of Industry and Minerals
MLRO	Money Laundering Reporting Office
MNF-I	Multi-National Force-Iraq
MOD	Ministry of Defense
MoDM	Ministry of Displacement and Migration
MOE	Ministry of Electricity

ACRONYM	DEFINITION
MOE IG	Ministry of Electricity Inspector General
MOF	Ministry of Finance
MOH	Ministry of Health
MoHR	Ministry of Human Rights
MOI	Ministry of Interior
MOI IG	Ministry of Interior Inspector General
MOJ	Ministry of Justice
MoPDC	Ministry of Planning and Development Cooperation
MoPIC	Ministry of Planning and International Cooperation
MOT	Ministry of Transportation
MOU	memorandum of understanding
MRAP	Mine Resistant Ambush Protected (armored vehicles)
MW	megawatt
MWh	megawatt-hour
NACS	Iraq's *National Anti-Corruption Strategy for 2010–2014*
NADR	Nonproliferation, Anti-terrorism, Demining, and Related Programs
NATO	North Atlantic Treaty Organization
NCHP	National Council for Higher Policies (GOI)
NDAA	National Defense Authorization Act
NDP	Iraq's *National Development Plan (2010–2014)*
NEA-I	Bureau of Near Eastern Affairs-Iraq (DoS)
NGA	National Geospatial-Intelligence Agency`
NGO	non-governmental organization
NIC	National Investment Commmission (GOI)
NMC	National Media Center (GOI)
NOAA	National Oceanic and Atmospheric Administration
NRRRF	Natural Resources Risk Remediation Fund
NTM-I	NATO Training Mission-Iraq
OAA	Office of Agricultural Affairs
OAT	Office of Accountability and Trasparency
OMA	Operations and Maintenance, Army (funds)
O&M	operations and maintenance
OECD	Organisation for Economic Cooperation and Development

Acronym	Definition
OFDA	Office of Foreign Disaster Assistance (USAID)
OHDACA	Overseas Humanitarian, Disaster and Civic Aid
OIG	Office of Inspector Genral
OIF	Operation Iraqi Freedom
OMA	Operation and Maintenance, Army
OMB	Office of Management and Budget
OMS	Operations, Maintenance, and Sustainment program (USACE)
OPA	Office of Provincial Affairs (U.S. Embassy-Baghdad)
OPDAT	Office of Overseas Prosecutorial Development and Assistance Training (DoS)
OPEC	Organization of the Petroleum Exporting Countries
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(C)	Office of the Under Secretary of Defense (Comptroller)
OUSD(AT&L)	Office of the Under Secretary of Defense (Acquisition, Technology and Logistics)
PDP	Police Development Program (DoS INL)
PDS	Public Distribution System
PFB	Procurement Fraud Branch (Army Legal Services Agency)
PII	personally identifiable information
P.L.	Public Law
PRDC	Provincial Reconstruction Development Council
PRM	Bureau of Population, Refugees and Migration (DoS)
PRT	Provincial Reconstruction Team
PRT/PRDC	Provincial Reconstruction Team/ Provincial Reconstruction Development Council
PSD	Protective Security Detail
PTD	Pretrail Diversion
QA	quality assurance
QC	quality control

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Acronym	Definition
QRF	Quick Response Fund
RCC	Revolutionary Command Council
RIPC	Rule of Law International Policy Committee
RLA	Resident Legal Advisor
RoLC	Rule of Law Coordinator (U.S. Embassy-Baghdad)
RSO	Regional Security Office
S&P	Standard & Poor's
SA	Security Agreement (U.S.-Iraq)
Sahwa	Arabic for "awakening"
SAT	Security Assistance Team
SBA	Stand-By Arrangement (IMF)
S/CRS	Office of the Coordinator for Reconstruction and Stabilization
SFA	Strategic Framework Agreement
SIGAR	Special Inspector General for Afghanistan Reconstruction
SIGIR	Special Inspector General for Iraq Reconstruction
SIGOCO	Special Inspector General for Overseas Contingency Operations
SIGPRO	SIGIR Prosecutorial Initiative
SIV	Special Immigrant Visa
SOE	state-owned enterprise
SOI	Sons of Iraq
SoL	State of Law Coalition (headed by Nuri al-Maliki)
SOMO	State Oil Marketing Organization
SPA	Senior Police Advisor (INL, PDP Advisor)
SPM	Single-Point Mooring
SPOT	Synchronized Predeployment and Operational Tracker
SPS	security protective specialist (INL, Security)
SRSG	Special Representative to the Secretary General (UN)
SWIFT	Society for Worldwide Interbank Financial Telecommunications
Tarabot	Iraq National and Provincial Administrative Reform Project (Arabic for "linkages") (USAID)
Tatweer	National Capacity Development Program (Arabic for "development") (USAID)
TBD	to be determined
TCWG	Threat Coordination Working Group

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Acronym	Definition
TFBSO	Task Force for Business and Stability Operations (DoD)
Tijara	Provincial Economic Growth Program (Arabic for "trade") (USAID)
TNA	Transitional National Assembly
Treasury	U.S. Department of the Treasury
UAE	United Arab Emirates
UN	United Nations
UNAMI	United Nations Assistance Mission for Iraq
UNCAC	United Nations Convention Against Corruption
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	United Nations High Commissioner for Refugees
UNODC	United Nations Office on Drugs and Crime
USAAA	U.S. Army Audit Agency
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USAID OE	U.S. Agency for International Development Operating Expenses
USAID OIG	U.S. Agency for International Development Office of Inspector General
USCG	U.S. Coast Guard
USD	Under Secretary of Defense
USDA	U.S. Department of Agriculture
USETTI	U.S. Equipment Transfer to Iraq program
USF-I	U.S. Forces-Iraq
USMC	U.S. Marine Corps
USMS	U.S. Marshals Service (DoJ)
USOCO	United States Office for Contingency Operations
USTDA	U.S. Trade and Development Agency
USTRANSCOM	U.S. Transportation Command (DoD)
VBIED	vehicle-borne improvised explosive device
WFP	World Food Programme (UN)
WHS	Washington Headquarters Service (DoD)
WTO	World Trade Organization