Special Inspector General for Iraq Reconstruction

Quarterly Report to the
United States Congress

[April 30, 2010]

MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

I am pleased to present this 25th Quarterly Report to the Congress and the Secretaries of State and Defense. As this report reveals, SIGIR continues to carry out a robust oversight mission in Iraq, comprehensively reporting on the more than $50 billion under our jurisdiction. On the investigative front, we opened up numerous new cases this quarter arising from our interagency financial forensic investigative initiative; on the audit front, we produced a series of new reviews indicating continuing challenges remain within the Iraq program; and on the inspections front, we produced the last set of on-site project reports that SIGIR will issue.

I especially want to commend all of the SIGIR personnel who have contributed to the success of our Inspections Directorate. Their superior body of work comprises a unique IG undertaking, which combined auditors and engineers into inspection teams that traveled all over Iraq to produce comprehensive site reports on the financial and engineering aspects of every conceivable type of construction project. I strongly commend my Assistant Inspector General for Inspections, Brian Flynn, who has been with SIGIR almost since its inception six years ago, for his fearless leadership on the ground in Iraq and his outstanding commitment to producing the very highest quality work under extraordinarily challenging circumstances. Brian and his team visited more than 200 sites, frequently traveling to dangerous areas to report on how taxpayer dollars were being used. Their reports led to concrete improvements in the program that resulted in better construction practices and money saved. The Inspections Directorate's professionalism, productivity, and perseverance—the hallmark SIGIR values—earned the respect of all with whom they worked. I am and will always be sincerely proud of their commitment to our mission and of their collective accomplishments.

This quarter, SIGIR published 12 audit and inspection reports. Two of the audits uncovered a combined $23 million worth of U.S.-funded projects or material either being wasted or in imminent danger of being wasted. The reviews examined U.S. efforts aimed at:

- **Rehabilitating the Baghdad International Airport (BIAP).** The U.S. military has spent about $35 million in Commander's Emergency Response Program funds to develop a commercial economic zone at BIAP in the hopes of making BIAP a hub for international investors. SIGIR auditors assessed 46 separate projects on or near BIAP, finding that about $16.1 million spent on 24 projects has largely led to unsuccessful outcomes.
- **Installing $10 million worth of electricity equipment in western Iraq.** In 2007, the United States awarded a $10 million contract for the installation of six electrical substations in Anbar province. The United States terminated the contract in late 2008 for default after $6.5 million was expended. Late last year, SIGIR inspected the Iraqi facility housing the equipment that had actually been delivered prior to the termination of the contract, identifying four mobile substations that had been sitting idle in an outdoor warehouse for at least seven months.
- **Assessing a $16.5 million contract to improve Primary Healthcare Centers (PHCs).** This report evaluates a $16.5 million contract with Stanley Baker Hill (SBH) to identify and repair PHCs, assess the conditions of PHCs, conduct an operations and maintenance program for one year, and improve the Ministry of Health's capability to operate and maintain these facilities. SIGIR found mixed outcomes. SBH assessed the outcome of 109 PHC projects and corrected construction and equipment deficiencies at 17.
- **Improving the ability of Iraq's Special Operations Forces (SOF) to manage information.** SIGIR reviewed two contracts totaling $19.3 million to provide the Iraqi SOF with a counterterrorism network and intelligence database, discovering $1 million of equipment is either not being used or is missing. In addition, SIGIR determined that relatively few of the sites planned to be included in the network were actually connected to it.

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- **Building a $5.6 million slaughterhouse.** This $5.6 million project for the construction of a slaughterhouse in Basrah suffers from a lack of planning. The results to date have not been consistent with contractual requirements, and the facility lacks reliable electricity, water, and waste-management facilities.

SIGIR's investigators were very active this quarter, obtaining 5 convictions and 6 indictments. The combined efforts of SIGIR's investigators and forensic auditors led to SIGIR opening 13 new criminal investigations, bringing the total number of cases generated by the forensic audit program to 45 cases.

In two productive hearings on Capitol Hill this quarter, I presented SIGIR's fifth Lessons Learned report, *Applying Iraq's Hard Lessons to the Reform of Stabilization and Reconstruction Operations*, to the House Committee on Foreign Affairs and to the Commission on Wartime Contracting in Iraq and Afghanistan. This new report addresses the hardest lesson from Iraq: that the United States does not have a coherent approach to planning and executing stabilization and reconstruction operations (SROs). The report proposes the creation of the U.S. Office for Contingency Operations (USOCO), which, if created, would be charged with planning and managing SROs and would be accountable for their results. Former Ambassador to Iraq Ryan Crocker and former National Security Advisor Brent Scowcroft support the USOCO idea, observing that the time is ripe to reform how the United States manages SROs.

In May, I will travel to Iraq for the 27th time to meet with senior U.S. and GOI personnel and discuss the ongoing reconstruction effort. I continue to be very proud of the many SIGIR personnel who are now in Baghdad carrying out our critical oversight mission.

Respectfully submitted this 30th Day of April 2010,

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

SIGIR Summary of Performance
As of April 30, 2010

Audits

Reports Issued	166
Recommendations Issued	406
Dollars Saved and Recovered ($ millions)	$151.41
Dollars Put to Better Use ($ millions)	$678.21
Challenged Payments ($ millions)	$38.65

Inspections

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

Investigations

Investigations Initiated	503
Investigations Closed or Referred	387
Open Investigations	116
Arrests	28
Indictments	39
Convictions	30
Monetary Results	$69,608,970

Hotline Contacts, as of March 31, 2010

Fax	18
Telephone	78
Walk-in	112
E-mail	378
Referrals	26
Mail	28
SIGIR Website	151
Total Hotline Contacts	**791**

Non-Audit Products

Congressional Testimony	28
Lessons Learned Reports Issued	5

Section 1

Section 2

Section 3

Section 4

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

Appendices

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

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

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

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

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

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

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

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

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

SIGIR
OBSERVATIONS

SECTION

1

A NEW CHAPTER IN U.S.-IRAQI RELATIONS

As the U.S. military reduces its presence in Iraq, the nature of U.S. influence in Iraq will be transformed, with diplomatic and economic ties gradually supplanting military support. Moreover, new leadership will influence the reshaping of the U.S.-Iraq relationship. On the Iraqi side, several prominent ministers—including the Ministers of Defense and Interior—did not win seats in the March elections, but nevertheless could occupy high-ranking positions in the new government.

The coming year will also see new U.S. military and civilian leadership in Baghdad. U.S. Forces-Iraq (USF-I) Commanding General Raymond Odierno will transfer command by September 2010, once the drawdown to 50,000 troops is completed. Ambassador Christopher Hill is also scheduled to depart in 2010. These changes will coincide with three key transitions:

- **Provincial presence.** The United States currently has deployed 16 joint civilian-military reconstruction teams, known as Provincial Reconstruction Teams (PRTs). Reductions in this number are planned for the remainder of 2010 and 2011 as DoS moves toward normalizing its posture in Iraq. Ultimately, five PRTs will be transformed into Enduring Presence Posts (EPPs)—two as consulates (in Erbil and Basrah) and three temporary posts along the Arab-Kurd "fault line" in Tameem, Ninewa, and Diyala provinces.
- **Police training.** On October 1, 2011, USF-I will transfer responsibility for Iraqi police training to DoS's Bureau of International Narcotics and Law Enforcement Affairs (INL). Currently, the USF-I training program focuses on basic policing skills and counterinsurgency operations, with more than 5,000 military personnel and 400 civilian advisors operating from more than 50 bases and training centers. As of March 25, 2010, 365 International Police Advisors (IPAs)

were working in Iraq to provide ongoing training and mentoring at the station level, in academies, and at the MOI, with a focus on basic training. Some of the IPAs will transition to the DoS-led police program, which will emphasize advanced training and management skills and be composed of about 350 advisors operating out of three bases in Baghdad, Basrah, and Erbil.[1]
- **Contractor support.** As of March 31, 2010, there were approximately 102,000 DoD contractors working in Iraq, more than half of whom were providing life-support services to the U.S. military. DoD estimates that fewer than 75,000 contractors will be operating in Iraq by August 2010, with more reductions anticipated after the U.S. military's footprint shrinks. However, as the number of DoD contractors drops, there will be a concomitant increase in the number of contractors supporting DoS. For example, the advisors who will serve as the focal point for INL's police-training program will need to be supported by about 1,500 other contractor personnel, including a significant number of security contractors.[2]

FUNDING UPDATE

Since 2003, the United States, the Government of Iraq (GOI), and the international community have committed $162.83 billion for Iraq's reconstruction.[3] Most U.S. funds have already been obligated, and the global economic situation makes further international economic support for Iraq's reconstruction uncertain. Consequently, the primary responsibility for financing further reconstruction now lies with the GOI.

U.S. Funding

The U.S. Congress has appropriated or otherwise made available $53.31 billion for Iraq reconstruction. Of the active funding sources, the Iraq Security Forces Fund (ISFF) has the majority of funds remaining for expenditure—$2.0 billion. Just more

than $1.0 billion of the Economic Support Fund (ESF) remains for expenditure.

Of the $47.21 billion that has been made available through the four major reconstruction funds, $44.72 billion has been obligated. Figure 1.1 displays the unexpended obligations for these funds.[4]

New Funding Requests

The Administration requested $4.45 billion in new appropriations for Iraq reconstruction this quarter—$1.52 billion in FY 2010 supplemental appropriations and $2.93 billion in FY 2011 regular appropriations. It requested a total of $3 billion for the ISFF and $200 million for the Commander's Emergency Response Program (CERP), which, like the ISFF, is administered by DoD. The remaining $1.25 billion would support a variety of programs managed by DoS.[5]

CERP: Flaws Acknowledged

In his March 2010 testimony before the Senate Appropriations Subcommittee on Defense, Secretary of Defense Robert Gates reiterated the importance of adequate oversight of the CERP.[6] Originally intended to fund urgently needed, small-scale projects, the CERP program has often suffered from inadequate oversight and has been subject to an ever-evolving set of guidelines. This quarter, the Special Inspector General for Iraq Reconstruction (SIGIR) released an audit on 46 CERP-funded projects at the Baghdad International Airport Economic Zone, with a cumulative value of $35.5 million, finding that 24 of the projects had generally unsuccessful outcomes.
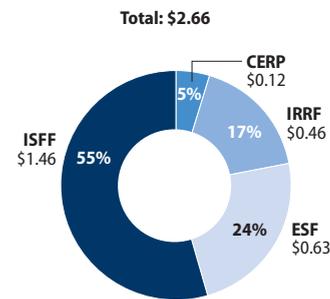
The Government of Iraq's 2010 Budget

In February, Iraq's Presidency Council ratified a $72.36 billion budget for 2010. This represents a 23.5% increase from the GOI's 2009 base budget of $58.6 billon and is roughly equal to its budget. The 2010 budget is based on two assumptions about oil:

- **Price:** The 2010 budget assumes average price per barrel of oil of $62.50,[7] a 25% increase from

Figure 1.1
Unexpended Obligations, Major U.S. Funds
$ Billions

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

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

the $50 price assumed for the 2009 budget. As of April 9, Iraqi oil was garnering $81.99 per barrel.[8]
- **Export levels:** The budget also anticipates that Iraq's oil exports will average 2.15 million barrels per day (MBPD), and an increase of 7.5% from the 2.0 MBPD assumption used for the 2009 budget. During the first three months of 2010, exports averaged 1.93 MBPD.[9]

GOI revenues for 2010 are projected to total $52.77 billion, more than 90% of which will be derived from the sale of oil. If the GOI's revenue projection is correct, Iraq would run a deficit of $19.59 billion in 2010.[10] The $72.36 billion budget is divided into two parts:
- **Operating Expenditures of $52.12 billion (72%).** Salaries, benefits, and other overhead costs continue to consume the vast majority of GOI expenditures. For 2010, the ministries with the largest operating budgets are Finance, Interior, Defense, Education, and Trade. The Ministries of Planning (99% increase in its

operating budget) and Justice (80% increase) saw substantial growth in their operating budgets.[11]

- **Capital expenditures of $20.24 billion (28%).** The five ministries with the largest capital budgets for 2010 are Electricity, Oil, Finance, Municipalities and Public Works, and Health. The Ministry of Health's capital budget increased by 449% from 2009, while the Ministry of Interior's capital budget declined 73% compared with its capital budget for last year.[12]

The new budget includes an innovative provision providing $1 to the government of a province for each barrel of oil produced in that province.[13] Similarly, provinces with refining capacity will receive $1 for each barrel they refine, and provinces with holy sites will receive $20 for each foreign visitor who travels there. The practical effects of these measures on the relationship between the GOI and the provincial governments is uncertain. Provinces lacking robust hydrocarbon sectors and religious-travel destinations (for example, Anbar) potentially could perceive this program as unduly favorable to other provinces.

Figure 1.2 plots the size of Iraq's post-war budgets against the price of oil.

New International Funding

In late February, the International Monetary Fund (IMF) announced a two-year, $3.6 billion Stand-By Arrangement (SBA) for Iraq to assist the GOI with its short-term balance-of-payments deficit. The IMF conditioned the SBA on the GOI implementing an array of reforms aimed at increasing transparency in its banking laws, oil sector, public welfare programs, and public financial management systems.[14]

In March, the GOI signed an agreement with the World Bank for two $250 million loans. According to Iraq's Minister of Finance, this $500 million loan package will be used to help finance the 2010 fiscal deficit.[15]
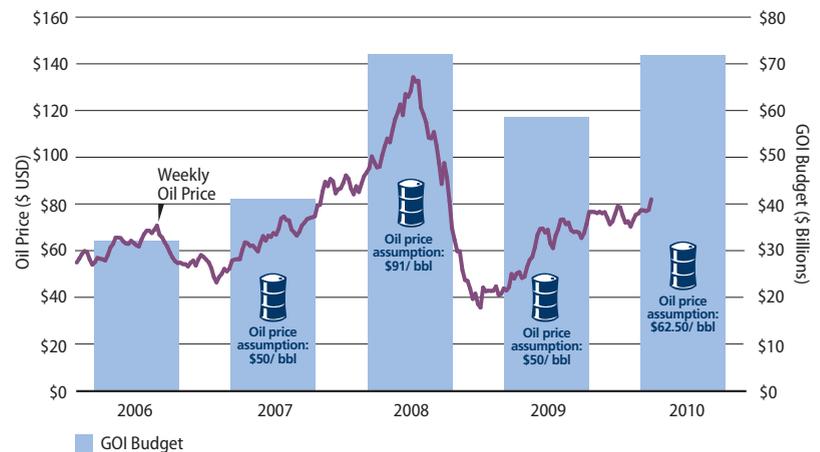
Note: Oil prices reflect the average weekly price of Kirkuk crude oil.

Sources: EIA, "Weekly Kirkuk Netback Price at U.S. Gulf," tonto.eia.doe.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WEPCKIRK&f=w, accessed 4/15/2010; "GOI Budget" (as approved by TNA and written into law December 2005); U.S. Treasury, responses to SIGIR data calls, 1/4/2008 and 4/9/2009; 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.

ELECTIONS

About 11.5 million Iraqi citizens turned out to vote in March's parliamentary elections.[16] The first national parliamentary election, held in January 2005, chose a transitional assembly to write Iraq's first, post-Saddam constitution. The constitution was approved via referendum on October 15, 2005, with a pronounced lack of support from Sunni Arabs. Two months later, on December 15, 2005, Iraqi voters again went to the polls, this time electing 275 members of the Council of Representatives (CoR) to four-year terms. In April 2006, after five months of negotiations, the newly elected CoR selected Nouri al-Maliki as Prime Minister.

New Rules for 2010 Elections

The Election Law adopted in December 2009 expanded the CoR by 50 seats, allocating 310 seats proportionately by population in each province,

TABLE 1.1

SIX MAJOR LISTS THAT CONTESTED THE CoR ELECTIONS

Name	Key Figure(s)	Description
Al-Iraqiya	Ayad Allawi, Tareq al-Hashimi, Rafi al-Eissawi	Secular in orientation, but Shia-led. Strongly supported by Sunni voters.
State of Law Coalition	Nouri al-Maliki,Hussein al-Shahristani, Jaffar al-Sadr	Shia-led, with several Sunni backers. Law and order emphasis.
Iraqi National Alliance	Omar al-Hakim, Muqtada al-Sadr, Adel Abdul al-Mahdi	Overwhelmingly Shia. Strongly backed in several southern provinces.
Kurdistan Coalition	Massoud Barzani, Jalal Talabani	Combination of the two dominant Kurdish parties.
Change List (Goran)	Nawshirwan Mustafa	Recently established Kurdish opposition movement.
Iraq Unity Alliance	Jawad al-Bolani, Sheik Abu Risha	Mixed Sunni-Shia list with support from some tribal Sunnis.

Sources: SIGIR analysis of open sources as well as official Arabic documents and studies.

A Kirkuk woman casts her ballot in the March 2010 parliamentary elections. (UN photo)

Nouri al-Maliki

Ayad Allawi

with Baghdad receiving the most—70 (21% of the total). Unlike the previous CoR election in 2005, voters in the 2010 election were allowed to vote both for a list and—if they so chose—an individual candidate in the March balloting, as opposed to voting just for a list.[17] The Election Law also set aside 82 seats for women—25% of all seats. In comparison, 16% of the representatives in the U.S. Congress are women.

Contestants

Six major lists—two of which were predominantly Kurdish and held little appeal to Arab voters—vied for votes in the March balloting. Prime Minister al-Maliki led the State of Law Coalition (SoL), which was opposed by former Prime Minister Ayad Allawi's Iraqi National Movement (also known as al-Iraqiya), many of al-Maliki's former allies in the Iraqi National Alliance (INA), and Interior Minister Jawad al-Bolani's Unity Alliance of Iraq. Table 1.1 summarizes the major coalitions that contested the March elections.

Outcome

Under the watchful oversight of international and domestic observers, Ayad Allawi's al-Iraqiya bloc won a plurality of both the raw vote and the awarded seats, edging out al-Maliki's SoL bloc by a 59,042 vote margin (1%) and coming away with a two-seat advantage in the CoR. Allawi's list fared well in the provinces with large Sunni populations, winning a majority of seats in five provinces—Anbar, Ninewa, Diyala, Salah Al-Din, and Tameem. The SoL won a majority of seats in nine provinces, including Baghdad, while the Shia Iraqi National List won the most seats in Missan and Thi-Qar provinces. The Kurdistan Coalition continued its electoral dominance of the three provinces that make up the Kurdistan Region (Dahuk, Erbil, and Sulaymaniyah), but the new Kurdish opposition party Change List (Goran) broke through, capturing eight seats. Table 1.2 displays the results from March's elections in greater detail.[18]

TABLE 1.2
COUNCIL OF REPRESENTATIVES ELECTION RESULTS, BY BLOC, 2010

PERCENTAGE OF SEATS WON IN PROVINCE	BLOC NAME (LEADER OF BLOC)	SEATS WON	PARTY NAME (LEADER OF PARTY)	SEATS WON BY PARTY	% TOTAL SEATS	% OF WOMEN PER BLOC
	al-Iraqiya (Allawi)	91	Other Political Entities within Bloc	33	10.2%	25
			Iraqi National List (Ayad Allawi)	31	9.5%	
			Renewal List (Tariq al-Hashimi)	20	6.2%	
			Iraqi National Gathering (Salih al-Mutlaq)	5	1.5%	
			Compensatory Seats	2	0.6%	
	State of Law Coalition (al-Maliki)	89	Islamic Dawa Party (Nouri al-Maliki)	35	10.8%	23
			Other Political Entities within Bloc	31	9.5%	
			Islamic Dawa Party/Iraq Organization (Jaffar al-Sadr)	20	6.2%	
			Independent (Hussein al-Shahristani)	1	0.3%	
			Compensatory Seats	2	0.6%	
	Iraqi National Alliance (al-Hakim)	70	Iraqi National Conference (al-Sadr)	39	12.0%	19
			Islamic Supreme Council of Iraq (Omar al-Hakim)	20	6.2%	
			Fadhila (Hashim Ali)	7	2.2%	
			National Congress (Chalabi)	1	0.3%	
			Reform Movement (al-Ja'afari)	1	0.3%	
			Compensatory Seats	2	0.6%	
	Kurdistan Coalition (Barzani)	43	Patriotic Union of Kurdistan (Jalal Talabani)	23	7.1%	12
			Democratic Party of Kurdistan (Massoud Barzani)	19	5.8%	
			Compensatory Seats	1	0.3%	
	Change List (Mustafa)	8	Change List (Nawshirwan Mustafa)	7	2.2%	2
			New Iraq (Mohamed Hussein)	1	0.3%	
	Tawafug al-Iraqi (Tawffek)	6	Independent Tribes (Omar Hamad)	4	1.2%	0
			Iraqi Islamic Party (Ossama Tawffek)	2	0.6%	
	Iraq's Unity Alliance (Abu Risha)	4	Iraqi Constitutional Party (Hazem Dweij)	3	0.9%	0
			Iraqi Awakening Conference (Ahmad Bazeak)	1	0.3%	
			Iraqi Republican Gathering (Jawad al-Bolani)	0	0.0%	
	KIU/KIG	6	Kurdistan Islamic Union (Ossama Ali)	4	1.2%	0
			Kurdistan Islamic Gathering (Aziz Nazer)	2	0.6%	
	Minorities	8	Christian, Sabian, Shabaki, Yazidi	8	2.4%	1

Legend: 0–10% | 10–20% | 20–30% | 30–40% | 40–50% | 50–60% | 60–70% | 70–80% | 80–90% | 90–100%

Note: Results current as of 4/21/2010.

Source: GOI, IHEC, 3/28/2010.

TABLE 1.3

KEY POLITICAL FIGURES WHO DID NOT WIN ENOUGH VOTES TO SECURE A SEAT IN PARLIAMENT

NAME	COALITION	SIGNIFICANT POSITIONS CURRENTLY OR FORMERLY HELD
Ali al-Lami	INA	Head of the De-Ba'athification Committee
Sharif Ali Bin Hussein	INA	Heir to the last King of Iraq, Faisal II
Mouwafaq al-Rubaie	INA	National Security Advisor, CoR Member
Abd al-Qadir al-Ubaydi	SoL	Minister of Defense
Ali Allaq	SoL	Secretary General of the Council of Ministers
Wijdan Mikha'ail	SoL	Minister of Human Rights
Abd al-Samad Rahman	SoL	Minister of Displacement and Migration
Amir Abd al-Jabbar	SoL	Minister of Transportation
Mahmoud al-Mashhadani	Iraq's Unity Alliance (IUA)	Former Speaker of the CoR
Jawad al-Bolani	IUA	Minister of Interior

Sources: SIGIR analysis of open sources as well as official Arabic documents and studies.

Incumbents Fair Poorly

Continuing the anti-incumbent trend seen in the provincial elections of January 2009, Iraqi voters largely opted to send new faces to represent them in the next CoR. More than half of the 275 members of the last parliament sought re-election in the March 7 elections, but only 62 were successful.[19] As a result, about 81% of the seats in the new CoR will be filled by newcomers. The failure of incumbents to perform better may be ascribed, in part, to the new open-list voting rules, which allowed citizens to select specific candidates in addition to voting for a particular list. No incumbents won re-election in Najaf, Dahuk, Erbil, and Muthanna provinces, and several high-ranking figures in the current government did not garner enough votes to win a place in the CoR. Table 1.3 lists some of the prominent figures who were unsuccessful in their attempt to win a place in new parliament.

TABLE 1.4

RESULTS OF SADRIST TREND'S NON-BINDING REFERENDUM ON PRIME MINISTERIAL PREFERENCE

CANDIDATE	PARTY	% OF VOTE
Ibrahim al-Ja'afari	INA	24
Jaffar al-Sadr	SoL	23
Qusai al-Shahil	INA	17
Nouri al-Maliki	SoL	10
Ayad Allawi	Al-Iraqiya	9

Sources: SIGIR analysis of open sources as well as official Arabic documents and studies.

IHEC Announces Manual Recount for Baghdad Province

On April 19, 2010, Iraq's Independent High Electoral Commission (IHEC) ordered a manual recount of the more than 2.5 million ballots cast in Baghdad province, potentially affecting the winners of many of Baghdad's 70 seats. The recount may take several weeks to conduct.

Muqtada al-Sadr Supporters Hold Non-binding, Post-election Referendum on Prime Minister Preference

On April 2–3, 2010, the Sadrist Trend, which won 39 seats in the March election, conducted a non-binding referendum on the question of who would be the next prime minister. More than 1.4 million Iraqis participated in the balloting. Former Prime Minister Ibrahim al-Ja'afari of the INA finished first, with 24% of the vote.[20] Table 1.4 shows the top five vote-getters.

TRANSITION PLANS

Beginning in July 2009, the GOI began to implement a three-pronged transition strategy to effect a smooth transfer of power from the current government to the next. While the strategy is Iraqi-designed and -led, it draws on U.S. and international resources to help set priorities for the new government.

- **Intra-GOI process.** Last year, the Council of Ministers Secretariat established the Transition Working Group (TWG). The TWG comprises representatives from every GOI ministry and coordinates overall transition planning. The individual ministries, however, drive the process by drafting Ministry Handover Reports detailing the state of their current operations, key near-term issues and concerns, and priorities for the future. As of early March, all but two ministries (Finance and Interior) had completed these reports.
- **U.S. involvement.** U.S. Embassy-Baghdad and USF-I are supporting the GOI's transition planning primarily through assessing the operations of such ministries as Oil, Electricity, Agriculture, and Water Resources. These assessments identify important goals that must be met to ensure continued provision of services to the Iraqi people. Moreover, these assessments highlight areas where the United States could offer assistance to the new government during its initial months in power.
- **International assistance.** The Embassy and USF-I are also working with the World Bank and the United Nations to prepare a comprehensive briefing book for the new GOI. This book will evaluate key sectors of the Iraqi economy and infrastructure, providing the next GOI with policy recommendations and suggestions concerning where the international community could be of assistance.

For more on the steps involved in forming the next government, see the Governance subsection in this Report.

GOVERNANCE

Council of Representatives Passes New Laws

The CoR engaged in a flurry of legislative activity in the waning days of its last session. In January alone, the CoR passed 20 new laws, the most significant of which were the following:[21]

- 2010 budget
- 35% tax on foreign oil companies operating in Iraq
- dissolution of the Ministry of Municipalities and Public Works (whose functions will largely devolve to the provincial governments)
- dissolution of the social affairs department in the Ministry of Labor and Social Affairs (henceforth to be known as the Ministry of Labor)
- Non-Governmental Organizations law

It will fall to the new CoR to pass the package of hydrocarbon laws that has been stalled for more than three years.

Referendum on the U.S.-Iraq Security Agreement Appears Unlikely

The March 7 parliamentary elections came and went without a national referendum on the U.S.-Iraq Security Agreement (SA), the pact that has governed the bilateral relationship between the two states since January 1, 2009. In an effort to win support for the SA from his political opponents in the CoR, Prime Minister al-Maliki had agreed to conduct a referendum on the SA, with a "no" vote requiring all U.S. military forces to leave Iraq within one year. The referendum was initially scheduled to be held no later than July 30, 2009, but was pushed back to coincide with the CoR elections, then scheduled for January 2010. The vote, however, never took place, and currently no date is set for the referendum.

National Census Scheduled for Autumn

Iraq plans to conduct a national census this fall. The oft-postponed headcount will be the first covering all

18 provinces since 1987 (a 1997 census excluded the Kurdistan Region). The census takers will ask questions about ethnicity and education, but currently do not intend to question citizens about their religion.

The Ministry of Planning is overseeing preparations for the census. Current plans call for thousands of teachers and other GOI employees to fan out across the country and physically count the number of residents in each household. The census will determine, among other things, the percentage of population who are Kurdish.

Iraq Names First Ambassador to Kuwait since 1990 Invasion

This quarter, Iraq named Mohammad Hussein Bahr al-Ulum as its first ambassador to Kuwait since 1990. Ulum is the son of a prominent cleric and the brother of a former Minister of Oil. In late 2008, Kuwait named its first post-war ambassador to Iraq; he had previously served as the emirate's army chief of staff.

SECURITY

Notwithstanding a series of March 7 attacks that killed at least 38 Iraqis and wounded more than 100, the much-feared raft of Election Day attacks largely failed to materialize; and the overall number of attacks nationwide remained at low levels not seen since 2003. Early signs, however, suggest that the post-election transition period may be marked by an increase in violence, as extremists seek to take advantage of political uncertainty and undermine the state.[22]

Post-election Violence

March was the deadliest month for Iraqi civilians in 2010. The violence continued in early April. In the first week alone, insurgent attacks killed more than 100 Iraqis in a series of bombings and mass murders in and around Baghdad. Major post-election attacks targeted:

Al-Faw Palace on Baghdad's Victory Base Complex. Camp Victory is home to USF-I's headquarters and one of the largest remaining U.S. bases in Iraq. (U.S. Army photo)

- **Political leaders.** On March 28, several bombs exploded near the house of one of Ayad Allawi's allies in Anbar province, killing 6 people and wounding 15 others.
- **Sunni Awakening members.** On April 2, insurgents dressed as Iraqi police and U.S. soldiers executed 24 Iraqis in a predominantly Sunni neighborhood outside of Baghdad that had witnessed similar atrocities last quarter. Many of the dead were members of the Sunni Awakening movement, which turned against al-Qaeda in Iraq in 2006–2007 and allied with Coalition forces as part of the Sons of Iraq (SOI) program.
- **Foreign Embassies and Consulates.** On April 4, at least 40 people were killed and more than 220 wounded, when near-simultaneous suicide bombers struck near the diplomatic missions of Iran, Germany, and Egypt. The Spanish Embassy was also damaged in these attacks.
- **Apartment buildings.** On April 6, a series of bombs destroyed seven apartment buildings in mainly Shia neighborhoods in Baghdad, killing at least 35 people. USF-I refers to these as house-borne improvised explosive device, or HBIEDs.
- **Shia Mosques.** On April 23, Baghdad was hit by a series of bombings, which targeted four Shia mosques and an outdoor market in different areas of the violence-swept capital city. Dozens of people were killed, and more than 180 were injured.

A UH-60 Black Hawk hovers above the ancient Ziggurat of Ur near Nassiriya. The Ziggurat, constructed in 2100 BCE by Sumerian King Ur-Nammu, is preserved by the Iraqi Ministry of Antiquities. (USF-I photo)

Rule of Law Institutions Attacked

On January 26, 2010, a car bomb destroyed an MOI-run forensics laboratory and evidence-holding facility in Baghdad. At least 22 people—including about 18 police officers—were killed and approximately 90 others wounded in the bombing. This attack came one day after the bombing of three hotels favored by foreigners and wealthy Iraqis.

Judge Mohammad Abdel Ghaffur was murdered in Baghdad on February 24, 2010. Judge Ghaffur's docket comprised primarily of antiterrorism cases. Reports indicate that his assailants hid the bomb that killed him in his garden. Since March 2003, at least 39 Iraqi judges have been killed, but Ghaffur's killing was the first since the summer of 2008.[23]

"Potentially Devastating Blows" to al-Qaeda in Iraq

On April 18, a combined Iraqi Security Forces (ISF)/USF-I raid killed the two top leaders of al-Qaeda in Iraq (AQI), Abu Omar al-Baghdadi and Abu Ayub al-Masri. They were killed in a shootout near Saddam Hussein's hometown of Tikrit in an operation described by Vice President Joseph Biden as having dealt a potentially devastating blow to AQI. One U.S. soldier died in the action.

U.S. Troop Withdrawals Continue on Schedule

As of March 2010, USF-I had fewer than 100,000 troops on the ground in Iraq,[24] down from about 175,000 at the peak of the surge in September 2007. Consistent with the plan articulated by the President last year, USF-I force levels will be down to approximately 50,000 troops by the end of August. This transitional force will be organized into six Advise and Assist Brigades whose primary missions will be supporting the PRTs, assisting the United Nations and other nongovernmental organizations, and training the ISF.[25] These brigades are scheduled to withdraw from Iraq by December 31, 2011.

U.S. Military Conducting One of Largest Redeployments Since WWII

As of March 2010, the U.S. military had ceased operations at 155 bases since the SA went into effect on January 1, 2009; about 280 bases remain operational. The shrinking of the U.S. footprint in Iraq combined with a surge of 30,000 troops to Afghanistan has resulted in the U.S. military conducting its largest movement of personnel and equipment since World War II. Managed by the Third Army, this process will involve withdrawing about 2.8 million pieces of equipment from Iraq, including 41,000 vehicles or trailers. The Third Army's commanding general described the operation as 35% complete as of April 2, 2010.[26]

Iraqi Security Forces

According to one of Iraq's vice presidents, about 1 out of every 30 Iraqi citizens is a member of a military or police organization. As the ISF approaches its intended end strength of about 680,000, however, enhancing its skills will become more important than increasing its size. This quarter, the RAND Corporation published a study assessing the ability of the ISF to secure Iraq after the departure of U.S. forces at the end of 2011. RAND concluded that:[27]

- The overall quality of the ISF is uneven. Certain units (the Special Operations Force) are highly trained, but other ISF elements (such as the Facility Protection Service) are ill-trained and under-equipped.
- The Iraqi Army comprises divisions made up of people from one geographic area as well as

divisions that draw from people throughout Iraq. The former have often proven reluctant to engage in domestic security operations and are generally less effective than the units that are national in character.

- In the near term, the Iraqi Air Force will not be a significant factor in securing the country.
- The Iraqi Navy, though small, should be capable of defending the port of Umm Qasr and the adjacent oil terminals by 2012.

Sons of Iraq

Instrumental in turning the tide against al-Qaeda in Iraq during 2007–2008, the SOI program grew out of the Sunni Awakening Movement. Formerly paid with U.S. CERP funds, the GOI has been responsible for paying, managing, and integrating the largely Sunni SOI contingents into the ISF and Iraqi government since April 2009.

The GOI considers the transition to employment within a GOI ministry to have occurred when an SOI member is offered a job. However, because many SOI possess rudimentary educational credentials (in Baghdad, 81% of SOI members had only elementary or middle-school educations), they are often ill-suited for many government positions. Consequently, the GOI may only be able to offer them janitorial or maintenance jobs. If the SOI member turns down the low-level job offer, the GOI still deems its end of the bargain to have been fulfilled.

To date, of the approximately 94,000 SOI, about 9,000 have been transitioned to the ISF, and more than 30,000 others have been hired by non-security ministries.[28]

USF-I Transfers Detainee Facility to the GOI

On March 15, 2010, USF-I turned over the Camp Taji detention facility to the Iraqi Correctional Service, which is part of the Ministry of Justice. In conjunction with the handover of this multi-million-dollar facility, USF-I also transferred approximately 3,000 detainees to Iraqi control. The transfer of Camp Taji to the GOI continues a process begun

An Iraqi Air Force plane launches a surveillance patrol from Kirkuk Regional Air Base in support of the recent parliamentary elections. This operation marked the first time the Iraqi Air Force led an all-Iraqi effort in intelligence, surveillance, and reconnaissance flights. (USF-I photo)

in earnest last fall, when the U.S. military, in accordance with the terms of the SA, handed over the detainee facility at Camp Bucca in southern Iraq to the GOI. Camp Cropper, located near the Baghdad International Airport, is the only remaining U.S.-administered detention facility. Current USF-I plans call for transferring Camp Cropper to the GOI on July 15, 2010. As of March 31, 2010, less than 3,500 detainees remained in U.S. custody.[29]

ECONOMY

The Central Bank of Iraq estimated that real gross domestic product (GDP) growth slowed to 4.3% in 2009, down from 10.3% in 2008.[30] Falling oil prices, Iraq's underdeveloped private sector, and the global economic downturn all contributed to 2009's slower GDP growth rate.

Oil Exports Reach Record Levels in February

In February, Iraq's oil exports reached 2.05 million barrels per day (MBPD)—the highest monthly average since the 2003 invasion—before dipping in March to 1.84 MBPD because of bad weather and rough seas. Overall, exports averaged 1.93 MBPD for the quarter (a 5% increase from the first quarter of 2009), while production averaged 2.38 MBPD (a 4% increase).[31]

Oil-Field Development

This quarter, the GOI finalized the last of the oil service contracts it awarded to foreign firms in last year's two auctions.[32] The Ministry of Oil also reached an agreement with Chinese firms to develop three fields in Missan province, estimated to contain about 2.6 billion barrels of crude oil. However, the GOI terminated discussions with a Japanese consortium regarding the development of a field in Nassiriya and declared that it would develop the field without foreign assistance.[33]

In mid-February, more than 20 Ministry of Oil officials visited Houston, Texas, to meet with representatives from U.S. engineering and oil services firms. Although only two major U.S. oil companies were awarded contracts during the 2009 bidding, U.S. firms will likely be contracted to support the operations of other multinationals.

This quarter, the Ministry of Oil announced its intention to form Iraq's fourth state-owned oil company, the Midland Oil Company. It will be responsible for developing the oil and gas fields in the central provinces of Anbar, Babylon, Diyala, Qadissiya, Kerbala, Wassit, and Baghdad. The Ministry of Oil also intends to eventually place the Iraqi Oil Exploration company under the management of the Midland Oil Company, on par with the state-owned North, South, and Missan Oil Companies.[34]

Development Fund for Iraq to End in 2010

In April, the UN Secretary General reported to the Security Council that the GOI's plan for assuming control of the Development Fund for Iraq (DFI) was feasible and that the DFI would likely be disestablished by the end of the year. The DFI was created in 2003 to serve as a repository for Iraqi oil revenue.

New Oil-pricing Index

Beginning in April, Iraqi oil exports to the United States will use the Argus Sour Crude Index (ASCI) as their price benchmark, shifting away from the West Texas Intermediate (WTI) benchmark that Iraq previously utilized. The ASCI price is based on a volume-weighted average of deals done for three

grades of U.S. Gulf of Mexico medium sour crude and is regarded as more responsive to global price fluctuations than WTI because the latter is heavily influenced by conditions at a single hub in Oklahoma. Iraq's changeover to ASCI follows similar moves by Saudi Arabia and Kuwait.

Natural Gas

On March 7, 2010, the GOI extended for six more months the negotiations period for the South Gas Utilization Project, a proposed joint venture between the Ministry of Oil and Royal Dutch Shell. The goal of the 25-year, multi-billion-dollar project would be the more efficient exploitation of Iraq's natural gas reserves—the tenth largest in the world. In mid-April, the Ministry of Oil announced plans to hold another round of bidding for three natural gas fields. The Director General of the ministry's Petroleum Contracts and Licensing Directorate stated that 15 companies will be invited to submit bids.

Electricity Production Rises

This quarter, output from Iraq's power plants averaged about 5,635 megawatts (MW), an increase of 7% from last quarter's levels and a 14% increase from one year ago. This quarter's rise in electricity production was largely due to higher water levels in Iraq's rivers, which contributed to increased hydroelectric power generation. The 624 MW output from Iraq's hydroelectric plants over the past three months was the highest quarterly average in more than two years.[35] For more on Iraq's electricity situation, see Section 2.

Foreign Investors Commit to Modernizing Iraq's Maritime Infrastructure

In April 2010, the Minister of Transportation announced that an Italian consortium will begin work this spring on what could be the largest port complex in Iraq when completed. Located near al-Faw at the mouth of the Gulf, this planned 100-dock port would be able to handle 99 million tons of cargo per year. The new facility would be

linked to Turkey and Europe by a new rail line. Initial estimates place the cost of this project at about $4.6 billion.

Ministry of Planning Completes 5-year Plan

This quarter, the GOI's Ministry of Planning finalized its development plan for 2010–2014. The plan focuses on modernizing the hydrocarbon and electricity sectors and includes more than 2,700 projects valued at over $180 billion. The plan awaits formal approval from the new government.

WTO Accession Talks Proceeding Slowly

An Assistant U.S. Trade Representative traveled to Baghdad this quarter to confer with GOI officials about Iraq's prospects for joining the World Trade Organization (WTO). In September 2004, Iraq applied for membership in the WTO. More than six years later, Iraq's application remains stalled and accession talks have been described by U.S. Embassy officials as proceeding slowly. For Iraq to become eligible to join the WTO, the new CoR will have to reform the country's trade and intellectual property laws, bringing them into line with the WTO's membership requirements.

ANTICORRUPTION AND THE RULE OF LAW

GOI Unveils Anticorruption Strategy

On March 24, 2010, the GOI's Joint Anti-Corruption Council released the Iraq National Anti-Corruption Strategy (NACS) for 2010–2014. This 144-page document was drafted in response to Iraq's accession to the UN Convention against Corruption (UNCAC) in 2007. The strategy emphasizes preventing and deterring corruption through administrative reforms and enhancing governmental transparency. The UN and U.S. Embassy-Baghdad's Anti-Corruption Coordination Office (ACCO) provided support to the GOI in

drafting this strategy, and the final version reflects the objectives set forth in the UNCAC.

The bulk of the NACS is devoted to enumerating 201 "negative phenomena" that contribute to public corruption.[36] After describing the adverse affects of each of these phenomena, the NACS spells out an action plan for solving—or, at least ameliorating—the problem and charges one or more institutions with implementing the various aspects of the plan within a specific timeframe. Table 1.5 provides ten examples of the negative phenomena described in the NACS and the GOI's proposed solutions.

UNITED NATIONS ASSISTANCE TO THE GOI

This quarter, the Inspector General met with the Governance Team Leader of the United Nations Development Project (UNDP) in Iraq to discuss the UN's role in the March 7 elections as well as its ongoing assistance to the GOI's anticorruption agencies. UNDP officials commented that the GOI's Inspector General (IG) system—established by the CPA in 2004—has become firmly rooted in the ministries and matured significantly since its creation. However, they cautioned that potential crimes discovered by the IGs are often not investigated or prosecuted, suggesting that new laws are necessary to clarify the roles and responsibilities of Iraq's three primary anticorruption bodies: the IGs, the Commission on Integrity (COI), and the Board of Supreme Audit (BSA). Such laws were introduced in the last parliament, but never passed.

GOI Anticorruption Institutions

For 2010, Iraq's budget allocates $92.4 million to Iraq's two independent anticorruption agencies: the BSA ($59.3 million) and the COI ($33.1 million).[37]

Significant activities reported by the GOI's anti-corruption institutions this quarter included:

TABLE 1.5

IRAQ NATIONAL ANTI-CORRUPTION STRATEGY, 2010–2014: EXAMPLES OF CORRUPTION AND PROPOSED ACTIONS

NEGATIVE PHENOMENON	RISK	ACTION PLAN	PLAN TIME FRAME	IMPLEMENTING BODY
Lack of transparency in political parties' funding (no. 6)	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	One year	CoR, MOF, IHEC, BSA
Conflict of Interests in awarding contracts (no. 16)	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	Ongoing	CoR, MoPDC, all ministries, Provincial Councils, COI
Long period between awarding and signing contracts (no. 19)	Spread of financial and administrative corruption through collusion with suppliers	Setting up and keeping schedules	Ongoing	Internal Audit Directorate, IGs
Poor field supervision on worksites and no checking to ensure delivered project's specifications match contract terms (no. 28)	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	Ongoing	competent authorities in all ministries, directorates, and provinces
Forgery of high school certificates and certificates from outside Iraq for high schools and postgraduate studies (no. 38)	Admitting unqualified students; awarding certificates to ineligible students	Verifying documents via advanced mechanisms and techniques; canceling all temporarily assessed certificates	Ongoing	MoHE, MOE, Ministry of Foreign Affairs
Corruption in prison administration (no. 88)	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	Ongoing	MOI, MOJ, MoHR, COI
Manipulation of the ration and fuel card systems (no. 103)	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	Ongoing	not specified
Poor performance of health institutions with regard to offering services to citizens; offering services in exchange for bribes (no. 120)	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	Not specified	MOH IG, Civil Society Organizations (CSOs)
Slowdown in transport and marketing of oil and gas products due to spread of corruption (no. 139)	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 not 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	Ongoing	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 (no. 158)	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	Ongoing	all concerned parties in the ministries and directorates

- COI announced that investigative judges had issued warrants for the arrest of 1,038 GOI personnel on charges of corruption. Judges ordered another 752 public employees to appear before the COI and account for their actions.
- On April 1, 2010, the Commissioner of the COI stated that approximately 90 GOI officials have been suspended from office because of their failure to file required financial disclosure forms. The suspended office holders include judges, 50 provincial council members, and six ambassadors.

- The BSA completed its review of the GOI's 2007 financial transactions.
- The BSA also uncovered irregularities in the Salah Al-Din provincial council's handling of public funds.

One persistent obstacle to combating corruption remains: Article 136(b) of Iraq's Criminal Procedure Code. This provision effectively allows ministers to immunize their subordinates from prosecution. Twice suspended, but never formally

The International Community Deepens Its Involvement in Iraq Reconstruction

On March 9, 2010, the Inspector General met with the UN's Special Representative for the Secretary General (SRSG), Ad Melkert. Their talks focused on how the UN's role will grow and evolve as U.S. troops gradually reduce their presence in Iraq. Special Representative Melkert's comments focused on four areas:

The Inspector General confers with Ad Melkert, the head of the UN Assistance Mission in Iraq, at UNAMI's Baghdad headquarters.

Post-election Politics. The SRSG cautioned that parliamentary coalition governments are not formed "overnight," and commented that the international community should not be overly concerned if several months pass before a new coalition assumes power and forms a government in Iraq. Melkert went on to differentiate between the current state of affairs and the governance gap that occurred between the December 2005 elections and the ultimate seating of the al-Maliki government in the spring of 2006, remarking that the security situation has markedly improved in the interim.

Transition. The United Nations Assistance Mission for Iraq (UNAMI) has been cooperating with the U.S. government and the GOI to ensure that the transition between the ministers now serving and their replacements, if any, will be as smooth as possible. The SRSG remarked favorably on the UN and World Bank's efforts to prepare ministry-specific briefing books for the next government, detailing the areas of concern and outlining suggested courses of action.

UNAMI. UNAMI was established by the UN Security Council in 2003 to assist Iraq in establishing democracy, safeguarding human rights, and

promoting the rule of law. In his meeting with the Inspector General, the SRSG stated that he was reviewing the size and scope of UNAMI's presence in Iraq for 2011 and 2012, stating that there are no current plans to change UNAMI's mandate.

U.S. Role in Iraq's Future. The SRSG emphasized the increasing importance of the UN now that the United States is withdrawing. He stated that the UN will play an ever more vital role in Iraq as the GOI moves away from an almost exclusive focus on security matters and addresses more closely other pressing needs, such as improving education.

Reconstruction, Development, and International Investment in the Kurdistan Region

In late January 2010, senior SIGIR officials spent several days in the Kurdistan Region meeting with U.S. reconstruction advisors and high-ranking officials in the KRG, including the KRG's Prime Minister and Minister of Planning, and the Governor of Erbil province. Many of the same topics and concerns recurred. For example:

SIGIR staff members visit with KRG Prime Minister Barham Salih.

Governance. Since taking office in late September 2009, the government of Prime Minister Barham Salih has concentrated on three main priorities: (1) overcoming the impasse with the GOI on the KRG's ability to contract with international oil firms; (2) bringing a greater degree of transparency to the KRG's budget process; and (3) trimming the number of KRG ministries from 43 to 19. The Prime Minister reported progress on all three fronts, noting that the oil issue will be definitively resolved only when the new CoR takes office.

Economic Development. The Governor of Erbil reported that about 70% ($13 billion) of the investment flowing into the province was from Iraqi citizens. Turkish and Lebanese businesses are also prevalent in the Kurdistan Region, and KRG leaders anticipate that the opening of the new Erbil International Airport this year will attract additional investment from abroad. In an effort to entice international investment, the KRG provides free land to multinational corporations, including

Mercedes, General Motors, and Toyota. Kurdish officials commented that the biggest challenge they face is developing their electricity infrastructure to support continued economic growth.

U.S. Assistance. KRG officials repeatedly expressed regret that U.S. assistance to the Kurdistan Region since 2003 was not proportional to the percentage (approximately 17%) of Iraq's population residing in the region. U.S. advisors stationed in Erbil estimated that the United States has spent about $1.1 billion in the Kurdistan Region to date, noting that the KRG received disproportionately fewer resources because of the perception that the region's three provinces are peaceful and reasonably prosperous.

Anticorruption. Outdated governmental record-keeping practices and an underdeveloped information technology (IT) infrastructure create vulnerabilities that can be exploited by corrupt actors. To mitigate this problem, the KRG has established an IT Department to work with all of the ministries to implement

modern budgeting and accounting systems. Moreover, the IT Department is instituting a computerized identification (ID) card program for all of the KRG's more than 600,000 employees. KRG personnel will have to present their ID card in order to receive a paycheck, thereby reducing the chances that one person could be drawing paychecks from two or more ministries, a practice that is currently all too common.

Education. The KRG is in the midst of modernizing and privatizing its higher education system. There are 7 publicly funded universities in the Kurdistan Region and 10 private colleges. The KRG's Ministry of Education manages the public universities, and hopes to privatize them within the next three years. Under the ministry's plan, each university would be run by an independent board of trustees, thereby decentralizing the higher education system, with the ultimate goal of reducing the number of Kurdish students who study abroad because of insufficient educational opportunities at home.

repealed, Article 136(b) continues to hinder the effective prosecution of corruption cases against GOI officials.

Iraq Becomes EITI Candidate Country

In February 2010, the International Board of the Extractive Industries Transparency Initiative (EITI) announced that Iraq formally became an EITI "candidate country." EITI is a coalition of governments, corporations, and civil society groups that sets global standards for transparency and accountability in the oil, gas, and mining sectors. Now, Iraq has two years to implement a wide array of financial reporting policies and programs aimed at reducing corruption and increasing accountability. If successful, EITI will then deem Iraq to be in compliance. To date, there are about 30 EITI candidate countries, but only two that have been judged "compliant" (Azerbaijan and Liberia).[38]

SIGIR OVERSIGHT

In the course of more than six years of oversight of the Iraq reconstruction effort, SIGIR has issued 336 audit and inspection reports, resulting in more than $800 million saved, recovered, or put to better use. In addition, SIGIR's investigative work has led to 25 convictions and more than $69 million in court-ordered restitution payments, forfeitures, and fines. This quarter, SIGIR published 12 audits and inspections. The Baghdad International Airport (BIAP) economic zone audit and the al-Qaim electrical substation inspection uncovered a combined $23 million worth of U.S.-funded projects or material either being wasted or in imminent danger of being wasted.

Audits

To date, SIGIR has issued 166 audits. As described further in Section 3, SIGIR's six audits this quarter reviewed:

- **The Commercial Economic Zone at the Baghdad International Airport.** Over the past four years, Multi-National Corps-Iraq (MNC-I) has spent about $35.5 million in CERP funds on 46 separate projects to develop a commercial economic zone at BIAP. The purpose of these projects is to generate revenue and establish BIAP as the gateway to Iraq for international investors. MNC-I's ambitious goals, however, have only been partially achieved. The $19.3 million expended on 22 projects has generated generally good results, but about $16.1 million spent on 24 other projects has largely led to unsuccessful outcomes. Without prompt action, these funds are at risk of being wasted. SIGIR found that the projects were unsuccessful for reasons that included including poor planning and a lack of coordination with the GOI and U.S. civilian agencies; SIGIR noted that DoD has taken some efforts to improve the management of the ongoing BIAP projects.

- **Primary Healthcare Centers (PHCs).** This report addresses the cost, oversight, and outcome of a $16.5 million contract with Stanley Baker Hill (SBH) to identify and repair PHCs, assess the conditions of PHCs, conduct an operations and maintenance program for one year, and improve the Ministry of Health's (MOH) capability to operate and maintain these facilities. SIGIR found mixed outcomes. SBH assessed the outcome of 109 PHC projects and corrected construction and equipment deficiencies at 17. Moreover, SBH did not establish a maintenance program, did not provide transparency over the status of the facilities or provide information to pinpoint potential operational and sustainability issues. SIGIR concluded that nearly $4 million spent on this contract appears to have been wasted. The MOH has now assumed responsibility for the operation and repair of these facilities and all further U.S. oversight will transition to the U.S. Embassy, absent a clear understanding of what was accomplished under this contract.

- **Projects to Develop the Iraqi Special Operations Forces (SOF).** This interim report reviews two contracts totaling $19.3 million to provide the Iraqi SOF with a counter terrorism communications network, intelligence database, and training on the use and maintenance of both systems. SIGIR is concerned that $1 million in equipment is either not being used or is missing. In addition, SIGIR determined that relatively few of the sites planned to be included in the network were actually connected to it, the contract requirements were inadequately delineated, and many contract documents were missing.

- **Reconstruction Projects Financed by the Development Fund for Iraq.** This letter report addresses the effectiveness of the process established by U.S. agencies with the GOI Ministry of Finance to facilitate payment for reconstruction contracts funded through the DFI. About $32.3 million in DFI invoices remains unpaid, including $24.4 million owed to 11 U.S. contractors, more than two years after the invoices were submitted to the GOI. Unless these issues are addressed, contractors will continue to go unpaid.

- **Iraq Security Forces Fund (ISFF) Obligations.** Since 2005, Congress has appropriated $18.04 billion to DoD for the ISFF for training and equipping the ISF. This report found that $16.7 billion (93%) of these funds had been obligated as of December 31, 2009. Of the funds obligated, $15.1 billion (90%) had been liquidated. The report also examines the remaining funds available under ISFF that USF-I will use to support ongoing programs to support the Iraqi Police and Army.

- **SIGIR's Forensic Audit Initiatives.** This third interim report updates SIGIR's forensic audit activities since January 2010. SIGIR has continued its joint-audit/investigative initiative, focusing on programs that provide easy access to cash and have weak internal controls. From this work, SIGIR opened an additional 13 criminal investigations, bringing the total number of new cases generated by the forensic audit program to 45, involving

The United Nations and KRG are working together to refurbish the Erbil Citadel, one of the world's oldest continually inhabited sites. (UN Educational, Scientific and Cultural Organization photo)

60 individual subjects. This report also includes information on possible duplicative payments and payments to fictitious contractors made using funds drawn from the IRRF and the ISFF.

This quarter, DoD continued to take steps to address the deficiencies identified in SIGIR's audit reports. Most notably, on March 2, 2010, General Peter Chiarelli, Vice Chief of Staff of the U.S. Army, issued a memo establishing new standards for the selection and training of contracting officer's representatives (CORs), who are responsible for contractor oversight. Among the reforms are improved pre-deployment selection and training and better access to training and support materials for deployed CORs. In addition, commanders will be required to nominate personnel with experience in the type of contract support needed and consider their effectiveness as CORs when preparing performance evaluations.[39]

Investigations

To date, the work of SIGIR's Investigations Directorate has resulted in 28 arrests, 39 indictments, 30 convictions, and more than $69.6 million in fines, forfeitures, recoveries, and restitution payments. This quarter, SIGIR's work led to several significant indictments and plea agreements, including:

- An ongoing joint investigation by SIGIR, British investigators, and the Defense Criminal

Investigative Service led to the arrest of a two British citizens. The investigation involves an $8.48 million contract awarded by the Coalition Provisional Authority to provide armored vehicles to Iraq's Ministry of the Interior (MOI). It is alleged that the contractor personnel provided false documentation in order to receive full payment for the contract and failed to deliver any vehicles to the MOI.

- In January, a U.S. Army major was arrested on charges of bulk cash smuggling and making false statements to a federal agency. According to the indictment, the major smuggled more than $100,000 in currency, concealed in a shipping package, into the United States from Iraq. He also allegedly failed to declare on his tax returns that he imported the money.

- On January 27, 2010, Theresa Russell, a former staff sergeant in the U.S. Army, pled guilty to a one-count criminal information charging her with money laundering arising from a scheme involving the fraudulent awarding and administration of U.S. government contracts in Iraq. Her sentencing is scheduled for May 21, 2010.

- In February, former DoD contractor Terry Hall pled guilty to conspiring to pay more than $3 million in bribes to U.S. Army contracting officials stationed at Camp Arifjan, Kuwait. Hall owned and operated several companies that provided goods and services to the Department of Defense. The case against Hall arose out of a wide-ranging investigation of corruption at the Camp Arifjan contracting office. To date, eight individuals, including Hall, have pled guilty for their roles in the bribery scheme.

- On February 26, 2010, the Department of Justice (DOJ) filed a criminal information charging a former U.S. Army lieutenant colonel with three counts of accepting illegal gratuities involving the award of a one-year, $8.2 million warehouse contract in Iraq.

- That same day, DOJ filed a criminal information charging a U.S. Army captain with one count of accepting a gratuity involving a DoD contract at Camp Arifjan. The information was filed as a result of the captain's alleged acceptance of $15,000 in cash from a government contractor for preparing a contract performance survey and recommending an overall rating of excellent.

- In early March, a captain in the United States Marine Corps was charged with conspiring with his wife to skim approximately $1.75 million from government contracts awarded under the Iraqi First Program while he was acting as a COR in Iraq. Moreover, because they allegedly failed to report any of these illegal payments on their tax return for 2008, they substantially understated their income to the Internal Revenue Service. During the course of this investigation, government agents also seized from the couple two properties in California, two automobiles, and approximately $40,000 in cash.

Section 3 discusses SIGIR's recent investigative accomplishments in greater detail.

Inspections

This quarter, SIGIR's Inspections Directorate published six reports. Since 2005, SIGIR has issued 170 reports. This quarter's reports evaluated:

- **Al Qaim Electrical Mobile Substation.** The objective of this $10 million ESF project was to install six trailer-mounted 33/11-kilovolt mobile substation units to various locations throughout Anbar province. The contract was awarded in April 2007, but, due to the non-responsiveness of the contractor, was subsequently terminated for default in December 2008 after $6.5 million was spent. At the time of the termination, the contractor had delivered four of the six contract-required mobile substations, as well as five trailers, to a Ministry of Electricity (MOE) outdoor warehouse facility and installed one trailer at a project site in Haditha. In November 2009, SIGIR inspected the MOE's outdoor facility, identifying four mobile substations that had been sitting idle in the desert for at least seven

months. SIGIR recommended that the Iraq Transition Assistance Office (ITAO) work with GOI officials and Anbar political leaders in an effort to utilize the mobile substations.

- **Basrah Modern Slaughterhouse.** This $5.6 million ESF project for the construction of a slaughterhouse in southern Iraq suffers from a lack of planning, and the results to date have not been consistent with the original contractual requirements. As an initial matter, SIGIR learned that the contract itself and its Statement of Work were poorly drafted and confusing, leading four U.S. Army Corps of Engineers (USACE) Gulf Region South district officials to admit they did not understand the requirements. Moreover, SIGIR inspectors also concluded that the slaughterhouse will require a significant supply of electricity and potable water, as well as a reliable means of disposing of waste products—none of which had been identified in the 19 months since the contract was awarded. SIGIR recommended that USACE work with the contractor to ensure that the project is adequately designed and capable of operating effectively, review the contract file to ensure compliance with the Federal Acquisition Regulation, and obtain equitable price adjustments for all de-scoped or modified work.
- **Al Hadi Permanent Police Station.** This $1.2 million, ISFF-funded contract was for the design and construction of a police compound near Basrah. Although the project was less than one-third complete when SIGIR's inspectors performed an on-site assessment in September 2009, SIGIR found that the contractor's quality control and the U.S. government's quality control programs were effective. If construction and oversight continue in this manner, the project results should comport with the contract's requirements.
- **Haditha Dam Perimeter Security.** SIGIR's inspection of this critical infrastructure security project identified several key deficiencies, primarily involving flaws in the perimeter fence surrounding the dam site. SIGIR concluded that this $1 million ESF project was inadequately

constructed and alerted the Gulf Region Central (GRC) Al Asad Resident Office of the problems with this project. After reviewing GRC's proposed corrective actions, SIGIR determined that GRC's plan should remedy the deficiencies uncovered by SIGIR's inspections team.

- **Humer Kwer Health Center.** The objective of this $500,000 ESF contract was to build a new health center in Sulaymaniyah in the Kurdistan Region. In May 2009, USACE Gulf Region North district turned over the Humer Kwer Health Center to the Ministry of Health, whereupon it began operations, serving 60,000 residents from the surrounding area. SIGIR inspectors visited the facility in August 2009 and discovered some relatively minor issues, including a leaking fuel tank and a pressurized gas cylinder accessible to the public. Notwithstanding these problems, SIGIR concluded that the project was adequately constructed and operating as intended.
- **Thi Qar Bee Farm.** The purpose of this $255,000, ESF-funded project was twofold: (1) construct a new honey-processing facility; and (2) provide training and materials (including beehives) to local farmers. SIGIR inspected the Thi Qar Bee Farm project in October 2009, finding that project results should be consistent with original objectives when honey-processing operations commence.

See Section 3 for more information on these project assessments.

After five years of work, and more than 200 site visits to projects located in all 18 of Iraq's provinces, SIGIR's Inspections Directorate will be winding down. The more than two cumulative decades of in-country experience accumulated by SIGIR's inspectors, however, will not be lost, as most of the Inspections Directorate's personnel will be transitioning to SIGIR's new Evaluations Directorate.

Evaluations

In February, SIGIR established its Evaluations Directorate. Building on more than six years of

audits and investigations, and staffed by personnel with more than 20 years combined experience on the ground in Iraq, SIGIR Evaluations will assess the practical effects of U.S.-funded reconstruction programs. SIGIR intends to publish seven evaluation reports over the next 18 months, the first of which will be released in mid-2010.

Reforming Stabilization and Reconstruction Operations

On February 22, 2010, SIGIR presented its fifth and final Lessons Learned report to the Commission on Wartime Contracting in Iraq and Afghanistan. *Applying Iraq's Hard Lessons to the Reform of Stabilization and Reconstruction Operations* proposes the creation of an integrated agency to plan for and manage stabilization and reconstruction operations (SROs). This new agency—the U.S. Office for Contingency Operations (USOCO)—would bring under one umbrella all elements of the U.S. government's response to SROs. Drawing on existing resources present within DoD, DoS, the U.S. Agency for International Development, and other federal agencies, USOCO would be responsible for managing all aspects of SROs, including deciding what programs and projects are funded. As the Iraq experience has amply demonstrated, the U.S. government has difficulty in integrating all elements of national power in its response to SROs. USOCO could solve this problem, save taxpayers money, and more effectively advance the national interests of the United States.

HUMAN TOLL

Intermittent rocket and mortar fire landed within the International Zone (IZ) this quarter, but no U.S. casualties were reported there. In response to post-election violence, the GOI instituted a city-wide midnight-to-6:00-a.m. curfew in Baghdad that also applies to movements within the IZ, demonstrating both the seriousness of the security situation and the extent to which the GOI is now asserting its sovereignty over all of Iraq.

U.S. Civilians

DoS reported that six U.S. civilians died in Iraq this quarter, one from wounds suffered in an indirect fire attack. Since March 2003, at least 302 U.S. civilians have died in Iraq.[40]

Contractors

In the first quarter of 2010, 25 deaths were reported to the Department of Labor (DoL), and 740 injuries were reported to the DOL as causing more than 3 days of lost work. As of March 31, 2010, the number of deaths reported in Iraq is 1,471 since the DOL began compiling this data in March 2003.[41]

On January 23, militants abducted Issa Salomi, an Iraqi-American contractor working for the Department of Defense. He was subsequently released unharmed in March. The circumstances of his kidnapping remain under investigation.

Journalists

No journalists were confirmed killed this quarter, but the head of the Iraqi Journalists' Syndicate, Muaid al-Lami, narrowly escaped assassination on March 21, 2010, when four gunman opened fire on his car.[42] On April 14, a reporter for al-Baghdadia television station lost both of his legs when a bomb planted inside his car exploded. At least 140 journalists and more than 50 other media personnel have been killed in Iraq over the past seven years.

In November 2009, the Iraqi Communications and Media Commission (CMC) drafted new media rules, imposing strict requirements on all journalists operating or seeking to operate in Iraq. The rules mandate that all media outlets operating in Iraq be licensed and all individual journalists be accredited by the CMC. Moreover, the rules contain a provision banning "incitement to violence," a term the Committee to Project Journalists describes as "broad and unspecified."[43] Reportedly, these rules were being enforced prior to the March 7 elections.

One-fourth of Iraqi Citizens Live in Poverty

This quarter, the director of the GOI's Central Organization for Statistics and Information Technology, or COSIT, announced that approximately seven million Iraqis live below the poverty line, which, for a single adult, is approximately $60 per month. According to the World Food Programme (WFP), those living in rural areas are nearly twice as likely to be poor as those living in urban areas.[44]

Hoping to ameliorate this problem, the WFP approved a $234 million plan in February to support the GOI's poverty reduction efforts. The WFP's objectives are twofold: (1) improve access to food and primary health care for the most vulnerable members of Iraqi society; and (2) support school-based meal programs in the most impoverished areas of Iraq. Food will be purchased internationally, shipped through Jordan, Syria, or Turkey, and distributed in conjunction with the GOI.[45] ◆

RECONSTRUCTION FUNDING SOURCES AND USES

SECTION

2

FUNDING

As of March 31, 2010, $162.83 billion had been made available for the relief and reconstruction of Iraq through three main sources:[46]

- Iraqi funds overseen by the Coalition Provisional Authority (CPA) and Iraqi capital budgets—$91.43 billion
- international pledges of assistance and loans from non-U.S. sources—$18.10 billion
- U.S. appropriations—$53.31 billion

See Figure 2.1 for an overview of these funding sources.

Iraqi Funding

As of March 31, 2010, Iraq had provided $91.43 billion for relief and reconstruction through Iraqi funding from the CPA era and its annual capital budgets.[47]

On January 26, 2010, Iraq's Council of Representatives (CoR) passed the 2010 budget, which President Talabani signed into law two weeks later.[48] The budget totals $72.36 billion: $52.12 billion (72%) for operational expenditures and $20.24 billion (28%) for capital projects.[49] For an overview of the 2010 budget allocations, see Table 2.1.

2010 Iraqi Budget Allocations

The 2010 budget provided the largest gross increase to the Ministry of Electricity. The Ministry of Youth and Sports received the largest capital budget increase in percentage terms, followed closely by the Ministry of Health.[50]

Article 32 of the 2010 budget rolls over unspent capital allocations from 2009 ministry budgets, as long as projects were approved by the end of the year. If funding was not committed to a particular project, the Minister of Finance must reallocate it for expenditure during 2010. Article 32 also transfers to the provinces more than $500 million

FIGURE 2.1

FUNDING SOURCES, 2003–2010
$ Billions
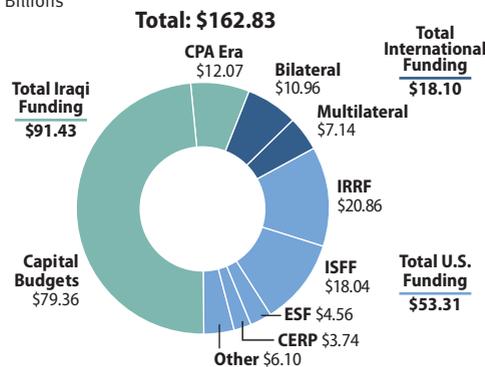
Note: Data not audited. Numbers affected by rounding. CPA-era Iraqi funds include $1.72 billion in vested funds, $0.93 billion in seized funds, $9.33 billion in DFI, and $0.09 billion in CERP funds provided by the Central Bank of Iraq.

Sources: DFAS, response to SIGIR data call, 4/10/2009; GOI, "Budget Revenues and Expenses 2003, July-December," 2003; GOI, Presidency of the Iraqi Interim National Assembly, "The State General Budget for 2005," 2005; GOI, Presidential Council, "Federal Public Budget Law for the Fiscal Year 2010," 2/10/2010; SIGIR, *Quarterly Report to the United States Congress*, 4/2009; U.S. Treasury, responses to SIGIR data calls, 1/4/2008 and 4/9/2009; NEA-I, responses to SIGIR data call, 4/2/2010 and 4/12/2010; P.L. 108-7; P.L. 108-11; P.L. 108-106; P.L. 108-287; P.L. 109-13; P.L. 109-102; P.L. 109-148; P.L. 109-234; P.L. 109-289; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-118; OSD, responses to SIGIR data calls, 10/13/2009, 4/13/2010, 4/14/2010, and 4/15/2010; USACE, response to SIGIR data call, 10/6/2008; USAID, responses to SIGIR data calls, 1/12/2009, 4/8/2009 and 4/14/2010; U.S. Embassy-Baghdad, INL, response to SIGIR data call, 4/14/2010; U.S. Embassy-Baghdad, DRL, response to SIGIR data call, 4/2/2010; USAID, "U.S. Overseas Loans and Grants [Greenbook]," 2008, gbk.eads.usaidallnet.gov/query/do?_program=/eads/gbk/countryReport&unit=N, accessed 4/15/2010; BBG, response to SIGIR data call, 3/31/2010; DoS, ECA, response to SIGIR data call, 4/14/2010; DoS, response to SIGIR data call, 3/17/2010; DoJ, Justice Management Division, response to SIGIR data call, 4/1/2010.

in unspent allocations.[51] Article 27 rolls over all unspent allocations since 2006 that were designated for weapons and military equipment for the Ministries of Interior and Defense.[52]

Expected Revenues and Deficit Financing

The 2010 Iraqi budget projects $52.77 billion in revenues for 2010—more than 90% from oil sales—leaving a projected deficit of $19.59 billion.[53] As of March 31, 2010, the Government of Iraq (GOI) had received $12.32 billion in total oil receipts since the

TABLE 2.1

IRAQI BUDGET ALLOCATIONS, 2009–2010

$ Millions

CATEGORY	MINISTRY/OFFICE	2009 BUDGET ALLOCATIONS			2010 BUDGET ALLOCATIONS (% CHANGE FROM 2009)		
		OPERATING	CAPITAL	TOTAL	OPERATING	CAPITAL	TOTAL
Republic Presidency	**Subtotal**	**80.5**	**3.8**	**84.3**	**90.1 (+12%)**	**12.0 (+219%)**	**102.0 (+21%)**
Council of Representatives	**Subtotal**	**431.9**	**15.7**	**447.6**	**433.3 (+0%)**	**5.6 (-65%)**	**438.8 (-2%)**
Council of Ministers	Office of the Prime Minister				306.5	164.4	471.0
	Bureau of Shia Endowment				250.3	21.4	271.7
	Iraqi National Intelligence Service				123.3	38.0	161.3
	Bureau of Sunni Endowment				116.4	42.7	159.1
	Council of Ministers Secretariat				74.2	12.0	86.1
	Other Offices				134.4	24.0	158.5
	Subtotal	**944.9**	**1,184.2**	**2,129.1**	**1,005.1 (+6%)**	**302.5 (-74%)**	**1,307.6 (-39%)**
Ministries	Finance	9,698.6	544.8	10,243.4	10,546.6 (+9%)	1,397.7 (+157%)	11,944.4 (+17%)
	Interior	4,963.9	933.5	5,897.4	5,887.5 (+19%)	256.4 (-73%)	6,143.9 (+4%)
	Electricity	2,308.7	2,319.0	4,627.7	2,399.1 (+4%)	3,490.1 (+51%)	5,889.1 (+27%)
	Health	3,059.4	175.6	3,235.0	3,959.3 (+29%)	963.2 (+449%)	4,922.6 (+52%)
	Defense	3,388.0	1,801.4	5,189.5	4,519.9 (+33%)	380.8 (-79%)	4,900.7 (-6%)
	Education	3,891.8	265.8	4,157.6	4,311.5 (+11%)	427.4 (+61%)	4,738.8 (+14%)
	Trade	3,622.6	44.1	3,666.6	4,032.8 (+11%)	58.1 (+32%)	4,091.0 (+12%)
	Oil	953.0	2,262.9	3,216.0	1,411.8 (+48%)	2,652.6 (+17%)	4,064.4 (+26%)
	Higher Education and Scientific Research	1,532.7	200.1	1,732.8	1,879.1 (+23%)	299.1 (+50%)	2,178.3 (+26%)
	Municipalities and Public Works	477.9	626.2	1,104.1	722.4 (+51%)	1,278.6 (+104%)	2,001.0 (+81%)
	Water Resources	168.5	615.8	784.3	196.6 (+17%)	906.0 (+47%)	1,102.6 (+41%)
	Housing and Construction	208.9	317.6	526.6	222.1 (+6%)	598.3 (+88%)	820.4 (+56%)
	Agriculture	412.4	65.6	477.9	476.4 (+16%)	174.4 (+166%)	650.8 (+36%)
	Industry and Minerals	792.3	526.7	1,318.9	140.2 (-82%)	427.4 (-19%)	567.5 (-57%)
	Youth and Sports	60.3	84.2	144.5	82.0 (+36%)	470.1 (+459%)	552.1 (+282%)
	Transportation	208.2	253.4	461.6	151.4 (-27%)	384.6 (+52%)	536.0 (+16%)
	Justice	251.0	21.7	272.7	450.6 (+80%)	13.1 (-40%)	463.7 (+70%)
	Foreign	241.2	54.1	295.3	298.7 (+24%)	78.4 (+45%)	377.1 (+28%)
	Communications	88.1	250.4	338.4	13.3 (-85%)	256.4 (+2%)	269.7 (-20%)
	Planning and Development Coordination	101.4	94.0	195.4	202.1 (+99%)	49.6 (-47%)	251.6 (+29%)
	Labor	817.5	25.5	843.0	209.1 (-74%)	20.5 (-20%)	229.6 (-73%)
	Immigration and Displacement	49.0	2.5	51.5	182.3 (+272%)	12.8 (+413%)	195.2 (+279%)
	Culture	103.6	20.9	124.4	148.8 (+44%)	23.9 (+15%)	172.8 (+39%)
	Science and Technology	83.8	29.1	112.9	95.9 (+14%)	26.0 (-11%)	121.9 (+8%)
	Environment	30.3	9.7	40.0	59.9 (+98%)	21.4 (+120%)	81.3 (+103%)
	Human Rights	11.9	3.8	15.7	16.8 (+42%)	8.5 (+123%)	25.4 (+62%)
	Subtotal	**37,525.0**	**11,548.3**	**49,073.2**	**42,616.5 (+14%)**	**14,675.4 (+27%)**	**57,291.9 (+17%)**
Independent Offices	Local Councils in the Provinces				175.0		175.0
	Local and General Management in the Provinces				1,101.7	2,178.6	3,280.4
	Investment Commissions in the Provinces				24.8		24.8
	Independent High Electoral Commission				374.5	5.8	380.3
	Iraqi Criminal Court				20.5		20.5
	Subtotal	**56.9**	**10.5**	**67.4**	**1,696.6 (+2,883%)**	**2,184.4 (+20,704%)**	**3,881.0 (+5,660%)**
Higher Judicial Council	**Subtotal**	**390.1**	**22.4**	**412.6**	**249.6 (-36%)**	**18.4 (-18%)**	**268.0 (-35%)**
Region of Kurdistan	**Subtotal**	**4,929.8**	**3,560.4**	**8,490.3**	**6,029.1 (+22%)**	**3,038.3 (-15%)**	**9,067.4 (+7%)**
Total		**44,359.1**	**16,345.3**	**60,704.4**	**52,120.3 (+17%)**	**20,236.6 (+24%)**	**72,356.8 (+19%)**

Sources: GOI, "Federal Public Budget Law for the Fiscal Year 2010," 1/27/2010, Annex Schedule B; U.S. Embassy-Baghdad, Treasury Attaché, response to SIGIR data call, 1/11/2010.

beginning of the calendar year. If this rate holds constant, the Iraqi government will receive $49.28 billion in total annual oil receipts for 2010, about $2 billion short of the CoR's projection of $51.11 billion, but well over the $37.02 billion in oil receipts in 2009.[54]

The first quarter receipts of $12.32 billion are strong compared with the first quarter of 2009, when the Iraqi government received only $5.54 billion in oil receipts. Some of the difference is attributable to oil export volume, which increased from 160.1 million barrels during the first quarter of 2009 to 176.5 million barrels for the first quarter of 2010. The biggest difference, however, is in the price of oil, which more than doubled from an average of $36.44 during the first quarter of 2009 to $73.49 per barrel during the first quarter of 2010.[55]

The 2010 budget law authorized the Minister of Finance to borrow up to $4.5 billion from the International Monetary Fund (IMF) and $2.0 billion from the World Bank during 2010 to cover any deficits.[56] For details on IMF and World Bank financing, see the Economy subsection of this Report. The budget law also authorized the Minister of Finance to use $1.8 billion of the IMF's Special Drawing Right (SDR) and issue Iraqi treasury bills to cover deficits.[57]

Iraqi government revenue is held in the Development Fund for Iraq (DFI), comprising 95% of proceeds from the export of Iraqi oil. The other 5% of Iraqi oil export proceeds are paid as war reparations to Kuwait.[58] On December 21, 2009, the United Nations (UN) Security Council passed Resolution 1905, which extended the DFI—and its associated special immunities and international oversight mechanisms—through December 31, 2010.[59] According to the Department of State (DoS) Bureau of Near Eastern Affairs-Iraq (NEA-I), the resolution differs from earlier rollover resolutions in that it calls for Iraq to present an action plan and timetable for establishing a replacement for the DFI, addressing liabilities, and providing transparent and accountable governance.[60]

Decentralization

Article 23 of the 2010 budget provides that (outside of the Kurdistan Region) all ongoing capital projects in the Ministries of Electricity, Health, Education, Municipalities and Public Works, and Housing and Construction be transferred to the provinces for implementation. Plans call for the other federal ministries to continue implementing ongoing projects, but under the supervision of provincial councils. All new capital projects, under any federal ministry, are to be implemented by the provinces.[61]

According to Budget Articles 42 and 43, the Minister of Finance will transfer to respective provinces a portion of the revenues received for the following activities within those provinces:

- 5% of tariffs collected at ports of entry
- $1 for each barrel of crude oil extracted
- $1 for each barrel of crude oil refined
- $1 for each 150 cubic meters of natural gas produced
- $20 from each entry visa for foreign visitors to religious sites

The Board of Supreme Audit (BSA) is responsible for verifying revenues, and transfers are to be made monthly. The Minister of Finance must approve spend plans that use these additional resources.[62]

The Kurdistan Region's budget is determined by the Kurdistan Regional Government (KRG), which receives a lump-sum revenue transfer from the national government. For 2010, the KRG is to receive 17% of Iraq's total operating and capital budgets, after deducting Iraq's central government expenses (President's Office, CoR, Council of Ministers, Ministries of Foreign Affairs and Defense, and other expenses), paying debts and war reparations, and adjusting for allocations rolled over from prior years.[63]

International Support

Japan is the largest non-U.S. contributor to Iraq reconstruction, in terms of committed assistance and loans.

As of March 31, 2010, international donors had pledged $18.10 billion: $5.26 billion in assistance and $12.84 billion in loans. This quarter, the IMF established new Stand-By Arrangement (SBA) loan facilities totaling $3.64 billion.[64]
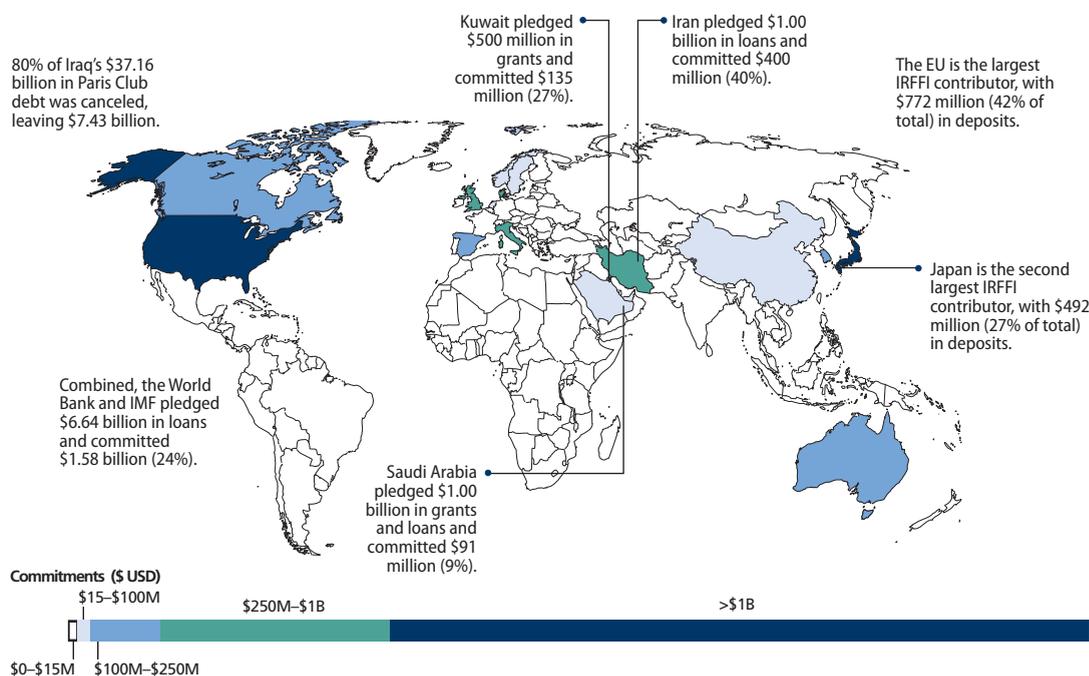
As of March 31, 2010, international donors had committed an estimated $11.45 billion—$6.04 billion in assistance and $5.41 billion in loans—an increase of $715 million from the previous quarter. The increase resulted primarily from a $455 million disbursement from the IMF under its new SBA with Iraq and a $250 million development policy loan disbursement from the World Bank.[65]

In February, Iraq and China signed a memorandum of agreement reducing Iraq's debt to Chinese companies by $8.47 billion (approximately 80%).[66] According to the Iraqi Ministry of Foreign Affairs, the memorandum obligates Iraq to "facilitate the entry of Chinese companies" into the Iraq reconstruction effort.[67]

For an overview of international support for Iraq reconstruction, see Figure 2.2. Countries on the map are coded according to how much they have committed to Iraq reconstruction. Although the figure includes details about pledges, it is important to note that there is not a consistent relationship between pledges and commitments across countries. For example, some countries, like Denmark and Japan, have committed more money than they pledged. Other countries, notably in the Middle East, have committed far less than they pledged. Japan is the largest non-U.S. contributor to Iraq reconstruction, in terms of committed assistance and loans. The European Union and the United Kingdom have also made large commitments of assistance, while the IMF and World Bank have made large commitments of loans.[68]

FIGURE 2.2

INTERNATIONAL COMMITMENTS FOR IRAQ

80% of Iraq's $37.16 billion in Paris Club debt was canceled, leaving $7.43 billion.

Kuwait pledged $500 million in grants and committed $135 million (27%).

Iran pledged $1.00 billion in loans and committed $400 million (40%).

The EU is the largest IRFFI contributor, with $772 million (42% of total) in deposits.

Japan is the second largest IRFFI contributor, with $492 million (27% of total) in deposits.

Combined, the World Bank and IMF pledged $6.64 billion in loans and committed $1.58 billion (24%).

Saudi Arabia pledged $1.00 billion in grants and loans and committed $91 million (9%).

Commitments ($ USD)
$0–$15M $15–$100M $100M–$250M $250M–$1B >$1B

Note: Commitments from the EU total $1.49 billion. Other bilateral commitments total $106 million. Multilateral commitments also came from the World Bank, International Monetary Fund, and Islamic Development Bank.

Sources: Paris Club, "Iraq Debt Treatment—November 21, 2004," www.clubdeparis.org/sections/traitements/irak20041121/viewLanguage/en, accessed 4/7/2010; NEA-I, responses to SIGIR data call, 4/8/2010 and 4/14/2010.

U.S. Funding

Since 2003, the U.S. Congress has appropriated or otherwise made available $53.31 billion for reconstruction efforts in Iraq, including the building of physical infrastructure, establishment of political and societal institutions, reconstitution of security forces, and the purchase of products and services for the benefit of the people of Iraq.[69]

As of March 31, 2010, $47.21 billion had been made available through four major funds:[70]
- Iraq Relief and Reconstruction Fund (IRRF)—$20.86 billion
- Iraq Security Forces Fund (ISFF)—$18.04 billion
- Economic Support Fund (ESF)—$4.56 billion
- Commander's Emergency Response Program (CERP)—$3.74 billion

Among the major funds, $2.66 billion of obligated funds had not been expended as of March 31, 2010. An additional $2.48 billion remained unobligated, but $1.47 billion of these unobligated funds had expired. Only funds that have not yet expired—$1.01 billion as of March 31, 2010—may be obligated to new projects.[71]

The Congress also made $6.10 billion available through several smaller funding streams.[72]

For an overview of U.S. appropriations, obligations, and expenditures from the four major funds, as of March 31, 2010, see Figure 2.3. For details on appropriations to the major funds and smaller funds, and the status of funds as of March 31, 2010, see Table 2.3.

FIGURE 2.3

STATUS OF MAJOR U.S. FUNDS
$ Billions

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

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

TABLE 2.2

ENACTED AND REQUESTED APPROPRIATIONS, FY 2009–FY 2011
$ Millions

Fund		FY 2009 ENACTED APPROPRIATION	FY 2010 ENACTED REGULAR APPROPRIATION	FY 2010 SUPPLEMENTAL REQUEST	FY 2011 REGULAR REQUEST	TOTAL NEW REQUEST
Foreign Assistance						
Defense	ISFF	1,000.0	0.0	1,000.0	2,000.0	3,000.0
	CERP	336.1	160.0	0.0	200.0	200.0
	Subtotal	**1,336.1**	**160.0**	**1,000.0**	**2,200.0**	**3,200.0**
Foreign Operations	ESF	439.0	382.5	0.0	383.0	383.0
	INCLE	20.0	52.0	517.4	314.6	832.0
	NADR	20.0	30.3	0.0	29.8	29.8
	IMET	2.0	2.0	0.0	2.0	2.0
	Subtotal	**481.0**	**466.8**	**517.4**	**729.3**	**1,246.8**
Total Assistance		**1,817.1**	**626.8**	**1,517.4**	**2,929.3**	**4,446.8**
Reconstruction-Related Operating Expenses						
State		0.0	0.0	1,570.0	0.0	1,570.0
Total Operating		**0.0**	**0.0**	**1,570.0**	**0.0**	**1,570.0**

Note: Data not audited. Numbers affected by rounding. The 2010 appropriation provided no specific allocations for the Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) fund or the International Military Education and Training (IMET) fund, but the difference between the budget authority provided under P.L. 111-117 and the allocations provided for the ESF and INCLE is equal to the requested amounts for the NADR and IMET, suggesting that among foreign operations accounts, only the ESF received a smaller appropriation than the Administration requested. The Congress earmarked $200 million in FY 2010 appropriations for the CERP in Iraq, but OSD allocated only $160 million.

Sources: DoD, "Fiscal Year 2011 Budget Request: Overview," 2/2010, Chapter 6, pp. 5, 9; DoS, "FY 2010 Supplemental Budget Justification," 2/1/2010, p. 31; DoS, "FY 2011 Foreign Assistance Congressional Budget Justification: Summary Tables," 3/8/2010, p. 23; OSD, response to SIGIR data call, 4/13/2010; SIGIR, *Quarterly and Semiannual Report to the United States Congress*, 1/2010.

FY 2010 Supplemental and FY 2011 Regular Appropriations Requests

This quarter, the Administration requested $4.45 billion in new appropriations for Iraq reconstruction: $1.52 billion in FY 2010 supplemental appropriations and $2.93 billion in FY 2011 regular appropriations.[73] The Administration also requested $1.57 billion in reconstruction-related operating expenses for DoS.[74]

For an overview of FY 2009–FY 2011 enacted and requested appropriations, by reconstruction fund, see Table 2.2.

Department of Defense

Department of Defense (DoD)-administered reconstruction funding for Iraq is provided primarily through the ISFF and CERP, though a significant amount has also been provided through smaller

> The Administration predicated its appropriations requests for DoD operations on a major draw-down in the U.S. military presence.

funds.[75] This quarter, the Administration requested $3.00 billion for the ISFF and $200 million for the CERP in FY 2010 supplemental and FY 2011 regular appropriations.[76] For details, see the ISFF and CERP subsections below.

The Administration predicated its FY 2010 supplemental and FY 2011 regular appropriations requests for DoD operations on a major drawdown in the U.S. military presence. As of March 31, 2010, there were 98,000 U.S. troops in Iraq.[77] By August 31, 2010, the Administration expects to decrease U.S. force levels to six Advisory and Assistance Brigades (AABs) (approximately 50,000 troops) and sustain them through the beginning of FY 2011, after which force levels are expected to decline to four AABs (approximately 35,000 troops).[78] The Administration plans to withdraw all U.S. forces from Iraq by December 31, 2011.[79]

TABLE 2.3
U.S. APPROPRIATED FUNDS
$ Millions

	APPROPRIATIONS BY FISCAL YEAR, FY 2003–FY 2008					
	P.L. 108-7, P.L. 108-11	P.L. 108-106, P.L. 108-287	P.L. 109-13	P.L. 109-102, P.L. 109-148, P.L. 109-234	P.L. 109-289, P.L. 110-28	P.L. 110-92, P.L. 110-116, P.L. 110-137, P.L. 110-149, P.L. 110-161, P.L. 110-252
	2003	2004	2005	2006	2007	2008
MAJOR FUNDS						
Iraq Relief and Reconstruction Fund (IRRF 1 and IRRF 2)[a]	2,475	18,389				
Iraq Security Forces Fund (ISFF)			5,490	3,007	5,542	3,000
Economic Support Fund (ESF)[b]	50			1,545	1,478	664
Commander's Emergency Response Program (CERP)[c]		140	718	659	743	986
Subtotal	**2,525**	**18,529**	**6,208**	**5,211**	**7,764**	**4,650**
OTHER ASSISTANCE PROGRAMS						
Natural Resources Risk Remediation Fund (NRRRF)[d]	801					
Iraq Freedom Fund (Other Reconstruction Activities)[e]	700					
Migration and Refugee Assistance (MRA) and Emergency Refugee & Migration Assistance (ERMA)	1				66	278
P.L. 480 Food Aid (Title II and Non-Title II)	368		3			24
International Narcotics Control and Law Enforcement (INCLE)	20			91	170	85
Democracy Fund (Democracy)					190	75
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	24		7		45	85
Iraq Freedom Fund (TFBSO)					50	50
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)[f]					7	33
Child Survival and Health Programs Fund (CSH)	90					
Department of Justice (DoJ)	37			5	6	10
International Affairs Technical Assistance				13	3	
Overseas Humanitarian, Disaster and Civic Aid (OHDACA)	9	3	3			
U.S. Marshals Service			1	3	2	2
International Military Education and Training (IMET)		2			1	
Alhurra-Iraq Broadcasting		5				
Education and Cultural Exchange Programs (ECA)[g]					5	
Subtotal	**2,049**	**11**	**14**	**113**	**545**	**641**
RECONSTRUCTION-RELATED OPERATING EXPENSES						
Coalition Provisional Authority (CPA)[h]		833				
Project and Contracting Office (PCO)[i]				200	630	
USAID Operating Expenses (USAID OE)	21		24	79		98
Iraq Freedom Fund (PRT Administrative Costs)					100	
U.S. Contributions to International Organizations (IO Contributions)						68
Subtotal	**21**	**833**	**24**	**279**	**730**	**166**
RECONSTRUCTION OVERSIGHT						
Special Inspector General for Iraq Reconstruction (SIGIR)		75		24	35	39
DoD Office of Inspector General (DoD OIG)				5		21
USAID Office of Inspector General (USAID OIG)	4	2	3		1	10
Defense Contract Audit Agency (DCAA)					16	
DoS Office of Inspector General (DoS OIG)				1	2	10
Subtotal	**4**	**77**	**3**	**30**	**53**	**80**
Total	**4,599**	**19,450**	**6,249**	**5,633**	**9,092**	**5,537**

a   The Congress initially appropriated $18,649 million to IRRF 2, but earmarked $210 million to be transferred to other accounts for programs in Jordan, Liberia, and Sudan. The Administration transferred another $562 million for Iraq-related programs that could be implemented only in other accounts (such as bilateral debt forgiveness). In FY 2006, the Congress transferred roughly $10 million into the IRRF from the ESF. In FY 2008, P.L. 110-252 rescinded $50 million.

b   FY 2003 reflects $40 million from the ESF base account that was not reimbursed and $10 million from P.L. 108-11. SIGIR calculates expired funds as appropriations less obligations, as of the expiration date. Some ESF was transferred to other agencies under the Foreign Assistance Act of 1961, Sec. 632(b). DoS did not indicate whether its reported obligations include such transfers, so SIGIR's calculations may overstate expired funds.

c   Generally, the Congress does not appropriate the CERP to a specific country, but ratther 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   The status of funds as of 3/31/2010 for ECA was not available.

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

i   Reconstruction support funding is provided for Project and Contracting Office (PCO) activities per the P.L. 109-234 and P.L. 110-28 conference reports.

	FY 2009	FY 2010			STATUS OF FUNDS		
	P.L. 111-32	P.L. 111-117	P.L. 111-118				
	6/24/09	12/16/09	12/19/09	TOTAL APPROPRIATED	OBLIGATED	EXPENDED	EXPIRED
MAJOR FUNDS							
Iraq Relief and Reconstruction Fund (IRRF 1 and IRRF 2)[a]				20,864	20,386	19,930	478
Iraq Security Forces Fund (ISFF)	1,000			18,039	17,041	15,584	428
Economic Support Fund (ESF)[b]	439	383		4,559	3,747	3,120	430
Commander's Emergency Response Program (CERP)[c]	337		160	3,743	3,550	3,430	138
Subtotal	**1,776**	**383**	**160**	**47,205**	**44,724**	**42,064**	**1,473**
OTHER ASSISTANCE PROGRAMS							
Natural Resources Risk Remediation Fund (NRRRF)[d]				801	801	801	
Iraq Freedom Fund (Other Reconstruction Activities)[e]				700	680	654	
Migration and Refugee Assistance (MRA) and Emergency Refugee & Migration Assistance (ERMA)	260			604	592	546	
P.L. 480 Food Aid (Title II and Non-Title II)				395	395	395	
International Narcotics Control and Law Enforcement (INCLE)	20			386	368	240	
Democracy Fund (Democracy)				265	265	197	
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	51	6		219	215	194	
Iraq Freedom Fund (TFBSO)				100	85	44	
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)[f]	20	30		90	62	62	
Child Survival and Health Programs Fund (CSH)				90	89	89	1
Department of Justice (DoJ)	4	3		65	58	36	
International Affairs Technical Assistance				16	16	14	
Overseas Humanitarian, Disaster and Civic Aid (OHDACA)				16	16	10	
U.S. Marshals Service	1			9	9	9	
International Military Education and Training (IMET)	2	2		8	6	3	
Alhurra-Iraq Broadcasting				5	5	5	
Education and Cultural Exchange Programs (ECA)[g]				5			
Subtotal	**357**	**41**		**3,772**	**3,661**	**3,298**	**1**
RECONSTRUCTION-RELATED OPERATING EXPENSES							
Coalition Provisional Authority (CPA)[h]				833	832	799	
Project and Contracting Office (PCO)[i]				830			
USAID Operating Expenses (USAID OE)				222			
Iraq Freedom Fund (PRT Administrative Costs)				100			
U.S. Contributions to International Organizations (IO Contributions)				68			
Subtotal				**2,053**	**832**	**799**	
RECONSTRUCTION OVERSIGHT							
Special Inspector General for Iraq Reconstruction (SIGIR)	7	23		203	164	148	
DoD Office of Inspector General (DoD OIG)				26			
USAID Office of Inspector General (USAID OIG)				18			
Defense Contract Audit Agency (DCAA)				16			
DoS Office of Inspector General (DoS OIG)				13			
Subtotal	**7**	**23**		**276**	**164**	**148**	
Total	**2,140**	**447**	**160**	**53,307**	**49,381**	**46,309**	**1,474**

Department of State and Foreign Operations

Appropriations for civilian agencies in Iraq are requested in two parts. Funding for State Operations is requested in the DoS Congressional Budget Justification (CBJ) to cover personnel, construction, security, and other operating costs necessary to support diplomatic efforts. Funding for Foreign Operations is requested in the DoS/U.S. Agency for International Development (USAID) Foreign Operations CBJ.

Foreign Operations includes funds for which SIGIR has oversight responsibility:[80]

- ESF
- International Narcotics Control and Law Enforcement (INCLE)
- Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)
- International Military Education and Training (IMET)

Over the course of the next year, the Administration will draw down its provincial reconstruction efforts in Iraq and transition to a long-term diplomatic presence. Accordingly, the Administration requested $1.57 billion in FY 2010 supplemental appropriations for DoS operating expenses. The supplemental funds are intended to support the transition of five Provincial Reconstruction Teams (PRTs) to more permanent Enduring Presence Posts (EPPs) administered by the Chief of Mission.[81] Plans call for the EPPs to comprise two permanent consulates—one in Basrah and one in northern Iraq—and three temporary posts along the Arab-Kurd "fault line" in Tameem, Ninewa, and Diyala provinces.

DoS has said the supplemental funding will support increased infrastructure, personnel, support, and security requirements that it will assume as DoD support for these locations is phased out.[82]

The FY 2010 supplemental and FY 2011 regular appropriations requests also included $832 million for INCLE activities in Iraq.[83] This is almost double the cumulative appropriations to the INCLE from FY 2003 through the regular FY 2010 appropriation, which totaled $438 million.[84] The additional INCLE resources were requested to help DoS prepare for the transition of police-training responsibility from DoD, effective October 1, 2011. FY 2010 supplemental funding is intended to cover start-up costs, including base camp and aviation facility upgrades, construction of security infrastructure, procurement of aircraft for transportation between program hubs and field locations, and the recruitment and training of key security, contract management, and oversight personnel.[85] FY 2011 funding is intended to help DoS cover increased costs for security guards, communications, life support, force protection, and transportation requirements created by the departure of DoD.[86]

The INCLE and ISFF combine for a total request of $3.83 billion to support the ISF in the FY 2010 supplemental and FY 2011 regular CBJs. Comprising 86% of the total requests for Iraq, programs to develop the ISF remain the dominant focus of the U.S. reconstruction effort in Iraq.[87]

The Administration requested $29.8 million in FY 2011 NADR funding to help the GOI develop a computerized watch list for terrorism suspects, to prepare senior-level Iraqi police officers to take over counterterrorism training, and to support programs that focus on demining, dismantling Iraq's nuclear facilities, and destroying conventional weapons.[88] It also requested $2.0 million in FY 2011 IMET funds to promote military-to-military relations by providing English language training and human rights classes to Iraqi civilian and military personnel.[89]

Comprising 86% of the total requests for Iraq, programs to develop the ISF remain the dominant focus of the U.S. reconstruction effort in Iraq.

Iraq Relief and Reconstruction Fund

The Congress provided $20.86 billion to the IRRF through two appropriations: IRRF 1 ($2.48 billion) and IRRF 2 ($18.39 billion).[90] IRRF funding can no longer be obligated to new projects; unobligated funds may only be used for adjustments to ongoing projects or for contract closeout.[91] As of March 31, 2010, $20.39 billion had been obligated and $478 million had expired. Of the $20.39 billion in obligated IRRF, $19.93 billion (98%) had been expended, and $456 million (2%) had not been expended.[92] For the status of the IRRF, as of March 31, 2010, see Table 2.4.

According to NEA-I, there were 29 ongoing IRRF 2 projects this quarter. Among the largest were electricity projects, procurement of a railroad communications system, and procurement of equipment for Basrah Children's Hospital. Most ongoing IRRF projects are expected to be completed by summer 2010, with only one project—to replace or repair

The Executive Order that authorized the Iraq Transition Assistance Office expires on May 8, 2010.

elevators in northern Iraq—extending into 2011. Several of the projects were grants to the GOI, three of which were set to expire on March 31, 2010.[93]

The Executive Order that authorized the Iraq Transition Assistance Office (ITAO)—which has coordination, oversight, and reporting responsibilities for remaining IRRF funds—expires on May 8, 2010. According to U.S. Embassy-Baghdad, ITAO will become a caretaker organization at that time, managing and monitoring projects until they are completed, continuing to exercise fiscal and budget oversight, and archiving records. ITAO's continuing status depends on the evolving plans for the Embassy's Office of Provincial Affairs (OPA). It may continue as an independent, but smaller, unit that reports to the Assistant Chief of Mission for Assistance Transition until absorbed by OPA or fully closed out in mid-2011. Until then, direct-hire personnel will continue to draw down. ITAO currently is staffed by 12 civilians, down from 24 in August 2009.[94]

TABLE 2.4
IRRF: STATUS OF FUNDS, BY APPROPRIATION AND SECTOR
$ Millions

Appropriation	Sector	Status of Funds			Quarterly Change	
		Allocated	Obligated	Expended	Obligated	Expended
IRRF 1	**Subtotal**	**2,271.3**	**2,260.8**	**2,248.9**		
IRRF 2	Security & Law Enforcement	4,977.3	4,931.0	4,892.4	-0.8 (0%)	
	Electric Sector	4,213.3	4,099.8	4,051.0	25.0 (1%)	33.3 (1%)
	Justice, Public Safety Infrastructure, & Civil Society	2,319.1	2,314.0	2,206.9	4.0 (0%)	8.6 (0%)
	Water Resources & Sanitation	2,075.2	1,971.4	1,927.0	4.6 (0%)	25.8 (1%)
	Oil Infrastructure	1,724.7	1,612.9	1,592.6	8.4 (1%)	0.9 (0%)
	Private Sector Development	862.3	860.0	830.0		-8.7 (-1%)
	Health Care	818.6	801.9	782.4	5.6 (1%)	12.1 (2%)
	Education, Refugees, Human Rights, Democracy, & Governance	470.7	519.6	447.6		0.5 (0%)
	Transportation & Telecommunications Projects	463.3	466.9	439.8	18.8 (4%)	4.4 (1%)
	Roads, Bridges, & Construction	327.6	280.0	267.1	-1.4 (0%)	4.5 (2%)
	Administrative Expenses	220.5	219.5	217.9		
	ITAO Capacity Development	51.5	48.5	26.7	-0.1 (0%)	2.7 (11%)
	Subtotal	**18,523.9**	**18,125.6**	**17,681.5**	**64.0 (0%)**	**84.1 (0%)**
Total		**20,795.2**	**20,386.4**	**19,930.4**	**64.0 (0%)**	**84.1 (0%)**

Note: Data not audited. Numbers affected by rounding.

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

Iraq Security Forces Fund

The Congress has appropriated $18.04 billion to the ISFF to support Iraq's Ministry of Defense (MOD) and Ministry of Interior (MOI) in developing the Iraqi Security Forces (ISF).[95]

As of March 31, 2010, $1.46 billion of obligated funds had not been expended. An additional $1.00 billion remains unobligated, but $0.43 billion of this amount has expired. This leaves $0.57 billion of the funds appropriated for FY 2009 (P.L. 111-32) available for obligation to new projects.[96]

According to a recently released SIGIR audit, USF-I had obligated $16.75 billion (93%) of the $18.04 billion appropriated to the ISFF and liquidated $15.09 billion (90%) of those obligations, as of December 31, 2009. These values are the same as the unaudited values reported in the January 2010 SIGIR *Quarterly and Semiannual Report* and consonant with agency-reported values this quarter.[97] For the status of the ISFF, as of March 31, 2010, see Figure 2.4 and Table 2.5.

ISFF Quarterly Obligations and Expenditures

As of March 31, 2010, $17.06 billion (95%) of the $18.04 billion appropriated to the ISFF has been allocated to four major sub-activity groups: Equipment, Infrastructure, Sustainment, and Training.

The remaining $0.98 billion (5%) of the ISFF has been allocated to smaller sub-activity groups. Collectively termed "Related Activities," they include the ISFF Quick Response Fund, detainment centers, and rule-of-law complexes.[98]

This quarter, USF-I obligated $295.3 million of the ISFF—four times as much as the $73.0 million obligated last quarter. Most new obligations were made for MOD Equipment, though significant obligations were also made for MOI Equipment. The Infrastructure sub-activity group received the least amount of new obligations.

This quarter, USF-I expended $495.8 million—less than the $516.8 expended last quarter. Expenditures followed a similar pattern and were concentrated in the Equipment sub-activity group for both the MOD and MOI.[99]

FIGURE 2.4
ISFF: STATUS OF FUNDS
$ Billions
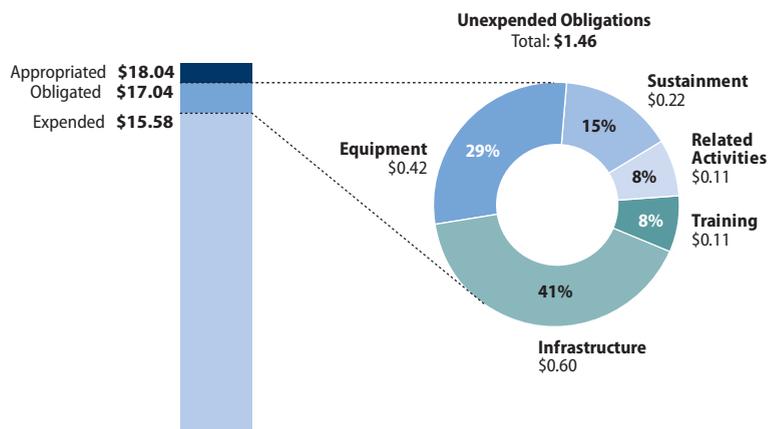
Note: Data not audited. Numbers affected by rounding.

Source: OSD, response to SIGIR data call, 4/12/2010.

Evolving Support for Iraqi Security Forces

In February 2010, the Administration requested $1.00 billion in FY 2010 supplemental appropriations and $2.00 billion in FY 2011 regular appropriations for the ISFF.[100] If Congress appropriates the full amount requested, the ISFF will have received $21.04 billion in total appropriations, and it will eclipse the IRRF ($20.86 billion) as the largest U.S. reconstruction fund for Iraq.[101]

Though the scale of support for the ISF is undiminished, U.S. reconstruction managers are changing the focus of these programs. The requested FY 2011 ISFF appropriation is intended primarily for MOD forces. According to the Administration's request, more than 50% of the $1.00 billion FY 2010 supplemental request is planned for Sustainment, including maintenance of fixed-wing and rotary aircraft and newly transferred U.S. equipment, as well as modernization of the Iraqi Army's mechanized division.[102] The FY 2011 request allocates funds primarily to remaining MOD Equipment requirements, including division-level communication equipment and armored transport.[103]

In January 2010, USF-I released a revised spend plan for the FY 2009/FY 2010 ISFF appropriations.

If Congress appropriates the full amount requested, the ISFF will eclipse the IRRF as the largest U.S. reconstruction fund for Iraq.

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

MINISTRY	SUB-ACTIVITY GROUP	STATUS OF FUNDS			QUARTERLY CHANGE	
		ALLOCATED	OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Defense	Infrastructure	3,272.1	3,088.6	2,762.9	3.9 (0%)	22.1 (1%)
	Equipment	4,743.5	4,592.3	4,384.7	180.3 (4%)	229.1 (6%)
	Training	541.7	451.2	395.8	23.1 (5%)	23.6 (6%)
	Sustainment	1,962.7	1,878.1	1,708.8	19.6 (1%)	59.0 (4%)
	Subtotal	**10,520.0**	**10,010.2**	**9,252.2**	**226.8 (2%)**	**333.8 (4%)**
Interior	Infrastructure	1,447.8	1,379.0	1,107.9	1.5 (0%)	5.6 (1%)
	Equipment	1,899.2	1,751.0	1,536.9	51.3 (3%)	95.5 (7%)
	Training	2,523.4	2,428.4	2,373.7	6.1 (0%)	14.1 (1%)
	Sustainment	672.5	595.5	546.7	1.0 (0%)	17.7 (3%)
	Subtotal	**6,542.9**	**6,153.9**	**5,565.2**	**59.9 (1%)**	**132.9 (2%)**
Other	**Subtotal**	**976.4**	**876.7**	**766.4**	**8.6 (1%)**	**29.1 (4%)**
Total		**18,039.3**	**17,040.9**	**15,583.8**	**295.3 (2%)**	**495.8 (3%)**

Note: Data not audited. Numbers affected by rounding.

Sources: OSD, response to SIGIR data call, 4/12/2010; SIGIR, *Quarterly and Semiannual Report to the United States Congress*, 1/2010.

FIGURE 2.5
ISFF: QUARTERLY EXPENDITURES, BY MINISTRY AND SUB-ACTIVITY GROUP, FY 2005– FY 2010
$ Billions and % of Total
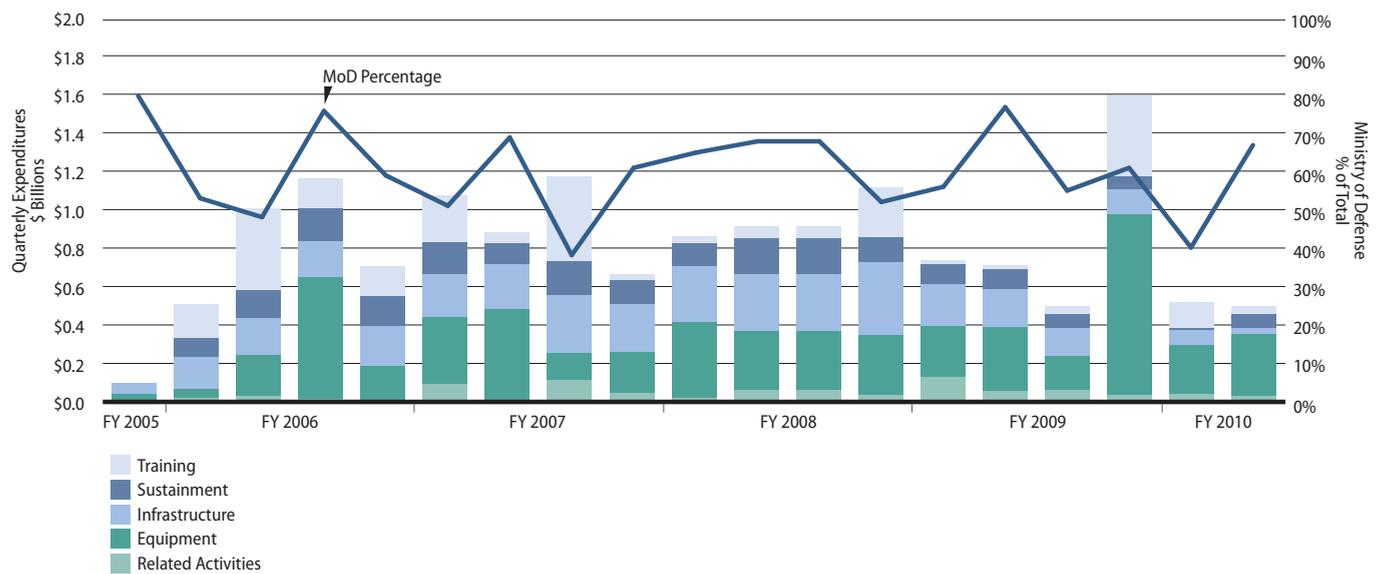
Note: Data not audited. Numbers affected by rounding.

Sources: OSD, response to SIGIR data call, 4/12/2010; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 10/2005–1/2010.

It proposed decreasing funding for MOD training by $71.1 million and applying the balance to Sustainment ($22.5 million) and Equipment ($48.6 million).[104] The largest newly proposed MOD Sustainment project was $20.7 million for life support and facility management of warehouses at Abu Ghraib and Taji, and the largest newly proposed MOD Equipment project was for ship repair equipment, a naval support-vessel simulator, and command-and-control equipment at the Umm Qasr naval base.[105]

The revised spend plan also proposed a funding decrease of $62 million for MOI Training, shifting the balance to Sustainment. The largest newly proposed MOI Sustainment project was for maintenance of non-intrusive inspection equipment, which allows personnel at entry control points around Baghdad to x-ray vehicles for explosives.[106]

For details on quarterly ISFF obligations since the fund's inception, by sub-activity group and ministry, see Figure 2.5.

Economic Support Fund

Since 2003, the Congress has appropriated $4.56 billion to the ESF to improve infrastructure and community security, promote democracy and civil society, and support capacity building and economic development.[107]

As of March 31, 2010, $626 million of obligated funds had not been expended. An additional $812 million remains unobligated, but $430 million of this amount has expired. This leaves $382.5 million appropriated for FY 2010 (P.L. 111-117) available for obligation to new projects.[108] This quarter, SIGIR announced an audit of the status of the ESF.

For the status of the ESF, as of March 31, 2010, see Figure 2.6 and Table 2.6.

ESF Quarterly Obligations and Expenditures

The ESF has been allocated to programs in three tracks: Security, Political, and Economic. This quarter, there were net deobligations in each of the tracks. The largest deobligation came in the Democracy and Civil Society Program; NEA-I reported

FIGURE 2.6
ESF: STATUS OF FUNDS
$ Billions
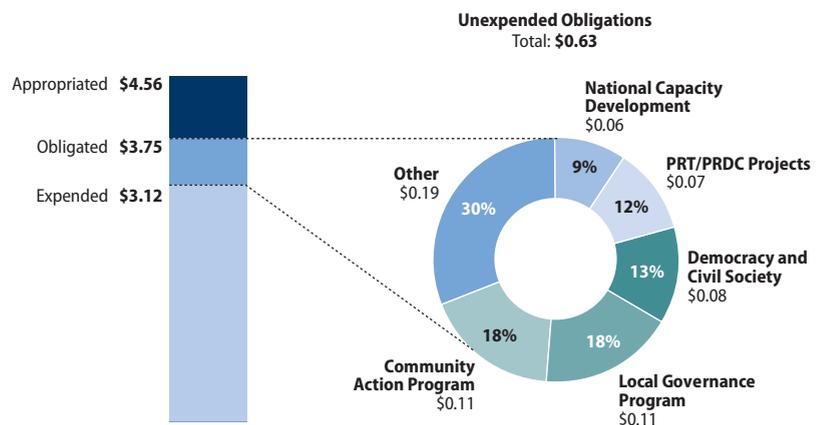
Note: Data not audited. Numbers affected by rounding.

Sources: U.S. Embassy-Baghdad, responses to SIGIR data calls, 7/16/2009 and 4/8/2010; NEA-I, responses to SIGIR data call, 4/2/2010, 4/10/2010, and 4/12/2010; USACE, response to SIGIR data call, 4/1/2010.

$259.4 million obligated as of December 31, 2009, but only $234.2 million obligated as of March 31, 2010.[109] The largest new obligation was a relatively modest $1.4 million for elections support.[110]

The largest expenditures this quarter were in the security track: $18.8 million for PRT/PRDC Projects, $18.6 million for the Community Action Program, and $17.6 million for the PRT Quick Response Fund.[111] The net reduction in expenditures for the Provincial Economic Growth (or *Tijara*) program is a result of a transfer by U.S. Embassy-Baghdad. According to USAID, $20 million in expenditures previously recorded under ESF were moved to IRRF 2.[112] This had the effect of decreasing total expenditures under the program, freeing up ESF funds.

ESF Programming for FY 2011

The Administration requested $383 million in FY 2011 appropriations for the ESF.[113] As U.S. troops withdraw from Iraq, this funding is intended to enable DoS to strengthen and normalize the bilateral relationship between the United States and Iraq. Accordingly, the request focuses on building Iraqi capacity.[114]

Table 2.6

ESF: Status of Funds, by Track and Program
$ Millions

Track	Program	Status of Funds			Quarterly Change	
		Allocated	**Obligated**	**Expended**	**Obligated**	**Expended**
Security	PRT/PRDC Projects	700.0	508.5	436.0	-2.3 (0%)	18.8 (5%)
	Community Stabilization Program	646.5	619.3	619.0		7.4 (1%)
	Local Governance Program	407.5	407.5	294.5	-3.0 (-1%)	-0.5 (0%)
	Community Action Program	382.1	382.1	268.2		18.6 (7%)
	PRT Quick Response Fund	257.0	208.9	163.8	-11.2 (-5%)	17.6 (12%)
	Infrastructure Security Protection	217.0	184.0	181.7	-0.2 (0%)	0.6 (0%)
	Subtotal	**2,610.1**	**2,310.2**	**1,963.1**	**-16.8 (-1%)**	**62.5 (3%)**
Political	National Capacity Development	309.4	309.4	251.6		7.1 (3%)
	Democracy and Civil Society	281.6	234.2	155.6	-25.2 (-10%)	7.6 (5%)
	Iraqi Refugees	95.0	95.0	90.6		0.4 (0%)
	Economic Governance II, Policy and Regulatory Reforms	85.0	85.0	85.0		
	Ministerial Capacity Development	48.0	41.0	30.0	-0.8 (-2%)	0.5 (2%)
	Regime Crimes Liaison Office	33.0	30.1	28.4		
	Elections Support	13.9	13.9	13.4	1.4 (11%)	1.3 (11%)
	Monitoring and Evaluation	7.3	7.6	0.5	0.3 (4%)	0.5
	USAID Program Expenses	0.2	0.2	0.1		
	Subtotal	**873.4**	**816.4**	**655.2**	**-24.3 (-3%)**	**17.5 (3%)**
Economic	O&M Sustainment	285.5	272.1	270.8	-0.1 (0%)	3.8 (1%)
	Inma Agribusiness Development	124.0	124.0	82.7		0.2 (0%)
	Provincial Economic Growth	85.8	85.8	38.1		-10.6 (-22%)
	Targeted Development Program	57.4	57.4	31.3		1.8 (6%)
	Plant-Level Capacity Development & Technical Training	51.5	47.9	47.8		0.1 (0%)
	Izdihar	32.8	32.8	31.4		
	Subtotal	**637.0**	**620.0**	**502.0**	**-0.1 (0%)**	**-4.8 (-1%)**
Total		**4,120.5**	**3,746.6**	**3,120.3**	**-41.2 (-1%)**	**75.2 (2%)**

Note: Data not audited. Numbers affected by rounding.

Sources: U.S. Embassy-Baghdad, responses to SIGIR data calls, 7/16/2009 and 4/8/2010; NEA-I, responses to SIGIR data call, 4/2/2010, 4/10/2010, and 4/12/2010; USACE, response to SIGIR data call, 4/1/2010.

Controlling Security Costs

U.S. Embassy-Baghdad reports that neither DoS nor USAID considers security costs to be a determining factor in choosing which projects to pursue in Iraq. Accordingly, they informed SIGIR that they do not engage in a cost-benefit analysis with respect to security. Instead, projects are selected based on their potential benefits, regardless of possible security costs.[115]

Security costs are determined after program objectives are decided. The Regional Security Office (RSO) has specific rules and standards for private security contracts, which are considered when developing budgets. For example, USAID budgets 21%–23% for security costs. U.S. Embassy-Baghdad says that it does not consult USF-I about security costs.[116] Security and life-support costs are excluded when calculating the Iraqi government's required cost-sharing contribution for certain U.S.-funded reconstruction projects.[117]

> Neither DoS nor USAID considers security costs to be a determining factor in choosing which projects to pursue in Iraq.

Commander's Emergency Response Program

Since 2004, the Congress has provided $3.74 billion in CERP funding for Iraq. As of March 31, 2010, $120 million of obligated funds had not been expended. An additional $193 million remains unobligated, but $138 million of that amount has expired. Only funds appropriated for FY 2010 (P.L. 111-118) that have not been obligated—$55 million as of March 31, 2010—may be obligated to new projects.[118] This quarter, SIGIR announced an audit of the status of the CERP.

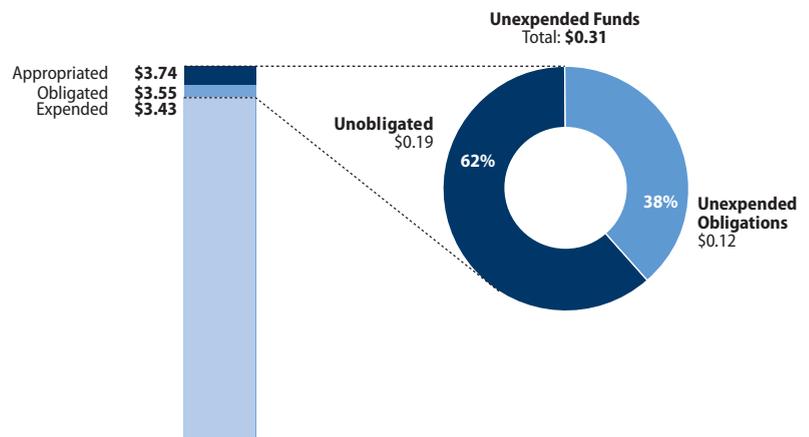For the status of the CERP, as of March 31, 2010, see Figure 2.7 and Table 2.7.

CERP Quarterly Obligations and Expenditures

DoD reported that, as of March 31, 2010, $63 million (39%) had been obligated and $31 million (20%) had been expended from the $160 million FY 2010 CERP allocation for Iraq. However, due to the lengthy CERP reporting process, the most current project-level data for those amounts is not yet available.[119]

The DoD Office of the Under Secretary of Defense(Comptroller) (OUSD(C)) does not maintain records of quarterly obligations and expenditures, by project category, for prior fiscal year appropriations; it reports obligations and expenditures from the current fiscal year appropriation only. Consequently, SIGIR cannot provide a full accounting of quarterly CERP obligations and expenditures by project category for the entire CERP fund with data supplied by OUSD(C).

To meet its congressional reporting mandate, SIGIR uses the Iraq Reconstruction Management System (IRMS) to provide obligation and expenditure data by project category for prior year appropriations, as well as current data by project category. However, as both SIGIR and the DoD Office of Inspector General (DoD OIG) have reported, CERP data from the IRMS is incomplete.[120] Moreover, IRMS does not account for all obligations and expenditures reflected in top-line CERP data provided by the Defense Finance and Accounting Service (DFAS).

FIGURE 2.7
CERP: STATUS OF FUNDS
$ Billions

Appropriated	**$3.74**
Obligated	**$3.55**
Expended	**$3.43**

Unexpended Funds
Total: **$0.31**

Unobligated
$0.19

62%

38% Unexpended Obligations
$0.12

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

Sources: OSD, responses to SIGIR data calls, 10/13/2009 and 4/13/2010.

Until DoD provides access to an alternative source of project-level data, SIGIR will continue to use the most recently updated CERP data available from IRMS.

According to U.S. Embassy-Baghdad, ITAO and USACE continue to discuss the ultimate disposition of IRMS. USACE will continue to manage the system until it is archived or until it is transferred to another organization.[121] According to ITAO, the system will be shut down on September 1, 2010. It plans to provide read-only access until September 30, 2010, after which time the database will be housed on another server for a period of 10 years. Just before the September 1, 2010, suspension date, ITAO plans to pull a limited set of fields for all records, which it will maintain in spreadsheets. Records for ongoing projects are to be shared with U.S. Embassy-Baghdad. In-depth investigations will be referred to the implementing organizations, which maintain their own records.[122]

CERP Programming for FY 2011

The Administration requested $200 million in FY 2011 appropriations for Iraq.[123] According

TABLE 2.7
CERP: STATUS OF FUNDS, BY PROJECT CATEGORY
$ Millions

PROJECT CATEGORY	STATUS OF FUNDS		QUARTERLY CHANGE	
	OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Water & Sanitation	636.2	547.2	-1.0 (0%)	3.9 (1%)
Protective Measures	473.1	371.4	36.6 (8%)	36.1 (11%)
Electricity	361.0	294.9	5.0 (1%)	11.2 (4%)
Transportation	336.7	269.1	1.8 (1%)	2.3 (1%)
Education	322.6	254.8	-0.9 (0%)	5.1 (2%)
Civic Cleanup Activities	200.2	158.8	5.4 (3%)	5.0 (3%)
Other Humanitarian and Reconstruction Projects	150.6	110.8	7.5 (5%)	11.2 (11%)
Economic, Financial, and Management Improvements	120.9	84.4	3.4 (3%)	5.1 (6%)
Agriculture	111.1	90.0	11.1 (11%)	18.2 (25%)
Civic Infrastructure Repair	109.4	89.3	18.3 (20%)	12.0 (16%)
Healthcare	104.8	90.6	1.4 (1%)	3.3 (4%)
Law & Governance	103.2	91.4	2.7 (3%)	1.4 (2%)
Condolence Payments	49.0	44.3	0.1 (0%)	0.6 (1%)
Battle Damage	42.9	34.4	0.9 (2%)	0.8 (2%)
Telecommunications	28.0	22.9	-0.7 (-2%)	
Civic Support Vehicles	24.3	20.0		
Food Production & Distribution	0.0	0.0	-13.8 (-100%)	-10.5 (-100%)
Detainee Release Payments	0.0	0.0	-1.0 (-100%)	-0.6 (-100%)
Subtotal	**3,173.8**	**2,574.3**	**76.7 (2%)**	**105.3 (4%)**
Unaccounted-for CERP Allocations	376.1	855.4	-22.3 (-6%)	-33.6 (-4%)
Total	**3,549.9**	**3,429.7**	**55.4 (2%)**	**71.7 (2%)**

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

Sources: IRMS, *MNC-I Quarterly Report*, 1/15/2010; IRMS, *USF-I CERP Category Report*, 4/14/2010; OSD, responses to SIGIR data calls, 10/13/2009 and 4/13/2010.

to USF-I, both the number and value of CERP-funded reconstruction projects will decline with the scheduled troop withdrawal. Commanders plan to execute reconstruction projects that are simpler in scope, shorter in duration, and less expensive, in order to avoid leaving unfinished projects. *Money as a Weapon System* (MAAWS), the CERP policy manual, was updated on March 1, 2010, to include a risk assessment matrix to help commanders determine such risk when assigning CERP reconstruction projects to units approaching the end of their missions. In addition, USF-I requires that a memorandum of agreement be signed with a responsible

Iraqi official before project work begins to mitigate the risk that CERP-funded projects completed by U.S. forces will not be sustained.[124]

Ongoing Management and Control Issues
Over the past several years, concerns about the adequacy of CERP project management controls have been raised by the Congress and addressed in various audit reports by SIGIR, GAO, and the Army Audit Agency. Issues identified include concerns about project selection, cost, oversight, record keeping, and cash payments. DoD has improved the program's controls over time and is considering further reforms.

This quarter, SIGIR released an audit on 46 CERP-funded projects at the Baghdad International Airport Economic Zone (BEZ), with a total value of $35.5 million. SIGIR found that the majority of funds expended on 22 of these projects (worth $19.3 million) resulted in generally successful outcomes. However, at this point, about $16.1 million expended on 24 projects had generally unsuccessful outcomes; these funds are at risk of being wasted without further action. USF-I is actively working with the Iraqi government, which now owns the facilities, to identify opportunities to gain additional benefits from the U.S.-funded investments.[125]

SIGIR also found that CERP guidance did not adequately reflect the evolving manner in which commanders used CERP funds. For example, BEZ projects used management and oversight procedures designed for smaller, quick-reaction projects, rather than large-scale economic development efforts.[126]

The BEZ reflects a wider pattern of large CERP projects subject to inadequate controls. DoD is currently performing an internal assessment of existing processes. Options under consideration include a single departmental coordinator, dedicated CERP managers and contracting personnel in theater, and increased pre-mobilization and in-country training.[127]

This quarter, DoD leadership again acknowledged the need for strong oversight. General David Petraeus, Commander of U.S. Central Command (CENTCOM), stated in his March 2010 testimony before the Senate Armed Services Committee that small CERP projects can be the most efficient and effective means of addressing emergent needs of local communities in U.S. forces' areas of operations. Furthermore, he considers proper oversight "critical."[128] CENTCOM has requested the Army Audit Agency to conduct additional audits of the CERP and established new guidelines for the number of projects each CERP team should oversee.[129]

U.S. Secretary of Defense Robert Gates reiterated the importance of CERP oversight in recent testimony before the Senate Appropriations Subcommittee on Defense. He added that, "nonetheless, even with improved execution and oversight, it is unrealistic to expect a tool like CERP—whose very effectiveness and existence is tied to its flexibility and the discretion granted to local commanders in a war zone—to attain a zero-defect standard."[130]

On March 2, 2010, General Peter Chiarelli, Vice Chief of Staff of the U.S. Army, issued a memo that established new standards for the selection and training of contracting officer's representatives (CORs), who are responsible for contractor oversight. Among the reforms are pre-deployment selection and training and improved training materials for deployed CORs. In addition, commanders and supervisors are required to nominate personnel with experience in the type of contract support required, to ensure they receive contract-specific training, and to consider their effectiveness as CORs when preparing performance evaluations.[131]

SIGIR supports these efforts and the need for effective controls over higher-dollar projects and those with cash payments. However, continuing improvement is necessary. For example, this quarter SIGIR recommended improving planning for large-scale development projects. Additionally, attention must continue to be paid to costly projects that do not meet the senior-level approval criteria.

SIGIR continues to uncover illegal use of CERP funds. In one case, a U.S. Army Captain pled guilty to embezzling $690,000 in CERP funds. In another, two Korean military officers and an enlisted soldier pled guilty to charges in Korea for criminal activity related to their mishandling of CERP funds. Criminal charges in several additional cases related to the misappropriation or misuse of CERP funds are anticipated. Having appropriate management controls in place that are tailored to contingency environment needs is key to the effective and efficient implementation of CERP projects in other contingencies, such as Afghanistan, where the Administration has requested $1.10 billion in FY 2011 appropriations.

Having appropriate management controls in place that are tailored to contingency environment needs is key to the effective and efficient implementation of CERP projects.

Smaller Funds

The Congress has appropriated, or otherwise made available, at least $6.10 billion in smaller funding streams for Iraq reconstruction. SIGIR has classified these funding streams into three categories:[132]
- Other Assistance Programs—$3.77 billion
- Reconstruction-related Operating Expenses—$2.05 billion
- Reconstruction Oversight—$0.28 billion

Most are managed by DoS, though a significant amount of funding was appropriated or transferred to other departments and temporary agencies. Given the complicated way funds have been transferred, exact amounts are difficult to determine. As of March 31, 2010, at least $4.61 billion (75%) of these funds had been obligated, and at least $4.20 billion (69%) had been expended.[133] For details on the status of funds, see Table 2.3.

> Given the complicated way funds have been transferred, exact amounts are difficult to determine.

Other Assistance Programs

Approximately $3.77 billion in funding for Iraq reconstruction has been provided through smaller assistance programs, including appropriations to the Departments of State, Treasury, and Justice for operations in Iraq, and through transfers from larger funds. As of March 31, 2010, at least $3.66 billion (97%) had been obligated, and at least $3.30 billion (87%) had been expended.[134]

For a description of selected smaller assistance programs, see Table 2.8.

Operating Expenses

Approximately $2.05 billion has been appropriated directly for reconstruction-related operating expenses. Data is incomplete, but as of March 31, 2010, at least $832 million (41%) had been obligated, and at least $799 million (39%) had been expended.[135]

Reconstruction Oversight

Approximately $276 million has been appropriated directly for reconstruction oversight. Data is incomplete, but as of March 31, 2010, at least $164 million (59%) had been obligated, and at least $148 million (54%) had been expended. These funds support SIGIR and the Iraq-related work of other oversight agencies.[136]

For details on the oversight of Iraq reconstruction, see Sections 3 and 4 of this Report and Appendices G and H.
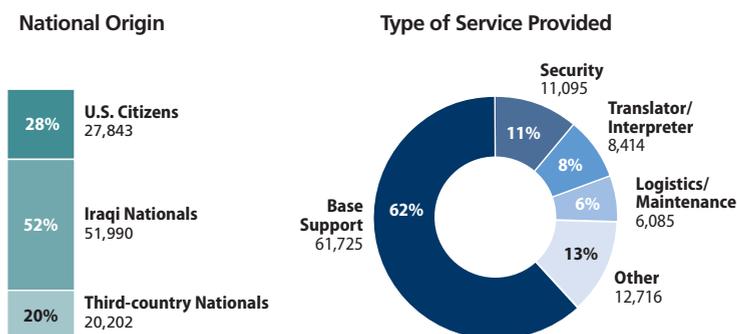
Contracting

As of March 31, 2010, there were 99,420 DoD contractors working in Iraq (not including Logistics Civil Augmentation Program, or LOGCAP, contractors).[137] The most recent census of DoD contractors—which includes contractors' national origin and type of service provided—showed 100,305 DoD contractors in Iraq, as of February 2010.[138] For a breakdown of DoD contractors, by national origin and type of service provided, see Figure 2.8.

As of March 31, 2010, there were 2,795 DoS and USAID private security contractors (PSCs) working in Iraq. According to U.S. Embassy-Baghdad, DoS and USAID do not maintain records of non-security contractors supporting reconstruction efforts.[139] For more information on PSCs, see the Security subsection of this report.

FIGURE 2.8

DoD Contractors in Iraq, as of 2/2010
100,035 Total Contractors

National Origin

- 28% **U.S. Citizens** 27,843
- 52% **Iraqi Nationals** 51,990
- 20% **Third-country Nationals** 20,202

Type of Service Provided

- **Security** 11,095 — 11%
- **Translator/Interpreter** 8,414 — 8%
- **Logistics/Maintenance** 6,085 — 6%
- **Other** 12,716 — 13%
- **Base Support** 61,725 — 62%

Note: Data not audited. Numbers affected by rounding.

Source: ADUSD(Program Support), "Contractor Support of U.S. Operations in USCENTCOM AOR, Iraq, and Afghanistan," 2/28/2010.

Table 2.8

Selected Other Assistance Programs, by Implementing Agency

Fund and Amount Appropriated	Purpose
Department of Defense	
Natural Resources Risk Remediation Fund (NRRRF) $801 million	NRRRF was used for early reconstruction of the oil sector. USACE reported that all funds were fully expended as of September 30, 2008.
Iraq Freedom Fund (IFF) $700 million	The IFF was established by P.L. 108-11 on April 16, 2003, to fund additional expenses for ongoing military operations in Iraq and elsewhere. It allows the Secretary of Defense to transfer funds to finance combat, stability operations, force reconstitution, and other war-related costs. Once funds are transferred, they "take on the characteristics" and are subject to the same rules and restrictions as the receiving fund or account.
Overseas Humanitarian, Disaster, and Civic Aid (OHDACA) $16 million	OHDACA provides basic humanitarian aid and services to populations in need. According to the Defense Security Cooperation Agency, which oversees OHDACA, these funds build indigenous capabilities and cooperative relationships with allies and potential partners and improve access to areas not otherwise available to U.S. forces.
Department of State	
Migration and Refugee Assistance (MRA) and Emergency Refugee and Migration Assistance (ERMA) $604 million	MRA and ERMA are administered by the Bureau of Population, Refugees, and Migration (PRM) and are used to fund contributions to International Organizations that benefit Iraqi refugees, internally displaced persons (IDPs), and other conflict victims; funding is also provided to non-governmental organizations (NGOs) who fill gaps in the international community's multilateral response.
International Narcotics Control and Law Enforcement (INCLE) $386 million	INCLE is administered by the Bureau of International Narcotics and Law Enforcement Affairs.
Democracy Fund $265 million	The Democracy Fund is allocated by the Bureau of Democracy, Human Rights, and Labor (DRL) to support democracy-promotion programs of a variety of agencies, including the National Democratic Institute and the International Republican Institute.
Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) $90 million	NADR supports security and humanitarian-related initiatives. The FY 2010 request for Iraq includes funding for humanitarian demining, anti-terrorism, small-arms destruction, and other activities.
International Military Education and Training (IMET) $8 million	IMET is intended to strengthen alliances and promote military professionalism through training and education for students from allied and friendly nations. The program is administered jointly with DoD.
Educational and Cultural Affairs (ECA) $5 million	ECA supports education, democracy, civil society, and cultural heritage activities in Iraq through educational and cultural exchanges.
U.S. Agency for International Development	
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA) $219 million	The USAID Office of Foreign Disaster Assistance (OFDA) is responsible for IDA and IDFA. These funds allow the U.S. government to respond to disasters in foreign countries, through famine relief, cash food aid, and related programs.
P.L. 480 Food Aid (Title II and Non-Title II) $395 million	P.L. 480 Title II Food Aid, also known as Food for Peace, provides for the donation of U.S. agricultural commodities to meet emergency and non-emergency food needs in other countries.
Child Survival and Health (CSH) $90 million	The USAID Bureau of Global Health is responsible for CSH, which funds maternal, new-born, and child health programs implemented by private voluntary organizations (PVOs) and NGOs.
U.S. Treasury	
International Affairs Technical Assistance $16 million	The Department of Treasury is responsible for International Affairs Technical Assistance, which is funded in Iraq by DoS, under a reimbursable agreement. Office of Technical Assistance advisors work with foreign governments to improve their financial systems.

Note: Data not audited. Numbers affected by rounding.

Sources: **NRRRF:** USACE, GRD, response to SIGIR data call, 10/6/2008; **IFF:** OSD, responses to SIGIR data calls, 10/2/2009 and 4/14/2010; **OHDACA:** DSCA, "Overseas Humanitarian, Disaster, and Civic Aid: Fiscal Year 2010 Budget Estimates," 5/2009; OSD, response to SIGIR data call, 4/15/2010; **MRA and ERMA:** DoS, PRM, response to SIGIR data call, 4/14/2010; **INCLE:** INL, responses to SIGIR data calls, 10/14/2009 and 4/14/2010; **Democracy Fund:** DoS, DRL, responses to SIGIR data call, 4/2/2010 and 4/9/2010; **NADR:** 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; DoS, "Foreign Operations Congressional Budget Justification, Fiscal Year 2010," 5/2009, pp. 49, 55; **IMET:** DoS, "Foreign Operations Congressional Budget Justification, Fiscal Year 2010," 5/2009, p. 88; DoS, response to SIGIR data call, 3/17/2010; **ECA:** NEA-I, response to SIGIR data call, 10/2/2009; DoS, ECA, response to SIGIR data call, 4/14/2010; **IDA/IDFA:** USAID, response to SIGIR data call, 4/14/2010; **P.L. 480:** USDA, Foreign Agricultural Service, "Fact Sheet: Food Assistance," 4/2009, fas.usda.gov/info/factsheets/foodaid.asp, accessed 10/16/2009; NEA-I, response to SIGIR data call, 4/2/2010; **CSH:** NEA-I, response to SIGIR data call, 4/2/2010; **International Affairs Technical Assistance:** 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.

Drawdown of Contractor Workforce

According to the Commission on Wartime Contracting in Iraq and Afghanistan (CWC), DoD expects the number of contractor personnel in Iraq to decline to no more than 75,000 by August 2010 (not including LOGCAP contractors),[140] at which time the Administration expects to have approximately 50,000 U.S. troops in-country.[141] This represents a significant decline in the absolute number of DoD contractors, from a high of more than 160,000 in September 2008. However, as a ratio of contractors to troops, the projection for August 2010 increases from roughly 1:1[142] to 3:2.[143] For a historical perspective, see Table 2.9.

Throughout drawdown planning and execution, USF-I has emphasized limiting contractors in all areas, transitioning from non-Iraqi contractors to local nationals and increasing the use of competitive, firm-fixed-price contracts to reduce costs. However, the number of some types of contractors—including materiel-handling teams,

> DoD expects the number of contractor personnel in Iraq to decline to no more than 75,000 by August 2010, at which time the Administration expects to have approximately 50,000 U.S. troops in-country.

engineers, and transportation specialists—may temporarily increase while U.S. troops draw down by the August 31, 2010, deadline. Accordingly, USF-I has established a senior officer board to review new and recurring requirements both before and after that date.[144]

Challenges

On March 29, 2010, the CWC held hearings to learn whether the U.S. government had adequate plans and mechanisms in place to ensure that contractors reduced their workforce appropriately as U.S. forces withdraw. The hearings focused particularly on KBR's LOGCAP III contract for logistical support in Iraq.[145]

In October 2009, the Defense Contract Audit Agency (DCAA) issued a report concluding that KBR was not effectively managing its staffing levels during the planned military troop drawdown and that improved management could save the U.S. government approximately $193 million over the 8-month period from January 2010 through August 2010.[146]

At the CWC hearing, a KBR official said that requirements for logistical support at some KBR-supported sites increased in 2009 as military forces consolidate from smaller, non-KBR-supported sites to larger, KBR-supported sites. The KBR official also noted that, in supporting many agencies, it has experienced duplicative and competing direction as the various agencies attempted to provide contract oversight without any interagency coordination of their efforts.[147]

In testimony on March 17, 2010, William Solis of GAO outlined five challenges to DoD contingency contracting:[148]

- having adequate numbers of contract oversight and management personnel
- training personnel to work with contractors
- ensuring that local and third-country nationals are properly screened
- compiling reliable data on the number of contractor personnel
- identifying requirements for contractor support in ongoing operations

TABLE 2.9

ESTIMATED SCALE OF CONTRACTOR SUPPORT FOR U.S. MILITARY OPERATIONS

| CONFLICT | ESTIMATED PERSONNEL (Thousands) | | CONTRACTOR TO MILITARY RATIO |
	CONTRACTOR	MILITARY	
Revolutionary War	2	9	1:6
War of 1812	N/A	38	N/A
Mexican-American War	6	33	1:6
Civil War	200	1,000	1:5
Spanish-American War	N/A	35	N/A
World War I	85	2,000	1:24
World War II	734	5,400	1:7
Korea	156	393	1:2.5
Vietnam	70	359	1:5
Gulf War	9	500	1:55
Balkans	20	20	1:1
Iraq, 2008	160	200	1:1
Iraq, August 2010 (Projected)	75	50	1:0.7

Note: Adapted from original, which estimated total contractor personnel in-theater to be 190,200 as of April 30, 2008, including 30,300 DoD contractor personnel supporting Iraq operations from neighboring countries. Projections for August 2009 include only DoD contractor personnel—estimates from DoS and USAID were not available. Estimates also do not include LOGCAP contractors, who may number as many as 189,000, making the contractor to military personnel ration significantly higher. For some conflicts, the estimated number of contractor personnel includes civilians employed by the U.S. government.

Sources: CBO, "Contractors' Support of U.S. Operations in Iraq," 8/2008, pp. 9, 13; CWC, press release, "Wartime Contracting Hearing to Focus on Managing Contractors during Iraq Drawdown," 3/19/2010; DoD, "Fiscal Year 2011 Budget Request: Overview," 2/2010, Chapter 6, p. 1.

Identifying requirements is particularly salient for the Iraq drawdown. DoD doctrine and guidance requires personnel who plan, support, and execute military operations to also determine the contract support needed to accomplish their missions. According to the GAO, while USF-I has taken steps to identify all the LOGCAP support it needs, it has not identified other necessary contract support. MNF-I (the predecessor to USF-I) delegated that responsibility to the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) and other contracting agencies, rather than to operational personnel. However, JCC-I/A could not determine theater-wide levels of contracted services required, because it lacked sufficient, relevant information on future requirements—information that should have been provided by operational personnel.[149]

Contractor Services and Costs

On January 29, 2010, the Office of the Secretary of Defense issued a Directive-Type Memorandum (DTM) that established business rules for use in estimating and comparing the full costs of military and DoD civilian manpower and contractor support. It specified that these rules should be used when determining the workforce mix of new or expanding mission requirements, or when deciding whether to use DoD civilians to perform functions currently being performed by contractors.[150]

Costs that must be considered for military and civilian manpower include:[151]
- direct labor costs, such as basic pay, allowances, health care benefits, child care, education, and commissaries
- direct non-labor costs, such as office space and supplies
- indirect costs, such as the fair share of higher-level management and shared professional support (accounting, legal, human resources, budget, data processing, and other services)

Cost calculations should include those paid by DoD and those borne by other federal agencies. Costs that must be considered for service contracts include:[152]
- negotiated contract price
- cost of goods, services, and benefits provided in-kind to contractors
- costs incurred for contract administration and oversight
- insurance costs against indemnity

Using these business rules, as well as case-specific assumptions, the DTM provided a cost comparison for a Department of the Army Operations Research Analyst position in the Washington, D.C., metropolitan area.[153] The estimated comparative costs are shown in Table 2.10. In this example, the DoD civilian had the least cost.

> JCC-I/A could not determine theater-wide levels of contracted services required, because it lacked sufficient, relevant information on future requirements— information that should have been provided by operational personnel.

TABLE 2.10

SAMPLE COST COMPARISON FOR A DEPARTMENT OF THE ARMY OPERATIONS RESEARCH ANALYST

TYPE OF PERSONNEL	BASE PAY	PROGRAMMED AMOUNT	FULL COST TO DoD	FULL COST TO THE GOVERNMENT
Military O-5, 20 Years of Service	$121,848	$155,631	$210,968	$264,548
Civilian GS-14, Step 5	$111,104	$143,435	$157,239	$168,349
Contractor (Government Site)	N/A	$218,592	$218,592	$218,592
Contractor (Contractor Site)	N/A	$268,555	$268,555	$268,555

Note: Data not audited. Cost calculations reflect specific assumptions for the example, and should not be generalized. Base Pay includes locality adjustment for military and civilian personnel as well as Basic Allowance for Housing (BAH) for military personnel.

Source: OSD Directive-Type Memorandum 09-007, "Estimating and Comparing the Full Costs of Civilian and Military Manpower and Contract Support," 1/29/2010, p. 23.

Overview of Funding Uses

SIGIR classifies the major U.S. reconstruction funds by their use into 4 reconstruction areas, comprising 17 sectors. Developments in the Security, Infrastructure, Governance, and Economy areas are discussed in the following pages of this Report. For the status of U.S. reconstruction funding by use, see Table 2.11. For the status of major funds, by program, in each of SIGIR's four reconstruction areas, see Appendix C.◆

TABLE 2.11
STATUS OF MAJOR U.S. RECONSTRUCTION FUNDS, BY USE
$ Billions

Area	Sector	Status of Funds			Quarterly Change	
		Allocated	Obligated	Expended	Obligated	Expended
Security	Equipment	7.34	7.03	6.61	0.23 (3%)	0.32 (5%)
	Training	5.97	5.75	5.62	0.03 (0%)	0.04 (1%)
	Infrastructure	5.81	5.55	4.95	0.01 (0%)	0.03 (1%)
	Sustainment	2.64	2.47	2.26	0.02 (1%)	0.08 (4%)
	Rule of Law	1.54	1.53	1.32	0.04 (3%)	0.05 (4%)
	Related Activities	1.27	1.17	1.04	0.01 (1%)	0.03 (3%)
	Subtotal	**24.57**	**23.51**	**21.79**	**0.34 (1%)**	**0.54 (3%)**
Infrastructure	Electricity	5.18	5.03	4.91	0.03 (1%)	0.05 (1%)
	Water and Sanitation	2.75	2.64	2.51		0.03 (1%)
	Oil and Gas	2.05	1.94	1.91	0.01 (0%)	
	General Infrastructure	1.25	1.24	1.24		
	Transportation and Communications	1.16	1.12	1.01	0.02 (2%)	0.01 (1%)
	Subtotal	**12.39**	**11.96**	**11.58**	**0.06 (1%)**	**0.09 (1%)**
Governance	Capacity Development	2.55	2.30	2.05	-0.01 (-1%)	0.06 (3%)
	Democracy and Civil Society	2.19	2.17	1.83	-0.03 (-1%)	0.03 (2%)
	Public Services	1.98	1.96	1.78	0.03 (2%)	0.04 (2%)
	Humanitarian Relief	0.85	0.85	0.80	-0.01 (-1%)	
	Subtotal	**7.58**	**7.29**	**6.46**	**-0.02 (0%)**	**0.12 (2%)**
Economy	Economic Governance	0.82	0.83	0.76		
	Private Sector Development	0.77	0.76	0.62	0.01 (1%)	0.01 (2%)
	Subtotal	**1.59**	**1.59**	**1.38**	**0.01 (1%)**	**0.01 (0%)**
Total		**46.13**	**44.35**	**41.21**	**0.39 (1%)**	**0.76 (2%)**

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

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

SECURITY

As of March 31, 2010, the United States had allocated $24.57 billion, obligated $23.51 billion, and expended $21.79 billion for programs and projects to develop the Iraqi Security Forces (ISF) and support the rule of law in Iraq.[154] For the status of these funds, see Figure 2.9 and Table 2.12.

This quarter, there were $337.9 million in new net obligations for security programs—more than three times last quarter's net obligations. Most new obligations were for ISF equipment, including $180.3 billion for Ministry of Defense (MOD) forces and $51.3 billion for Ministry of Interior (MOI) forces from the ISFF. New obligations for training, sustainment, and rule of law programs were relatively modest. The most notable was nearly $36.6 million obligated for the CERP-funded Protective Measures program. Obligations for ISF infrastructure were low, as they were last quarter.[155]

This quarter, there were $542.3 million in new net expenditures for security programs. Similar to obligations, new expenditures focused on equipment for the ISF. Nearly $59.0 million was expended on MOD sustainment, a major increase over the amount expended last quarter.[156]
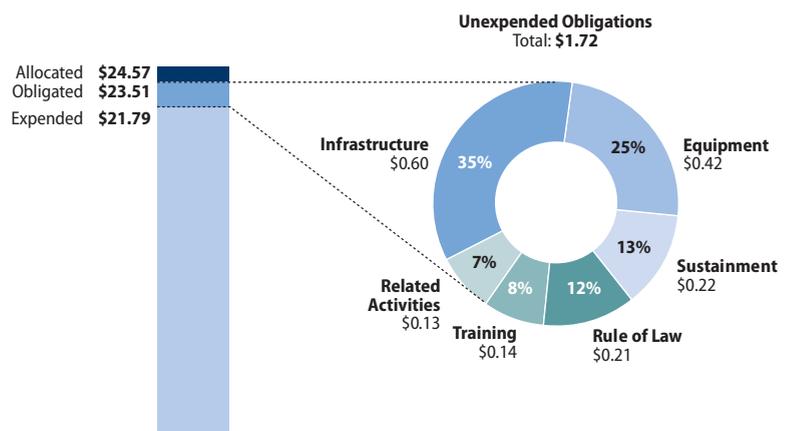
Security Concerns

In March 2010, General Raymond T. Odierno, Commander of U.S. Forces-Iraq (USF-I), observed that slow progress continues to be made toward normalcy across Iraq, noting a drop in security incidents to levels last seen in 2003.[157] However, Iraq remains vulnerable to sporadic, low-grade violence and well-coordinated mass-casualty attacks. In light of the recent violence around Iraq's national elections, the country's ability to manage underlying ethnosectarian divisions through the political process and state security apparatus may be increasingly stressed as U.S. forces continue to draw down.[158]

Violence levels in Iraq—as measured by monthly overall security incidents and including all reported attacks against civilians, the ISF, and U.S. forces—averaged 884 per month this quarter, compared with an average 5,789 per month in 2007. Nearly 70% of all attacks occurred in Baghdad, Diyala, Ninewa, and Salah Al-Din provinces, which are home to approximately half of Iraq's population.[159]

In northern Iraq, Mosul remained the principal area of concern. Numerous attacks on civilians have been reported in the city and nearby townships, as well as in the outlying areas of Sinjar and Tellafar. As the UN reports, political assassinations and the constant targeting of security forces appear to be part of a calculated strategy by insurgents to prevent the stabilization of the area and limit the opportunity for political engagement and reconciliation.

FIGURE 2.9
SECURITY: STATUS OF FUNDS
$ Billions

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

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

TABLE 2.12

SECURITY: STATUS OF FUNDS, BY SECTOR, WITH SELECTED PROGRAMS
$ Millions

		STATUS OF FUNDS		QUARTERLY CHANGE	
SECTOR	PROGRAM	OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Equipment	MOD Equipment (ISFF)	4,592.3	4,384.7	180.3 (4%)	229.1 (6%)
	MOI Equipment (ISFF)	1,751.0	1,536.9	51.3 (3%)	95.5 (7%)
	Other	690.9	690.5		
	Subtotal	**7,034.2**	**6,612.2**	**231.5 (3%)**	**324.7 (5%)**
Training	MOD Training (ISFF)	451.2	395.8	23.1 (5%)	23.6 (6%)
	MOI Training (ISFF)	2,428.4	2,373.7	6.1 (0%)	14.1 (1%)
	Other	2,874.9	2,847.5	-0.8 (0%)	-0.8 (0%)
	Subtotal	**5,754.4**	**5,617.0**	**28.4 (0%)**	**36.8 (1%)**
Infrastructure	MOD Infrastructure (ISFF)	3,088.6	2,762.9	3.9 (0%)	22.1 (1%)
	MOI Infrastructure (ISFF)	1,379.0	1,107.9	1.5 (0%)	5.6 (1%)
	Other	1,081.5	1,075.5		0.8 (0%)
	Subtotal	**5,549.1**	**4,946.3**	**5.4 (0%)**	**28.6 (1%)**
Sustainment	MOD Sustainment (ISFF)	1,878.1	1,708.8	19.6 (1%)	59.0 (4%)
	MOI Sustainment (ISFF)	595.5	546.7	1.0 (0%)	17.7 (3%)
	Subtotal	**2,473.7**	**2,255.5**	**20.6 (1%)**	**76.7 (4%)**
Rule of Law	Protective Measures (CERP)	473.1	371.4	36.6 (8%)	36.1 (11%)
	Justice, Public Safety Infrastructure, & Civil Society – Penal Facilities (IRRF)	92.1	83.3	4.2 (5%)	6.9 (9%)
	Other	964.9	864.9	1.5 (0%)	2.1 (0%)
	Subtotal	**1,530.1**	**1,319.6**	**42.3 (3%)**	**45.1 (4%)**
Related Activities	Related Activities (ISFF)	876.7	766.4	8.6 (1%)	29.1 (4%)
	Other	290.5	274.9	1.0 (0%)	1.5 (1%)
	Subtotal	**1,167.2**	**1,041.2**	**9.7 (1%)**	**30.5 (3%)**
Total		**23,508.7**	**21,791.9**	**337.9 (1%)**	**542.3 (3%)**

Note: Data not audited. Numbers affected by rounding. Programs listed in this table had changes of at least $5 million in combined quarterly obligations and expenditures. Appendix C shows the status of programs in the "Other" categories, which had nominal or no quarterly change. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting by one quarter. Therefore, category totals found in the Funding subsection of this Report may not match top-line values found in the four subsections on major reconstruction areas.

Sources: DoS, response to SIGIR data call, 4/5/2007; U.S. Embassy-Baghdad, response to SIGIR data call, 7/16/2009; IRMS, *USF-I CERP Category Report*, 4/14/2010; NEA-I, response to SIGIR data call, 4/2/2010; OSD, responses to SIGIR data call, 4/10/2009 and 4/12/2010; SIGIR, *Quarterly and Semiannual Report to the United States Congress*, 1/2010.

> Violent attacks during the elections served as a reminder that extremist elements continue to try to destabilize the country.

Incidents in central Iraq continue to be concentrated around Kirkuk and have been marked by similar attempts to generate mistrust and provoke conflict between local communities—particularly ahead of the recent elections.[160]

For an overview of major attacks this quarter, see Figure 2.10.

At least 100 violent attacks during the March 7, 2010, elections served as a reminder that extremist

elements—most notably al-Qaeda in Iraq (AQI)—continue to try to destabilize the country.[161] Up to 367 people were killed during the month of March across the country, including 216 civilians and 151 security members.[162] Although AQI started as a broad-based insurgency, capable of sustaining significant operations across Iraq, consistent pressure from USF-I and the ISF has reduced its threat to the GOI's ability to govern, and forced AQI to

An Iraqi man near Kerbala displays his marked finger, a sign of having voted in the March 7, 2010, Iraqi national elections. Iraqi Security Forces took the lead on election-day security as U.S. forces observed. (USF-I photo)
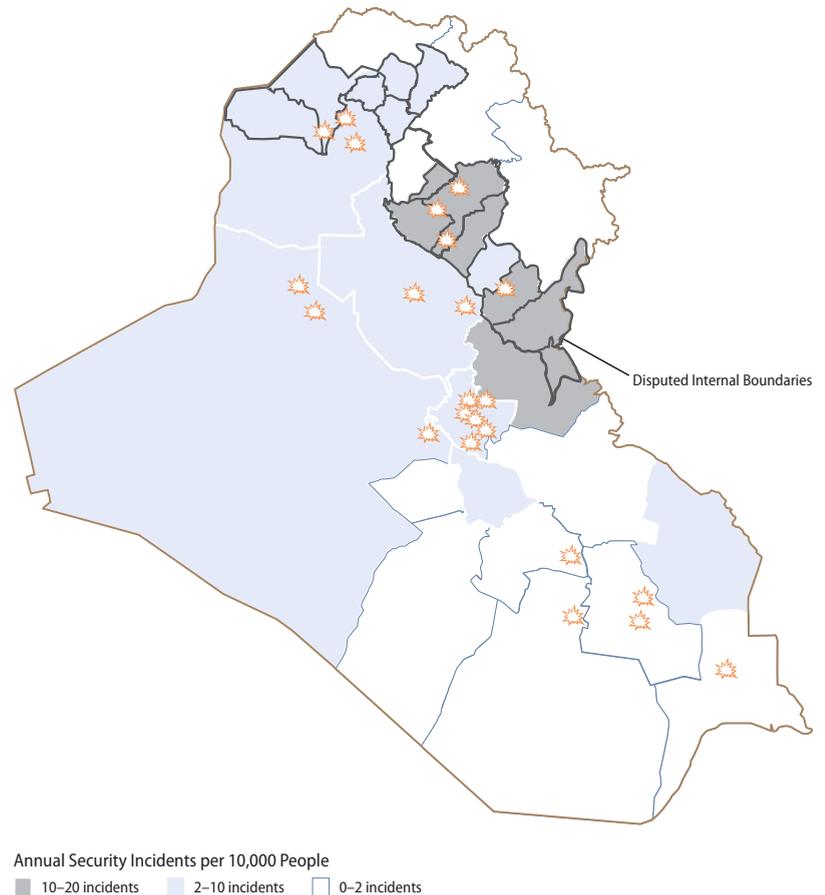
FIGURE 2.10

SIGNIFICANT SECURITY INCIDENTS, BY REGION, 1/1/2010–3/31/2010

Disputed Internal Boundaries

Annual Security Incidents per 10,000 People

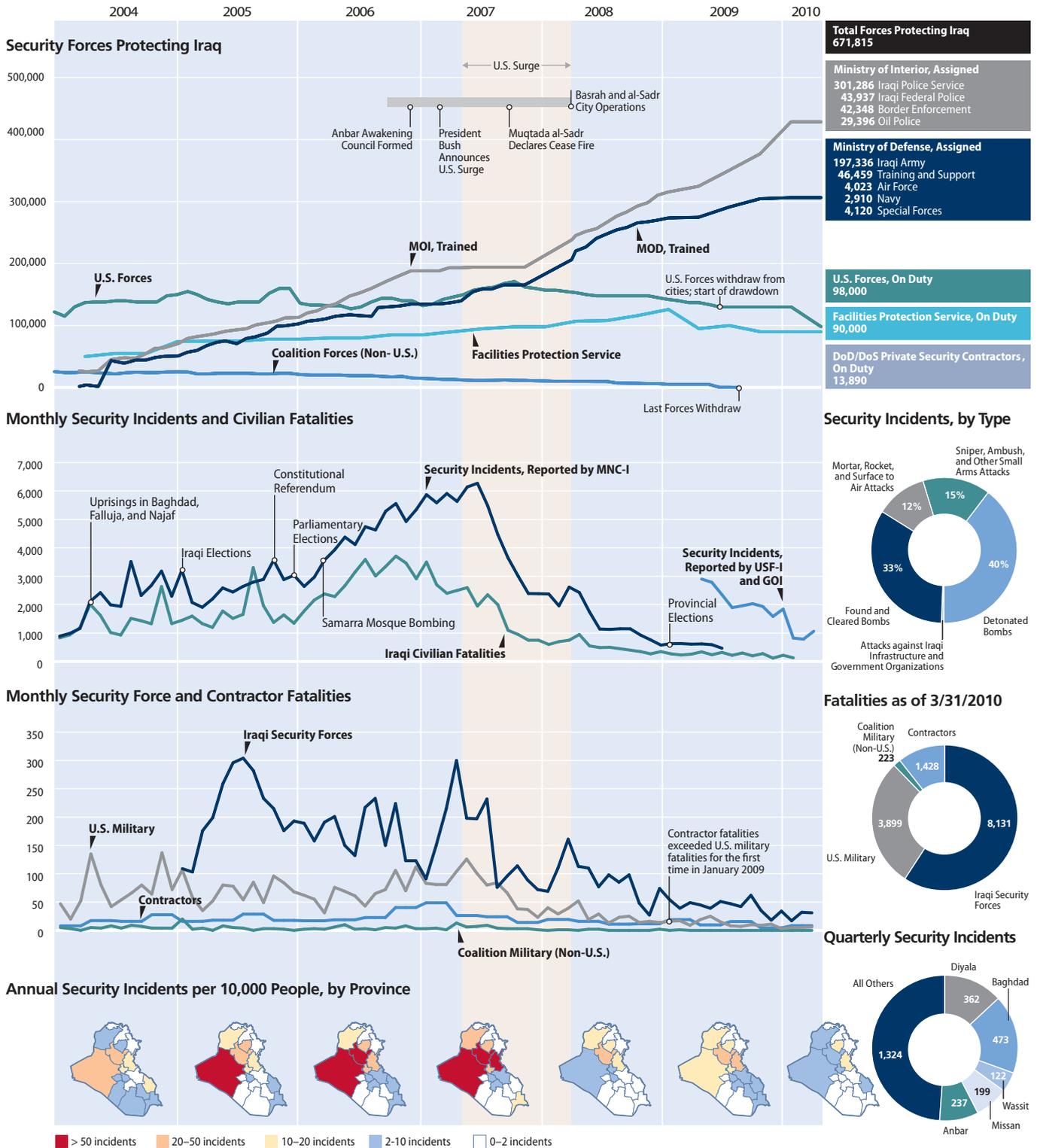▪ 10–20 incidents   ▪ 2–10 incidents   ▫ 0–2 incidents

Sources: USF-I, response to SIGIR data call, 3/31/2010; SIGIR analysis of open sources as well as official English and Arabic documents, studies, maps, and satellite imagery.

shift to isolated, high-profile attacks. Nonetheless, AQI remains focused on delegitimizing the GOI and delaying formation of the new government after the elections. Recent events suggest it remains a potentially potent force, capable of coordinating and executing complex attacks that can penetrate the security cordon of the ISF. Sunni insurgents, Shia extremists, and Iranian-trained surrogates pose a similar risk to the peaceful formation of a coalition government.[163]

Post-election violence has increased; in the first week of April, a series of major attacks killed more than 100 people. Three coordinated car bombs struck near the Iranian embassy, Egyptian consulate, and home of the German ambassador in downtown Baghdad, leaving at least 40 dead and more than 220 wounded. In addition, a series of bombs destroyed seven apartment buildings, killing more than 35 people.[164] For an update on security incidents, see Figure 2.11.

Notwithstanding the threats posed by external actors, the largest roadblock to a stable, sovereign, and self-reliant Iraq continues to be the underlying, unresolved sources of political conflict around the country:[165]

- a lack of consensus on whether the control of the Iraqi state will be sectarian or secular
- a fluctuating balance of power between the central and provincial governments
- disputed internal boundaries and distribution of wealth between Arabs and Kurds

- Sunni-Shia sectarian divide exacerbated by regional and political tensions

The lack of progress in resolving contentious territorial issues in the northern disputed areas continues to be a major source of tension between Arabs and Kurds. Despite the engagement of the UN Assistance Mission for Iraq (UNAMI) with GOI and KRG representatives, issues remain unresolved and demonstrate the delicate nature of political relations between powerful internal actors.[166]

The largest roadblock to a stable, sovereign, and self-reliant Iraq continues to be the underlying, unresolved sources of political conflict.

FIGURE 2.11

SECURITY IN IRAQ, 1/2004–3/2010

2004　2005　2006　2007　2008　2009　2010

Security Forces Protecting Iraq

U.S. Surge

500,000

400,000

Basrah and al-Sadr
City Operations

Anbar Awakening
Council Formed

President
Bush
Announces
U.S. Surge

Muqtada al-Sadr
Declares Cease Fire

300,000

MOI, Trained

MOD, Trained

200,000

U.S. Forces

U.S. Forces withdraw from
cities; start of drawdown

100,000

Coalition Forces (Non- U.S.)

Facilities Protection Service

0

Last Forces Withdraw

Total Forces Protecting Iraq
671,815

Ministry of Interior, Assigned
301,286 Iraqi Police Service
43,937 Iraqi Federal Police
42,348 Border Enforcement
29,396 Oil Police

Ministry of Defense, Assigned
197,336 Iraqi Army
46,459 Training and Support
4,023 Air Force
2,910 Navy
4,120 Special Forces

U.S. Forces, On Duty
98,000

Facilities Protection Service, On Duty
90,000

DoD/DoS Private Security Contractors,
On Duty
13,890

Monthly Security Incidents and Civilian Fatalities

7,000

6,000

Security Incidents, Reported by MNC-I

Uprisings in Baghdad,
Falluja, and Najaf

Constitutional
Referendum

5,000

Parliamentary
Elections

4,000

Iraqi Elections

Security Incidents,
Reported by USF-I
and GOI

3,000

Provincial
Elections

2,000

Samarra Mosque Bombing

1,000

Iraqi Civilian Fatalities

0

Security Incidents, by Type

Mortar, Rocket,
and Surface to
Air Attacks

Sniper, Ambush,
and Other Small
Arms Attacks

12%

15%

33%

40%

Found and
Cleared Bombs

Detonated
Bombs

Attacks against Iraqi
Infrastructure and
Government Organizations

Monthly Security Force and Contractor Fatalities

350

300

Iraqi Security Forces

250

200

150

U.S. Military

Contractor fatalities
exceeded U.S. military
fatalities for the first
time in January 2009

100

Contractors

50

0

Coalition Military (Non-U.S.)

Fatalities as of 3/31/2010

Coalition
Military
(Non-U.S.)
223

Contractors
1,428

3,899

8,131

U.S. Military

Iraqi Security
Forces

Annual Security Incidents per 10,000 People, by Province

Quarterly Security Incidents

Diyala

All Others

Baghdad

362

1,324

473

122

199

Wassit

237

Missan

Anbar

■ > 50 incidents　■ 20–50 incidents　■ 10–20 incidents　■ 2-10 incidents　□ 0–2 incidents

Note: Data not audited. Numbers affected by rounding. "U.S. Surge" denotes period when at least 150,000 U.S. troops were in Iraq. The MOI and MOD historical line represents trained forces; the totals represent assigned forces. Total fatalities for the ISF exclude fatalities before 1/4/2005 because of lack of data. Security incidents data from two sources are displayed: MNC-I, for 1/1/2004–6/24/2009, and USF-I for 4/1/2009–3/26/2010 (USF-I incorporates GOI reports).

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

In late 2009, at the request of Prime Minister Nouri al-Maliki, USF-I sponsored meetings in both Baghdad and Erbil between senior GOI and KRG security ministers to develop an interim joint security agreement for the disputed internal boundaries. The initiative aims to disrupt insurgent and terrorist activities in disputed areas by increasing cooperation between the ISF and KRG security personnel. A subcommittee formed of senior-level USF-I, ISF, and KRG commanders was tasked to develop security structures, including command-and-control and intelligence-sharing mechanisms. Following a ministerial summit held in late 2009, combined coordination centers and joint checkpoints were established, and U.S. forces serve in an advisory role.[167]

Shifting Force Strengths

During the height of the surge, in September 2007, the Multi-National Force-Iraq (the predecessor to USF-I) had approximately 175,000 Coalition troops in Iraq. Since the signing of the Strategic Framework Agreement (SFA), DoD has withdrawn more

Iraqi Army and USF-I joined forces for a combined patrol in Taji, Iraq, on January 30, 2010. (USF-I photo)

than 75,000 troops and their equipment and transferred responsibility for urban areas to the ISF. As of March 31, 2010, all Coalition partners had pulled out, and fewer than 98,000 U.S. military personnel remained in Iraq.[168]

DoD is in the middle of one of the most ambitious logistical operations in history, managing 2.6 million pieces of U.S. equipment that remain in Iraq—everything from tanks to flat-screen televisions. Much of the materiel has to be shipped, but up to 30% of it could be left behind for the GOI.[169] For the status of equipment in Iraq, see Figure 2.12.

> DoD is in the middle of one of the most ambitious logistical operations in history.

Role of Private Security Contractors

The United States relies on private security contractors (PSCs) to protect individuals, transport convoys, and forward operating bases, buildings, and other economic infrastructure. For the number of PSCs serving in Iraq, see Table 2.13.

Even today, it is difficult to estimate the total cost of providing security for reconstruction projects and personnel. DoD, DoS, and USAID have not been required to systematically identify financial data for PSCs. As the reconstruction effort evolves from large-scale infrastructure projects to capacity building, physical security could become a larger portion of total contract cost. In addition, requirements for PSC services for DoS and USAID are set to increase to compensate for support previously provided by the U.S. military. Services provided by the military, such as quick-reaction forces and medical evacuation, are difficult to quantify.[170]

In August 2009, DoS OIG identified several increased costs DoS would assume as the U.S. military withdraws, including perimeter and personal

FIGURE 2.12

U.S. EQUIPMENT IN IRAQ
Millions of Pieces

	5/2009	9/2009	2/2010	9/2010 (target)
To be withdrawn or turned over to Iraq by September 2010	2.6	2.5	1.8	
To remain in Iraq until mission ends	0.8			0.8
Total	3.4	3.3	2.6	0.8

Legend:
- To be withdrawn or turned over to Iraq by September 2010
- To remain in Iraq until mission ends
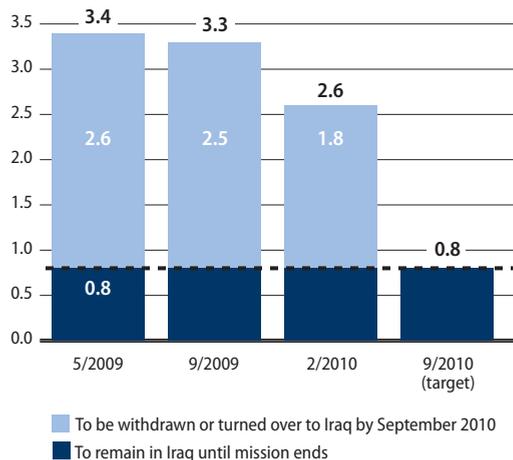
Source: Frank Oliveri, "How Deep In After We're Out," *CQ Weekly*, 3/15/2010, p. 620.

TABLE 2.13

PRIVATE SECURITY CONTRACTORS IN IRAQ

	U.S. CITIZEN	THIRD-COUNTRY NATIONAL	HOST NATION	TOTAL
DoD	776	9,127	1,192	11,095
DoS/USAID	1,001	1,671	123	2,795
Total	**1,777**	**10,798**	**1,315**	**13,890**

Note: DoD data as of 12/31/2009. DoS/USAID data as of 3/31/2010.

Sources: ADUSD(Program Support), "Contractor Support of U.S. Operations in USCENTCOM AOR, Iraq, and Afghanistan," 2/28/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 4/1/2010.

security guards and convoy security for import of equipment, supplies, food, and fuel.[171]

In March 2010, DoS OIG found that U.S. Embassy-Baghdad had not adequately planned for a reduced DoS or DoD presence in Iraq. According to DoS OIG analysis, this lack of planning might result in unnecessary costs to the U.S. government for static security over the next two years. It estimates that approximately $20 million could be saved if a reduction in contractor support is coordinated with DoS and DoD office closures. The report also expressed concerns about security plans for the USAID compound, citing the vulnerability of transit to and from the location.[172]

In its FY 2010 supplemental appropriations request, DoS requested $735.3 million for additional security costs in the provinces during the fiscal year, including:[173]

- $581.8 million for protective security details and static guards at the five successor Enduring Presence Posts (EPPs) locations
- $109.7 million for physical security programs, such as electronic countermeasures, armored vehicles, overhead cover, and guard towers
- $35.4 million for 69 additional U.S. Embassy-Baghdad Regional Security Office (RSO) personnel to support the five EPPs
- $9.4 million for personnel security and suitability

In its FY 2011 regular appropriations request, DoS requested $378.1 million in additional funding—on top of the appropriations provided in FY 2010—for security operations in Iraq, including:[174]

- $339.3 million for personal security contract extensions, which are estimated to increase

> Since December 2009, the U.S. Embassy-Baghdad's RSO has received reports of more than 80 incidents of GOI "harassment" of PSCs.

35% in cost due to inflation, implementation of SPOT, and determination of contract awards based on value (in addition to cost)
- $16.5 million for RSO operations, such as an improved communications network, consolidation of vehicle maintenance, new accountability mechanisms for armed security personnel
- $11.4 million for physical security, such as armored vehicles and overhead cover

The remainder of the FY 2011 regular appropriations request would fund security technology, countermeasures for use against weapons of mass destruction, background checks, and threat investigations and analysis.[175]

Challenges Facing PSCs in Iraq

The GOI has stepped up oversight and regulation of PSCs as part of "enhanced enforcement," considered by some to be excessive. Since December 2009, the U.S. Embassy-Baghdad's RSO has received reports of more than 80 incidents of GOI "harassment" of PSCs, including simple delays of protective security detail (PSD) motorcades, detainment of PSC personnel and their clients (including foreign diplomatic officials), and seizure of contractor and U.S. government equipment. In addition, the GOI has initiated unannounced inspections of PSC compounds both inside and outside the International Zone.[176]

Moreover, PSCs continue to face the bureaucratic challenges of complying with MOI licensing requirements. PSCs report that the rules frequently change—sometimes daily—and that MOI procedures are ineffective or beyond its capacity to manage and maintain. According to RSO, the ministry's management and its fee-based oversight of PSCs "simply do not work, and corruption seems a popular solution to licensing problems."[177]

Under GOI law, for example, companies are required to register vehicles. However, there are no legal provisions for registering armored vehicles because they are considered "controlled items" in Iraq, thereby resulting in confusion, delays, and inconsistent application of vehicle registration fees.

U.S. government contractors are also required to obtain visas as part of the application process for a PSC license. Originally envisioned to be provided at no cost, these visas now require payment of a $250 fee to cover a health screening against communicable disease, though the GOI has yet to provide these screenings to the companies. RSO reports that it remains engaged with the USF-I Armed Contractor Oversight Branch (ACOB) and the MOI Office of PSC Licensing and Registration to resolve such issues.[178]

Iraqi Security Forces

The MOI and MOD have reportedly increased the numbers of trained security force personnel to more than 671,000—an increase of more than 80,000 from the 590,000 reported at the end of 2008.[179] The ISF is striving to develop a counter-insurgency force (light infantry and police), while simultaneously building a military capable of protecting Iraq's borders and exercising influence in the region (armored divisions and aircraft).[180]

Attaining a national defense force, however, remains a challenge. According to a RAND Corporation study published this quarter, the Iraqi Army and Iraqi Police (IP) suffer from gaps in skills training and equipment. Additionally, weak intelligence, logistics, aviation, and air defense capabilities constrain operations.[181]

FIGURE 2.13
THE SECURITY GAP
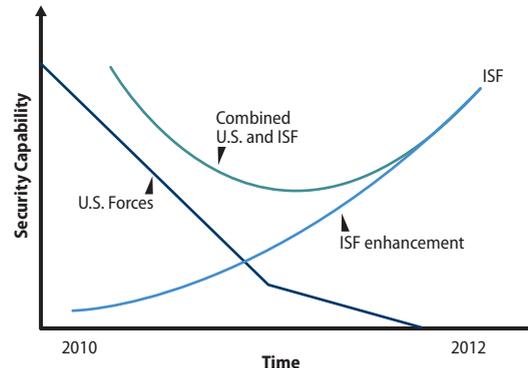
Note: Adapted from original. The time line and force capabilities are illustrative.

Source: David C. Gompert, Terrence K. Kelly, and Jessica Watkins, *Security in Iraq: A Framework for Analyzing Emerging Threats as U.S. Forces Leave*, Santa Monica: RAND Corporation, 2010, p. 13.

The RAND Corporation observes that as USF-I prepares to leave Iraq, the quality of the ISF remains uneven, and its ability to assume responsibility for some of the niche capabilities now provided by the USF-I is a work in progress.[182] Additionally, the character of the ISF as a whole also remains in question given the number of locally raised Iraqi Army (IA) battalions and locally recruited IP—the largest group in the ISF reporting directly to provincial governors. Use of the ISF for inter-regional, sectarian, or partisan purposes remains a concern; and mere perception of its incidence could fuel sectarian divisions.[183] The

> The character of the ISF as a whole remains in question.

TABLE 2.14
ISFF FY 2009/2010 SPEND PLAN (REVISED)

MINISTRY	SUB-ACTIVITY GROUP	PREVIOUSLY APPROVED PLAN	PROPOSED CHANGE	REVISED SPEND PLAN
Defense	Sustainment	91.8	22.5	114.3
	Equipment	260.1	48.6	308.7
	Training	196.5	-71.1	125.4
Interior	Sustainment	20.0	62.0	82.0
	Equipment	125.6		125.6
	Training	231.0	-62.0	169.0

Note: Data not audited. Numbers affected by rounding.

Source: USF-I, "Iraq Security Forces Fund (ISFF) FY 2009/2010 Spend Plan (Revised)," 1/2010, p. 2.

study describes a potential "Security Gap" as the combined U.S. military and ISF capabilities decline midway in the withdrawal process. Figure 2.13 illustrates the study's assertion that the capabilities of the ISF are not on pace to match those of the rapidly departing U.S. forces and equipment.[184]

GOI funding for training, operations, and other capabilities also remains an ongoing concern. Revenue shortfalls in 2009 resulted in system-wide spending cuts, negatively affecting programs to equip, sustain, and train the ISF. In 2009, less than 30% of the MOD's total budget was available for discretionary (non-personnel) requirements, and just over 20% of the MOI's total budget was available for such requirements. DoD asserts that "without significant U.S. assistance, the funding is not present for the ISF to sustain and maintain their forces or build the capabilities to reach minimum essential capabilities by the time of the planned USF-I exit in December 2011."[185]

In view of the ISF's identified needs, U.S. resources are being directed to bolster the GOI's minimum essential capabilities. The mission—"Advise, Train, and Equip"—is directed at providing institutional capability, including personnel security, logistics, headquarters development, training centers, and support bases, and

> The ITAM police program reported that it has reduced its training backlog from 90,000 MOI personnel to zero.

the application of critical resources, including specialized training and equipping.[186]

Recent modifications to the ISFF FY 2009/2010 Spend Plan placed additional emphasis on sustainment and equipment.[187] For details, see Table 2.14.

The emphasis on sustainment and equipment continues through the FY 2010 Supplemental and FY 2011 regular appropriations requests, especially in the case of the MOD. Almost 90% of the proposed funding through FY 2011 would be directed to MOD Equipment (51.8%) and Sustainment (37.7%). The ISFF requests for the MOI are more focused on Training (52.1%), with Equipment (39.8%) and Sustainment (8.5%) notably smaller than the proposed MOD allocations.[188]

USF-I and INL Training Programs for MOI Forces

The Iraq Training and Advisory Mission (ITAM) police program reported that it has reduced its training backlog from 90,000 MOI personnel to zero. Police program goals will shift as DoD management hands off to a civilian-led DoS effort by October 1, 2011. DoS's Bureau of International Narcotics and Law Enforcement Affairs (INL) has focused on operational and logistics planning for the program, which is closely tied to the Embassy's

TABLE 2.15

POLICE TRAINING PROGRAM: DoD VS. DoS

DEPARTMENT OF DEFENSE	DEPARTMENT OF STATE
Developing ability of Iraqi Police Service (IPS) to perform basic policing functions	Developing leadership and management skills for senior officials to effectively manage the IPS and its operations
Focus on counterinsurgency operations	Focus on community policing
Advising and mentoring on all levels of IPS (individual police station up through the MOI)	Advising/consulting at senior levels of IPS (Provincial Police HQ and training centers, police colleges, and MOI); no police station visits
Military-led, with civilian advisors	Civilian-led; no military support
An estimated 5,000 military personnel and 400 civilian advisors, not including combat troops	350 advisors and no more than 1,500 support personnel, including private security contractors
Conducted operations out of 50+ bases and training centers throughout Iraq	Based out of three program hubs in Baghdad, Basrah, and Erbil
Focused on force generation and basic training	Focused on training in management personnel and developing technical skills
Operational equipment (such as vehicles) provided to Iraqis	No operational equipment provided

Source: U.S. Embassy-Baghdad, INL, response to SIGIR data call, 3/17/2010.

FIGURE 2.14

TRANSITION OF IRAQI POLICE TRAINING TO INL

2010   **2011**

April 2010
Begin negotiations with GOI over Hub locations

March 2010
Determine basing requirements and confirm contracting mechanisms for life support

May 2010
Finalize program goals, metrics, and curriculum

June 2010
Procure aircraft (delivery in 12–18 months)

Obtain GOI commitment for no-cost program site leases

August 2010
Sign U.S.-GOI Letter of Agreement on police program; confirm Hub sites and security requirements

Begin Hub build-out

September 2010
Begin aviation facility build-out

October 2011
INL assumes responsibility for police program

August 2011
Complete facilities upgrades/construction

July 2011
Occupy Hubs; aviation fully mission capable

December 2011
Remaining U.S. military units depart

February–March 2010
Brief the Congress on budget; assess excess DoD property

June–September 2010
Release RFP for facility upgrades/construction

February–March 2011
Vet current advisors; recruit additional advisors

JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC

December 2009–March 2010
Police Transition Team at Embassy stands up

October 2010–January 2011
Release RFP for personnel/life-support services

June–August 2011
All remaining staff deploy

November 2009
Deploy senior Police Advisors to Iraq to assist with transition planning

July 2010
Recruit U.S. government personnel

November 2010
Finalize advisor criteria/qualifications

January 2011
Deploy senior executive Police Advisors and Directors to manage DoS police program

May 2011
Deploy senior staff; train new advisors

September 2011
Deploy contractors

Source: U.S. Embassy-Baghdad, INL, response to SIGIR data call, 3/17/2010.

planning efforts.[189] See Table 2.15 for a comparison of program structure and activity.

Planning for the INL transition is ongoing. These efforts are being funded by $5 million from the FY 2009 Supplemental and $7 million from the FY 2010 base appropriations. Because the FY 2009 Supplemental was received in September 2009, these funds had not yet been obligated as of March 31, 2010.[190]

As of March 25, 2010, 365 International Police Advisors (IPAs) were working in Iraq to provide ongoing training and mentoring at the station level, in academies, and at the MOI, with a focus on basic training.[191] Some of the IPAs will transition to be a part of the DoS-led police program over the next year. For a time line of the program's transition, see Figure 2.14.

USF-I Training Programs for MOD Forces

ITAM-Army continues to conduct programs to train the IA at 9 training centers and 14 schools.

Iraqi Army soldiers receive small-arms training conducted by ITAM personnel in March 2010. (USF-I photo)

This quarter, extra requirements imposed by security operations to support the national elections slowed the pace of training by more than half, but the IA graduated 11,316 soldiers through several courses, including basic combat training. ITAM reported that the IA is now shifting its focus back to building a traditional external defense capability.[192]

Although the number of USF-I will be reduced to 50,000 by August 31, 2010, 4,500 U.S. special operations forces will remain in Iraq and continue to provide training and assistance when requested by the GOI.[193]

These ongoing programs and activities are addressing requirements to implement mission-essential capabilities:[194]

- implementing a merit-based promotion process
- improving representation of Iraqi society (ethnic, sectarian composition)
- evolving toward demand-driven logistics
- improving acquisition and human resource practices
- Providing 140 M1A1 tanks through FMS Program as well as training
- creating a professional NCO corps
- establishing an effective institutional training center system
- transitioning from U.S.-led to Iraqi-led training
- addressing the problem of corruption

$1 million in equipment is either not being used or is missing.

This quarter, SIGIR issued an interim report on a program targeted at the development of the Iraqi Special Operations Forces (SOF). The report addresses two contracts costing $19.3 million and managed by MNSTC-I to provide the SOF with a counterterrorism communications network and intelligence database. SIGIR found that $1 million in equipment is either not being used or is missing, few of the sites planned to be included in the network were actually connected, the contract did not explicitly state what was required, and many contract documents were missing.[195] For further details, see Section 3.

Facilities Protection Services

The MOI's Facilities Protection Service (FPS) comprises approximately 94,000 personnel. Of these, 17,000 are full-time FPS police; the remaining 77,000 are Iraqi contractors. This has caused multiple problems because the contractors receive the same base pay but do not receive per diem or hazardous duty pay, although they face the same

hardship and danger. Additionally, contractors are not authorized MOI identification cards, which serve as an authorization to carry arms. In the past, some MOI contractors have had their weapons confiscated by Coalition Forces and Iraqi Police because they lacked this necessary documentation.[196]

Integration of the Sons of Iraq

USF-I reported that more than 4,565 SOI have been hired into the ISF, and approximately 32,476 SOI have been hired into non-security ministries since October 2008. Although the United States provided funding in coordination with the GOI to field vocational and educational training programs for transitioning personnel, USF-I does not have access to enrollment information.

The GOI provided more than $270 million to pay SOI salaries in 2009 and an estimated $50 million thus far in 2010. USF-I does not track SOI logistical and security support provided by the GOI, but it reported that timely pay continues to be a challenge. Although pay operations for January (payment for December work) went relatively smoothly, the GOI apparently was unable to pay out during the month of February. Late passage of the 2010 budget and involvement of the SOI in the national elections were cited as the main roadblocks.[197]

Foreign Military Sales

More than 136 Iraqi Foreign Military Sales (FMS) cases are in progress, including the purchase of tanks, ships, airplanes, and helicopters, as well as their associated training and sustainment requirements.[198] As of April 11, 2010, the FMS program included 146 Iraqi-signed cases in execution valued at $5.31 billion since its inception in 2005. As of this quarter, 12 cases valued at $106 million were closed, and 134 active cases are valued at $5.20 billion.[199] This quarter, Prime Minister al-Maliki signed a letter of offer and acceptance for procurement of offshore support vessels for the Iraqi Navy's future fleet of patrol watercraft. This case is a cost-sharing agreement using a mixture of GOI FMS funds and the ISFF.[200] As of March 2010, the estimated ordered

administration fee was $188.2 million, of which $134.4 million in administrative fees were earned and $63.7 million in administrative fees were paid by the GOI to the U.S. government.[201] For details on the ongoing FMS project at Umm Qasr, see the Infrastructure subsection of this Report.

The Rule of Law

As of March 31, 2010, the United States had allocated $1.54 billion, obligated $1.53 billion, and expended $1.32 billion to improve the rule of law, including human rights, in Iraq.[202]

Although Iraq has made significant progress over the last several years in establishing the rule of law, there is more work to be done to ensure that Iraq is more peaceful and stable and that it has a more representative form of government than when U.S. efforts began. For example, significant advancements have been made in the area of detention operations, but inefficiencies in the judiciary still delay processing. These problems are being addressed, in part, by the renewed focus of the Higher Judicial Council (HJC) on recruitment and retention of the most highly qualified judges.

Progress is noteworthy in the disposition of legacy security detainees and the conduct of bilateral operations with respect to Iraqi law; however, Iraq's criminal justice system still faces many challenges. Judicial security is progressing slowly because of a lack of resources and continuing threats of violence, which have hampered implementation of a nationwide, strategic judicial security plan.[203]

Judicial intimidation in Iraq significantly hinders administration of the criminal justice system, which impedes the rule of law, leads to a backlog of pre-trial cases—three years in some districts—and precipitates unfair criminal justice procedures. Despite recent developments by the MOI to take responsibility for judicial security and to make plans to adequately staff judicial PSDs, delays continue.[204] This quarter, one judge was assassinated.[205]

Capacity Building

Under the coordination of a new Rule of Law Coordinator (RoLC), U.S. Embassy-Baghdad plans to continue supporting the GOI in strengthening its law enforcement, adjudication, and corrections capacities. Attorneys, law enforcement agents, and other personnel from the Departments of Justice, State, Defense, and Homeland Security will work together to conduct a variety of capacity-building, investigative, and counterterrorism missions. Embassy components also manage hundreds of contractor personnel who provide technical assistance and mentoring to the Iraqi justice sector.[206]

INL reports that the GOI has made significant progress in implementing the rule of law in Iraq with the support of targeted U.S. government assistance, including:[207]

- expanding judicial training at the Judicial Development Institute, including advanced curricula and management structures
- developing advanced capacity within the Iraqi court system to assess and address courthouse security vulnerabilities
- modernizing HJC policies, court management and operations, as well as standardized procedures
- continuing advisor support

Initiatives in the Provinces

This quarter, the United States Marshals Service implemented several initiatives that sought to enhance the rule of law in Iraq. Some of the initiatives designed to protect the integrity of the judicial system included providing ballistic vests to judges and some of their PSDs, coordinating the transfer of Iraqi police to serve as PSDs for judges, and providing PSDs with security training. To enhance law enforcement, the PRT Rule of Law Advisor created provincial committees made up of investigative judges, prosecutors, and Iraqi police to provide training on crime scene investigations, forensics, and criminal procedure. They also conducted inspections of correctional institutions to ensure compliance with international standards and

> Judicial intimidation significantly hinders administration of the criminal justice system.

An official of the Iraqi Corrections Service cuts the ribbon officially opening the new joint Tactical Operations Center, Baghdad, on February 2, 2010. (USACE photo)

As of March 31, 2010, fewer than 3,500 detainees remained in U.S. custody.

continued to market their efforts to the Iraqi public through radio spots using Iraqi actors, advertisements, and the distribution of pamphlets. Coordinators spent QRF funding for projects to develop law-school curricula and to buy law books and legal research equipment for law schools as well.[208]

Court Docket Backlog

The Central Criminal Court of Iraq (CCC-I) for the Rusafa Court—now referred to as the Rusafa Palace of Justice—continues its ongoing mission. The special designation "CCC-I" now applies only to the "Karkh CCC-I," which relocated to new premises, following the October 25, 2009, bombing of the Ministry of Justice (MOJ) building.

The CCC-I Liaison Office continues to facilitate the investigative hearings and trials at CCC-I for detainees accused of terrorism and other related crimes. For the transfer of the Taji Internment Facility, the CCC-I Liaison Office worked with the court to renew 350 detention orders on detainees with active cases so that they could be transferred to GOI custody. The court has lost one investigative judge, and the four remaining judges have expressed concern about their heavy caseloads.

Where backlog is most apparent (at the Rusafa Prison Complex, for example), the U.S. government has funded select legal defense centers (similar to U.S. Public Defender programs) to expedite cases.[209]

Iraqi Detainees in U.S. Custody

U.S. forces continue to provide detainee release lists to the Detainee Affairs Joint Subcommittee (JSC) via the GOI Security Committee at least 60 days before releases are scheduled. These releases, in conjunction with the limited transfers to GOI custody, are expected to result in a decrease in the detention population of approximately 500 detainees per month over the next several months. As of March 2010, the GOI, via the JSC, had reviewed 14,712 detainee summary cases and provided warrants for 2,135. U.S. forces reported releasing 7,234 detainees since January 2009 and transferring another 1,389 to the GOI. As of March 31, 2010, fewer than 3,500 detainees remained in U.S. custody.[210]

U.S.-funded Rule-of-Law Infrastructure

By the end of this quarter, all but one U.S.-constructed and -operated detention facility had been handed over to the GOI, increasing prisoner capacity. The Camp Cropper detention facility is scheduled to be handed over by July 2010. As the U.S. Army Corps of Engineers (USACE) handed over custody of a $1.3 million U.S.-funded Tactical Operations Center at Cropper-Baghdad to Iraqi corrections officers on February 2, 2010, its Deputy Commanding General emphasized the importance of transferring "world class facilities" to the Iraqi Corrections Service.[211] In Sulaymaniyah province that same month, USACE completed the $14.9 million renovation of the Ft. Suse Correctional Facility. U.S. projects at the facility have provided housing for an additional 425 inmates, raising the prison capacity to 1,925.[212]

On March 15, 2010, the GOI accepted transfer of a $107 million U.S.-funded correctional facility in Taji. In addition to 260 general population cells and a special unit that can house up to 5,600 detainees, the facility has classrooms, vocational training

FIGURE 2.15

U.S.-FUNDED PRISONS, COURTS, AND POLICE FACILITIES
Value of Completed Projects and Location of Ongoing and Not Started Projects

**Ongoing and Not Started
Rule of Law Projects:**

⚖ <$200,000

⚖ $200,000–$1,000,000

⚖ > $1,000,000

Completed Rule of Law Projects ($ Millions)

< $5 $5–$10 $10–$20   > $20–$100   > $100

INCLE-funded Prison Completion Time Line

| 2009 | 2010 | 2011 |

Chamchamal
$27 million;
3,000 capacity

Fort Suse Phase I
$5.64 million;
584 capacity

Fort Suse Phase III
$9.50 million;
1,925 capacity

Basrah Central
$9.29 million;
1,200 capacity

Nassriya Phase II
$8.04 million;
400 capacity

Mosul Courthouse

1

INL funded the $511,000 renovation of the Mosul courthouse, which was completed and turned over to the Higher Judicial Council (HJC) on May 10, 2009. The project provides a number of security upgrades designed to protect citizens as well as MOJ employees.

Anbar Judicial Complex

3

Construction and renovation of the $21.5 million Anbar Judicial Complex was paid for by funds from the IRRF, ISFF, and Iraq Interim Government Fund. The project was completed and handed over to the GOI on June 13, 2009.

Ft. Suse Correctional Facility

2

USACE completed a $15 million renovation at Ft. Suse on February 15, 2010. Engineers overcame the challenges of completing the project amid the daily operations of the 1,925-inmate prison.

Chamchamal Correctional Facility

4

Completed in March 2009, the $27 million Chamchamal Correctional Facility has the capacity to hold 3,000 inmates.

Turnover of Taji Prison

5

The $107 million Theater Internment Facility Reconciliation Facility Center (detainment center) in Taji was turned over to the GOI on March 15, 2010. The facility has 260 general population cells and a special unit that can house up to 5,600 detainees.

U.S.-FUNDED RULE OF LAW FACILITIES
$ Millions

	COMPLETED	ONGOING	NOT STARTED	TOTAL
Police Facilities	157.33	0.06	2.89	**160.29**
Prisons	144.17	0.80	0.36	**145.33**
Courts	122.24	7.87	0.15	**130.26**
Total	**423.74**	**8.73**	**3.40**	**435.87**

Note: Data not audited. Numbers affected by rounding. This list of reconstruction projects is based on IRMS data, which is not fully accurate or complete. Therefore, project totals do not reconcile with top-line obligations and expenditures provided by the agencies.

Sources: IRMS, *Global Benchmark*, 4/5/2010; USACE, "Courthouse Renovation Helps Return Rule of Law to Mosul," 5/10/2009; USACE, "U.S. Army Corps of Engineers Prepares Iraq for Upcoming Elections," 1/11/2009; USACE, "Chamchamal Partners Cut Ribbon On Correctional Facility," 3/29/2009; USACE, "Renovations Complete at Ft. Suse Correctional Facility," 2/15/2010; USACE, "U.S. Military Transfers Prison to Iraqi Government," 3/16/2010; U.S. Embassy-Baghdad, RoL, response to SIGIR data call, 4/14/2010.

U.S. FUNDING FOR RULE OF LAW FACILITIES
$ Millions
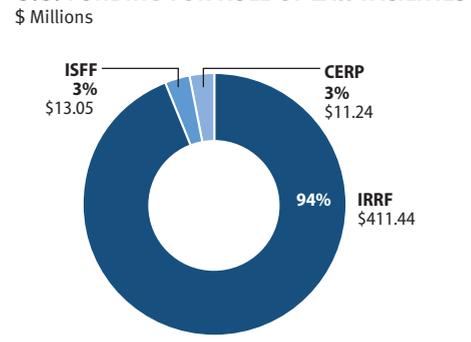
ISFF
3%
$13.05

CERP
3%
$11.24

94%

IRRF
$411.44

facilities, and a textile mill meant to prepare detainees for reintegration into society.[213]

On September 30, 2009, SIGIR performed an on-site assessment of the al-Hadi Permanent Police Station. The objective of this $1.2 million ISFF project was to design and construct a local police station compound near the city of Basrah. SIGIR performed the assessment while the ongoing project construction was approximately 32% complete; construction was in compliance with the design standards.[214] For more details on the inspection, see Section 3 of this Report.

For more details on U.S.-funded prisons, courts, and police stations, see Figure 2.15.

Human Rights

On March 11, 2010, the DoS Bureau of Democracy, Human Rights and Labor released the *2009 Country Report on Human Rights Practices for Iraq*. The report highlighted key areas of concern, including reports of unlawful killing by Iraqi government agents. According to the report, insurgent and extremist violence and weaknesses in upholding the rule of law have resulted in widespread and severe human rights abuses, including:[215]

- arbitrary or unlawful killings
- insurgent and terrorist bombings and executions
- disruption of authority by sectarian, criminal, and extremist groups
- disappearances
- torture and other cruel, inhuman, or degrading treatment or punishment
- poor conditions in pretrial detention and prison facilities
- denial of fair public trials

A report on the treatment of prisoners in Iraqi custody, released in 2009 by Iraq's Ministry of Human Rights, documented 326 cases of torture and poor treatment at MOI facilities in 2009, as well as 152 cases at MOD facilities, 14 cases at facilities run by the Ministry of Labor and Social Affairs, 1 case at MOJ facilities, and 12 in Peshmerga-controlled facilities in the Kurdistan Region.[216]◆

A report by Iraq's Ministry of Human Rights documented 326 cases of torture and poor treatment at MOI facilities in 2009, as well as 152 cases at MOD facilities.

INFRASTRUCTURE

As of March 31, 2010, the United States had allocated $12.39 billion, obligated $11.96 billion, and expended $11.58 billion from the four major funds to rehabilitate Iraq's infrastructure, including projects in the oil and gas, electricity, water and sanitation, and transportation and communications sectors.[217] About 28% of all U.S. expenditures for Iraq reconstruction have gone to infrastructure projects.[218] For the status of U.S. infrastructure funds, see Figure 2.16 and Table 2.16.

Now that most infrastructure projects have been completed, the U.S. Army Corps of Engineers (USACE) is reducing its presence in Iraq. On March 29, 2010, USACE Gulf Region South became the second of three USACE district-level commands in Iraq to close in the last nine months. The Gulf Region District is now the only operational USACE command in Iraq.[219]

This quarter, there were $60.2 million in net obligations for infrastructure programs. About half of all new infrastructure obligations were related to electricity, including the IRRF-funded Electric Sector Transmission program, which had $17.5 million in new obligations. The other major new obligations this quarter occurred in the IRRF-funded Iraqi Communications Systems program.[220]

New expenditures this quarter totaled $91.1 million. Similar to obligations, about half of all new expenditures were related to electricity, but there were also major new expenditures for water and sanitation programs.[221]

By almost all accounts, the delivery of water, electricity, and other basic public services remains unreliable, and the GOI has been struggling to provide the level of investment to improve these services. Due in part to depressed oil revenues, GOI capital spending in 2009 was almost one-third less than it was in 2008. The GOI's 2010 budget provides for greater investment in water and electricity infrastructure, as well as projects to

rehabilitate and expand the oil sector infrastructure—crucial to anticipated increases in crude oil production and exports. However, the planned level of investment in 2010 is still less than the actual investment in 2008.[222]

To an increasing degree, the GOI is turning to the private sector and outside investors for assistance in improving the country's infrastructure. This is especially apparent in the area of energy development, as can be seen in the ongoing contracting actions with international oil companies to increase production from Iraq's oil fields, negotiations to form a joint venture to make more productive use of natural gas resources, and plans being formulated to have independent power producers operate some new power plants.

FIGURE 2.16
INFRASTRUCTURE: STATUS OF FUNDS
$ Billions

Allocated **$12.39**
Obligated **$11.96**
Expended **$11.58**

Unexpended Obligations
Total: **$0.39**

Water and Sanitation $0.13 — 34%

Electricity $0.12 — 30%

Transportation and Communications $0.11 — 29%

Oil and Gas $0.02 — 6%

General Infrastructure $0.00 — 1%

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

Sources: IRMS, *USF-I CERP Category Report*, 4/14/2010; NEA-I, response to SIGIR data call, 4/2/2010; OSD, response to SIGIR data call, 4/10/2009; USACE, response to SIGIR data call, 4/1/2010; USAID, response to SIGIR data call, 4/13/2009.

TABLE 2.16

INFRASTRUCTURE: STATUS OF FUNDS, BY SECTOR, WITH SELECTED PROGRAMS
$ Millions

INFRASTRUCTURE SECTOR	PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Electricity	Electric Sector - Transmission (IRRF 2)	1,020.0	1,006.2	17.5 (2%)	18.2 (2%)
	Electric Sector - Generation (IRRF 2)	1,739.1	1,711.9	5.5 (0%)	12.4 (1%)
	Electricity (CERP)	361.0	294.9	5.0 (1%)	11.2 (4%)
	Other	1,906.9	1,898.0	2.0 (0%)	5.4 (0%)
	Subtotal	**5,026.9**	**4,911.0**	**30.0 (1%)**	**47.2 (1%)**
Water and Sanitation	Water Resources & Sanitation - Potable Water (IRRF 2)	1,339.2	1,317.3	0.1 (0%)	14.8 (1%)
	Water Resources & Sanitation - Sewerage (IRRF 2)	270.5	259.5	4.2 (2%)	5.0 (2%)
	Other	1,034.0	933.4	-0.8 (0%)	11.2 (1%)
	Subtotal	**2,643.6**	**2,510.2**	**3.5 (0%)**	**31.0 (1%)**
Oil and Gas	Oil Infrastructure - Infrastructure (IRRF 2)	1,607.9	1,587.6	8.4 (1%)	0.9 (0%)
	Other	327.9	326.1	-0.2 (0%)	0.6 (0%)
	Subtotal	**1,935.8**	**1,913.7**	**8.1 (0%)**	**1.5 (0%)**
General Infrastructure	**Subtotal**	**1,238.5**	**1,236.3**	**-0.1 (0%)**	**0.0 (0%)**
Transportation and Communications	Transportation & Telecommunications Projects - Iraqi Communications Systems (IRRF 2)	53.1	37.4	19.2 (57%)	3.6 (11%)
	Other	1,066.0	968.0	-0.5 (0%)	7.9 (1%)
	Subtotal	**1,119.0**	**1,005.4**	**18.6 (2%)**	**11.5 (1%)**
Total		**11,963.8**	**11,576.6**	**60.2 (1%)**	**91.1 (1%)**

Note: Data not audited. Numbers affected by rounding. Programs listed in this table had at least $1 million in quarterly obligations or expenditures. The status of programs in the "Other" categories—which had nominal or no quarterly change—may be found in Appendix C. OSD Comptroller does not report CERP allocation, obligation, and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP allocation, obligation, and expenditure data from the IRMS, which lags in reporting by one quarter. Therefore, totals may not match top-line values found in the Funding section of this Report.

Sources: IRMS, *USF-I CERP Category Report*, 4/14/2010; NEA-I, response to SIGIR data call, 4/2/2010; OSD, response to SIGIR data call, 4/10/2009; USACE, response to SIGIR data call, 4/1/2010; USAID, response to SIGIR data call, 4/13/2009; SIGIR, *Quarterly and Semiannual Report to the United States Congress*, 1/2010.

Sustainment

SIGIR has long voiced concern about the sustainment and use of U.S.-funded projects after they are completed and transferred to the GOI. Since 2006, SIGIR audit reports have identified the need to involve GOI officials in the development of U.S. reconstruction projects, including the design of sound asset-transfer procedures that would best ensure that GOI officials will maintain, sustain, and use the facilities so that U.S. funds will not have been wasted.[223] At this time, most U.S.-built facilities have been turned over to the GOI. Yet USACE, which managed the construction of most

of the large infrastructure projects in Iraq, states that it has no visibility on the sustainment and use of facilities once they are turned over to the GOI.[224] Similarly, U.S. Embassy-Baghdad does not have programs to routinely monitor the sustainment and use of facilities once they are handed over, stating that the U.S./Iraq Asset Transfer Memorandum of Understanding places an obligation on the GOI to responsibly maintain assets handed over to it.[225]

Nevertheless, SIGIR continues to identify serious deficiencies in the sustainment, maintenance, and use of U.S.-funded facilities. To date, SIGIR has completed 54 sustainment assessments and found that the GOI has not adequately maintained

14 of the projects assessed. For example, the Nassiriya Water Treatment Plant, a $277 million IRRF-funded project, was completed in June 2007 and turned over to the Iraqis in September 2007. At the time of SIGIR's site visits in December 2007 and February 2008, the GOI had failed to provide reliable power from the national grid, repair leaks in the distribution system, or provide qualified staff to be trained to operate the facility.[226]

Moreover, SIGIR audits continue to identify instances where completed U.S. facilities have been inadequately maintained and minimally used by the GOI. This quarter, SIGIR issued a report finding that 24 out of 46 projects to develop an economic zone at the Baghdad International Airport were largely unsuccessful in many cases because they were not adequately maintained and only minimally used. For example, a nearly $2 million cargo terminal is not being maintained and is minimally used, and air traffic control training centers ($1.8 million), roads and parking lots ($1.0 million), and incinerators ($2.9 million) are not being used.[227]

U.S. efforts to train GOI personnel to maintain U.S.-built facilities have also had mixed results. Contracts for large projects may contain an operations and maintenance component to train operators and build technical capacity. However, a SIGIR audit report this quarter noted, for example, that a $16.5 million contract to Stanley Baker Hill to identify and repair Primary Healthcare Center (PHC) deficiencies, conduct PHC assessments, run an operations and repair program for one year, develop a comprehensive maintenance management program for the Iraqi Ministry of Health, and enhance the ministry's operations and maintenance capabilities had mixed results, with nearly $4 million apparently having been wasted.[228] Moreover, another audit report this quarter concluded that a counterterrorism network for the Iraqi Special Operations Forces (SOF) is being minimally used, in part, because of poor training of Iraqi SOF personnel in the use and maintenance of the systems, in addition to the high operating costs of the systems.[229]

The Embassy reports that it has completed contracts with USACE to conduct a random survey of Compact Water Treatment Units that were handed over to the GOI. In the electricity sector, the Iraq Transition Assistance Office (ITAO) formerly had a contract for operations, maintenance, and sustainment at selected Ministry of Electricity (MOE) power plants. After this contract ended, the MOE funded this task for six months, but subsequently halted the effort.[230]

See Section 3 for further details on the audit reports that SIGIR issued this quarter.

Infrastructure Security

U.S.-funded Projects

More than $35 million of the ESF funds allocated to the Infrastructure Security Program (ISP) remain unexpended. As shown in Figure 2.17, about 86% of the expenditures to date have been to protect critical infrastructure in the oil sector, including construction of Pipeline Exclusion Zones (PEZs).[231] The one remaining oil project is expected to be completed in May 2010: a $2.8 million project to procure and deliver heavy equipment for use by rapid repair teams when responding to pipeline breaks in southern Iraq.[232]

According to USACE, all ISP funding for water projects has been obligated and expended, and all remaining funds were shifted this quarter for work in the electricity sector, where about $33 million is now available for expenditure.[233] A study identified security improvements for 36 MOE sites; the U.S. government will fund some of those projects, and the MOE will be responsible for the others.[234]

USACE provides contract oversight for the ongoing ISP projects. The ITAO Deputy Director and senior water and electricity consultants at the Embassy, along with their Iraqi counterparts and USACE, are determining the ISP's remaining program priorities. The interagency agreement between DoD and DoS for the ISP expires on June 30, 2011.[235]

SIGIR audits continue to identify instances where completed U.S. facilities have been inadequately maintained and minimally used by the GOI.

**INFRASTRUCTURE SECURITY PROGRAM:
ALLOCATIONS, OBLIGATIONS, AND EXPENDITURES**
$ Millions

Program Totals
Allocated: $217 Million
Obligated: $184 Million
Expended: $182 Million

■ Allocated ■ Obligated ■ Expended
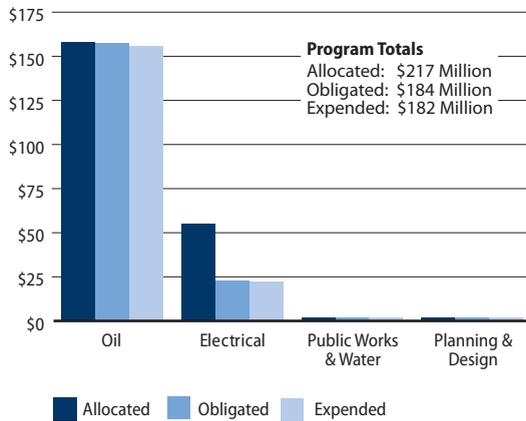
Note: Numbers affected by rounding.

Source: USACE, response to SIGIR data call, 4/1/2010.

This quarter, SIGIR issued a sustainment assessment report on a $1 million ISP project to construct a security perimeter for the Haditha Dam, the second-largest contributor of hydroelectric power in Iraq.[236] For more information, see Section 3.

Recent Security Incidents

This quarter, the one documented attack on Iraq's oil infrastructure occurred on a section of pipeline that runs from the Kirkuk fields to the Doura refinery, Iraq's third-largest refinery, located in Baghdad. The pipeline had been repaired from a previous attack and reopened just two days prior to this latest incident. Oil was transported via tanker-truck to the refinery—at rates between 20,000 to 25,000 barrels per day (BPD)—while the pipeline remained inoperable. The attack occurred on a section of pipeline not protected by a PEZ.[237]

Four 400-kilovolt (kV) electrical transmission lines were attacked in late February. In the first set of attacks, explosive devices destroyed three towers on the line carrying power from Iran to Diyala, resulting in the loss of 350 megawatts (MW) for five days. During that same period, three lines in

In February, Iraq's crude oil exports reached 2.05 MBPD, the highest monthly average since the 2003 invasion.

the Mosul area were attacked. At least one tower was damaged, but these attacks did not disrupt electricity supplies.[238]

Energy

Although Iraq has substantial proved reserves of oil and natural gas, lack of adequate infrastructure has contributed to an ongoing energy supply-demand gap, reliance on imported petroleum products and electricity, and loss of potential revenues. Now the GOI is laying the groundwork to expand its energy production capacity and improve its ability to get more energy supplies to where they are needed—both within Iraq for productive use and to export terminals, where they bring in the revenues that fund most of the government's operating and capital budgets.

Oil and Gas

As of March 31, 2010, the U.S. government had allocated $2.05 billion, obligated $1.94 billion, and expended $1.91 billion to rehabilitate the oil and gas sector in Iraq.[239]

Crude Oil Production and Exports

In February, Iraq's crude oil exports reached 2.05 million barrels per day (MBPD), the highest monthly average since the 2003 invasion, but then dipped in March to 1.84 MBPD because of inclement weather in the Persian Gulf. For the quarter, exports averaged 1.93 MBPD—slightly higher than last quarter and a 5% increase from the same quarter in 2009.[240]

Crude oil production this quarter averaged 2.38 MBPD, a slight decrease from last quarter but 4% more than the amount produced during the same quarter last year.[241] Of the crude oil retained for domestic use, about 276,000 BPD went to refineries for processing into petroleum products.[242] Another 52,000 BPD was consumed in electric power plants.[243]

For crude oil production and export levels since 2003, see Figure 2.18.

FIGURE 2.18
CRUDE OIL PRODUCTION AND EXPORTS, BY MONTH, 6/2003–3/2010
Million Barrels per Day

Sources: ITAO, "Monthly Import, Production, and Export Spreadsheet," 1/2008; U.S. Embassy-Baghdad, response to SIGIR data call, 10/2/2008; DoS, *Iraq Status Reports*, 5/27/2009, slide 8, 1/13/2010, slide 11, and 4/14/2010, slide 12; NEA-I, response to SIGIR data call, 7/2/2009.

Refineries and Petroleum Products

Outside of the Kurdistan Region, Iraq has 13 oil refineries, 6 of which receive enough crude oil to operate at about 50% or higher utilization. Three of these refineries—Baiji, Basrah, and Doura—produce the vast majority of Iraq's refined products. This quarter, Iraq's refineries operated at about 60% of their collective capacity of 790,000 BPD. Compared with last quarter, refinery output was down for all the main fuels: gasoline production decreased by about 19%; diesel, 14%; LPG, 11%; and kerosene, 4%. This quarter's production levels were also lower than they were during the same quarter last year: gasoline production decreased by about 15%; diesel, 13%, LPG, 12%; and kerosene, 14%. Iraq continued to supplement domestic production with imports.[244]

Oil Service Contracts

This quarter, the GOI signed nine outstanding oil service contracts with foreign firms for the Badra, Qaiyarah, Halfaya, West Qurna Phase 1 and 2, Garraf, Zubair, Majnoon, Najma, and Qaiyarah fields.[245] In doing so, the GOI has approved all contracts resulting from the two auctions held in 2009.[246]

The GOI also reported this quarter that the talks with Nippon Oil Company to develop the Nassiriya oil field had been terminated.[247] In addition, the Ministry of Oil initialed, but has not signed, an agreement with China National Offshore Oil Company (CNOOC) and Sinochem to develop three fields in Missan province,[248] estimated to hold a combined 2.6 billion barrels of crude oil.[249] The Chinese firms submitted bids for the fields when they were offered during the first petroleum licensing round in June 2009,[250] but the GOI had declined those bids because the initially proposed remuneration fee was significantly higher than the $2.30 per barrel ceiling set by the ministry.[251] The fields—Abu Ghirab, Fawqa, and Buzurgan—lie along Iraq's southeastern border with Iran (see Figure 2.19). Iraq's sovereignty over the Fawqa field is disputed by Iran, whose troops briefly occupied one of the wells during a border incursion in December 2009.[252]

If the deal is signed, the consortium would be shared by CNOOC (60%), Sinochem (15%), and the GOI (25%),[253] which retains a 25% stake in all service contracts.[254] The target production rate of 450,000 BPD would be a substantial increase over the current production rates of approximately 80,000 BPD.[255] The addition of this deal could raise Iraq's potential future production to almost 12.5 MBPD.[256] However, many industry observers view 6 MBPD as a more realistic oil production target.[257] Major political and technical obstacles—such as corruption,

This quarter, Iraq's refineries operated at about 60% of their collective capacity.

FIGURE 2.19
LOCATION OF LATEST UPSTREAM OIL SERVICE CONTRACT IN MISSAN

Missan
Winning Bid: CNOOC (80%), Sinochem (20%)
Remuneration Fee: $2.30/barrel
Production Plateau Target: 450,000 barrels per day
Current Production Capacity: 80,000 barrels per day
Proved Reserves: 2.6 billion barrels
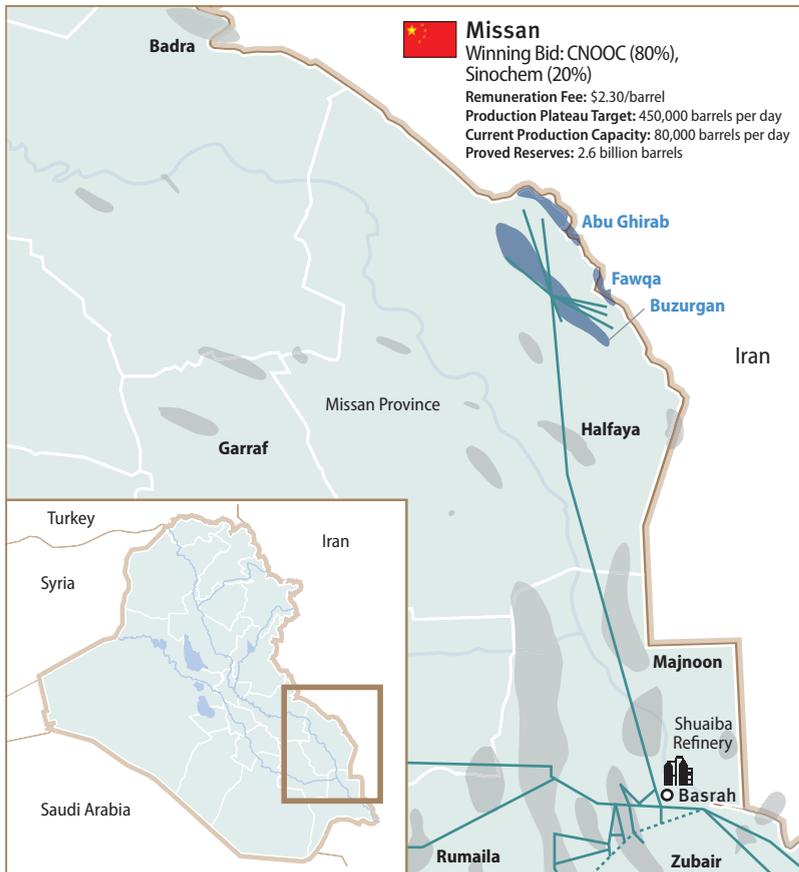
Sources: MEES, *Weekly Report*, Vol. 53 No. 10, p.1; GOI, Ministry of Oil, "Contract Areas–Missan," www.pcld-iraq.com/index.php?p=area&area=7, accessed 4/1/2010; *Economist* Intelligence Unit, *Country Report*: *Iraq*, 3/2010, p. 12; U.S. Embassy-Baghdad, response to SIGIR data call, 4/14/2010.

legal uncertainties, poor infrastructure, an insufficiently skilled workforce, and future OPEC production quotas[258]—must still be overcome before such production rates become possible. The magnitude and timing of the production increases are therefore uncertain.

Oil Infrastructure Enhancements

Iraq requires substantial domestic and foreign investment in the oil sector and related infrastructure to achieve its ambitious targets for increased oil production, exports, and revenues; estimates range from $70 billion to more than $100 billion.[259] It is

not yet clear how management of this investment will be allocated by the GOI, which will ultimately bear the entire financial burden of infrastructure improvements, according to the U.S. Embassy.[260] The Ministry of Oil's total budget of $4.06 billion for 2010 includes $2.65 billion for capital infrastructure improvements[261]—a roughly 20% increase over the ministry's 2009 capital budget.[262]

With a total estimated cost of almost $6 billion, the Iraq Crude Oil Export Expansion (ICOEE) project (previously known as the Southern Export Redundancy Project, or SERP) is one of the GOI's largest oil infrastructure initiatives.[263] During the start-up stage in 2007 and 2008, USACE provided initial funding of $750,000 for a feasibility study, as well as $1.5 million for an engineering and design bridge contract[264] until the GOI could begin funding the project with its own resources.

The purpose of ICOEE is to ensure that enough redundant offshore export capacity is in place to maintain southern export rates from Al-Basrah Oil Terminal (ABOT) and other southern terminals.[265] The project would expand southern offshore pipeline capacity from the present 1.6 MBPD to 4.5 MBPD by, at the earliest, 2013.[266] The Ministry of Oil is conducting studies on future expansion of offshore export capacity to as much as 8 MBPD and also seeks to expand onshore export capacity to match that increase.[267]

The GOI announced in February that it would expand the ranks of state oil companies (North, South, and Missan Oil Companies) by establishing a new entity, the Midland Oil Company, within four to six months.[268] The proposed company would cover the oil sector in Iraq's central provinces, including Diyala, Wassit, Babylon, Kerbala, and Qadissiya.[269]

Natural Gas Utilization

Although Iraq has the world's tenth largest proved reserves of natural gas, it lacks the infrastructure to process and transport gas to where it can be productively used.[270] Because most gas is extracted in conjunction with crude oil, the oil production

increases anticipated over the next decade will likely result in commensurate increases in gas production, potentially magnifying the problems and lost opportunities caused by inadequate gas infrastructure.

One result of Iraq's current natural gas processing limitations is that crude oil and petroleum products constitute about 46% of the fuel consumed at combustion turbine power plants, even though these plants operate most effectively when fueled with gas. New construction, refurbishment, and expansion projects have increased the output of Iraq's combustion turbine plants by 76% over the past two years, but the relative contributions of oil and gas to this output have changed little. During this period, natural gas use in power plants has increased by 127 million cubic feet (MCF) per day; but virtually all of this increase has occurred at the new Sulaymaniyah and Erbil Gas plants, which are connected by pipeline to the Kurdistan Region's Khor-Mor gas field.[271] Figure 2.20 shows the approximate locations of current and planned combustion turbine plants relative to known gas fields and pipelines.

In southern Iraq, where an estimated 70% of the country's proved gas reserves are located,[272] as much as 700 MCF of gas is flared each day. Countrywide, an estimated 1,000 MCF is flared.[273] The energy content of this wasted gas is more than twice what is needed to replace all the oil currently used to generate electricity in Iraq's combustion turbine plants plus all the LPG that Iraq imports.[274] Estimates of the economic value of this flared gas vary; they range from $4 million to $12 million per day.[275]

To make better use of this resource, the Ministry of Oil and Royal Dutch Shell have been negotiating an agreement to proceed with the South Gas Utilization Project. The agreement would result in formation of the Basrah Gas Company, a joint venture between the South Gas Company, Shell, and Mitsubishi. According to Shell's original announcement of the proposed deal, the joint venture would purchase associated

Iraq has the world's tenth largest proved reserves of natural gas, but flares most of what comes out of the ground. (U.S. Army photo)

natural gas from upstream operations; own and operate existing gas gathering, treatment, and processing facilities; repair non-functioning facilities; and develop new facilities. The aim would be to provide reliable supplies of natural gas, natural gas liquids, and LPG for domestic use and export. The time for completing the negotiations had been scheduled to expire in March, but the ministry has extended the deadline to September 2010.[276]

Estimates of the economic value of flared gas range from $4 million to $12 million per day.

Electricity

As of March 31, 2010, the United States had allocated $5.18 billion, obligated $5.03 billion, and expended $4.91 billion to improve Iraq's generation, transmission, and distribution of electricity.[277]

About 40% of U.S. expenditures to date on electricity projects have been for the reconstruction or expansion of generating capacity.[278] Now that almost all of those projects have been completed, the focus of remaining work is on the infrastructure that delivers available power to end users, including transmission lines and substations.

In the GOI's 2010 budget, the MOE received more funding for capital expenditures than any other GOI ministry. According to the MOE, it has the funding it needs to proceed with new projects to expand generating capacity, and it is working with foreign advisors to upgrade the transmission and distribution system.[279]

FIGURE 2.20

LOCATION OF IRAQ'S NATURAL GAS FIELDS AND COMBUSTION TURBINE POWER PLANTS
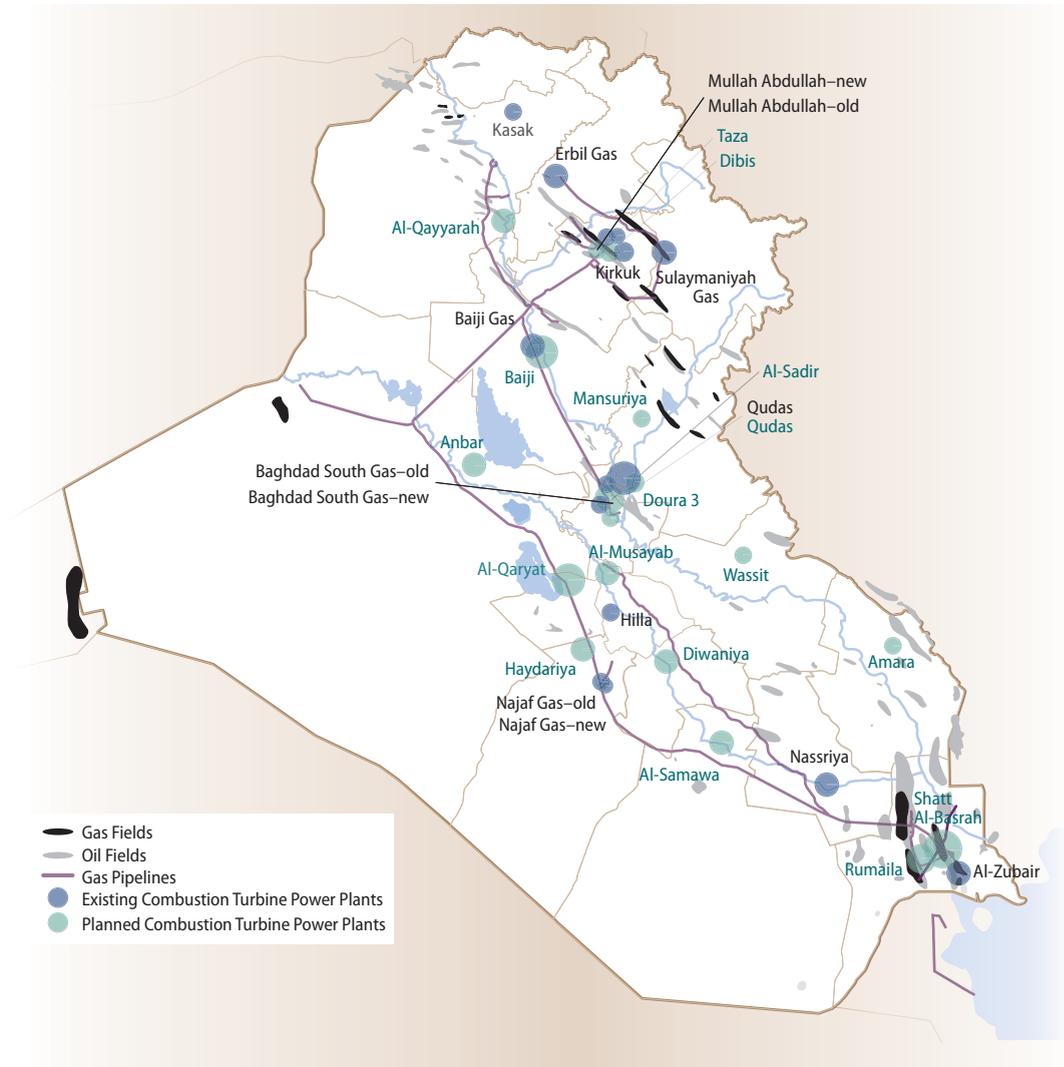
Sources: U.S. Embassy-Baghdad, response to SIGIR data call, 1/24/2010; Dana Gas, "Annual Report and Accounts 2008", p. 23; MOE, General Directorate for Gas Power Plants Projects, www.gppproject.com, accessed 4/5/2010; ITAO/ESD, *Electric Daily Performance Reports*, 1/1/2010–3/31/2010.

Production and Imports

Electricity production from Iraq's power plants this quarter averaged 5,635 MW, or 135,230 megawatt-hours (MWh) per day. This was a 349 MW (7%) increase from last quarter and an almost 700 MW (14%) increase from the same quarter in 2009, but production remained below the record high reached in the July–September period of 2009. Electricity imports, predominantly from Iran, increased 4% from last quarter to a new record of 694 MW, bringing the total average daily supply on the grid this quarter to 6,329 MW, or 151,889 MWh. [280]

Rising water levels in Iraq's rivers enabled a resurgence of hydroelectric generation, which

accounted for most of this quarter's increase in production from domestic power plants. The 624 MW output from hydroelectric plants was twice what it was last quarter and the highest quarterly average in two and a half year.[281]

Diesel power plants represent the smallest share (less than 6%) of Iraq's generating capacity, but current diesel capacity is more than 80% higher than it was a year ago.[282] Except for the diesel units at the al-Samawa plant, which were funded by a grant from Japan, the expansion of diesel generating capacity has been funded and carried out entirely by the MOE.[283] With more diesel units on line, these plants produced an average of 271 MW this quarter, 98 MW more than last quarter.[284]

The two privately owned and operated power plants in the Kurdistan Region—the Sulaymaniyah and Erbil Gas plants—also continued to increase their output. These two combustion turbine plants now have a combined nameplate capacity of 984 MW, and production this quarter averaged 782 MW—an increase of 136 MW over last quarter and 358 MW over the same quarter last year.[285] In February, General Electric (GE) announced it had signed a contract with the developer of these plants, Mass Global Company, to supply two more 125-MW combustion turbines for the Sulaymaniyah plant and four units for a new plant that Mass Global is building in Dahuk. According to GE, this additional 750 MW of nameplate capacity is scheduled to come on line in the second half of 2010.[286]

This quarter's production increases were offset somewhat by decreased output from the MOE's combustion turbine plants, which constitute the largest share of Iraq's generating capacity. These plants produced about 2,327 MW, a 192 MW drop from last quarter. Thermal plants produced 1,631 MW, almost the same as last quarter.[287]

For a breakdown of the sources of supply from January 2009 through March 2010, see Figure 2.21.

Supply-Demand Gap

Based on data supplied by the MOE, this quarter's supply met 71% of estimated demand, unchanged

With higher water levels in the Tigris River, production of electric power at Mosul Dam increased to 419 MW this quarter, up 93% from last quarter. (Photo copyright GoogleEarth and DigitalGlobe)

FIGURE 2.21

SOURCES OF ELECTRICITY SUPPLY ON NATIONAL GRID, BY MONTH, 1/2009–3/2010
MWh per Day
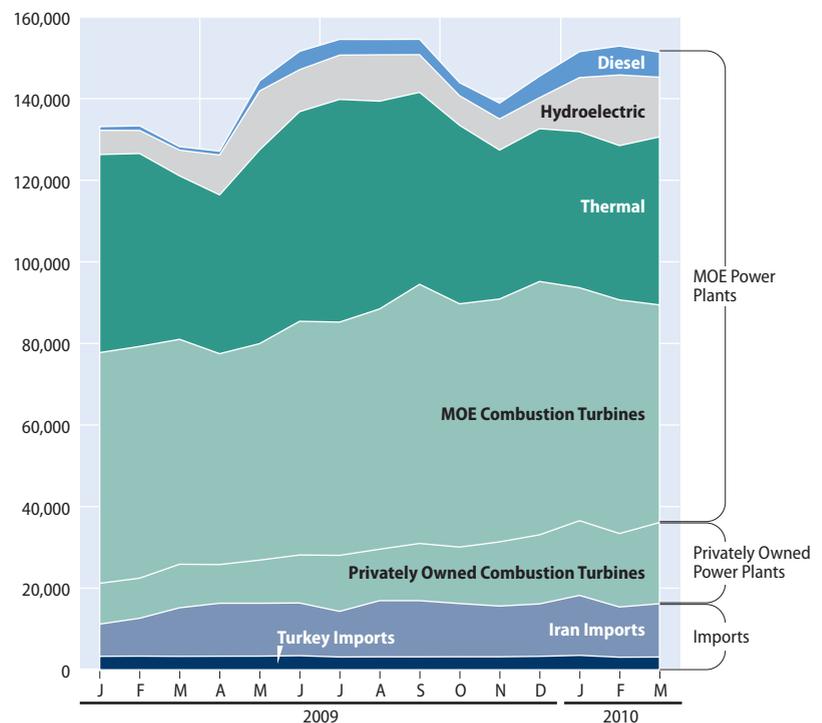
Sources: ITAO/ESD, *Electric Daily Performance Reports*, 1/1/2009–3/31/2010.

from last quarter and up from 66% during the same quarter last year.[288] The lack of reliable electricity supply from the grid has led to widespread use of backyard and neighborhood generators. The cost of electricity purchased from neighborhood generators is about three times the amount charged by the MOE ($25–$50 per month for the average household, versus $10–$15 per month); however, according to the MOE, most Iraqis do not pay their MOE bills on the grounds that they are not getting reliable power.[289] For electricity supply relative to estimated demand since January 2004, see the insert to this Report.

> According to the MOE, most Iraqis do not pay their MOE bills on the grounds that they are not getting reliable power.

Possible Privatization of New Power Plants

Construction has not yet started on any of the power plant projects associated with the MOE's contracts to purchase combustion turbines from GE and Siemens. In addition to the two deals signed in December 2008 to purchase 72 turbines (56 from GE and 16 from Siemens), the MOE also has a separate, "Fast Track Deal" with GE for 8 turbines to be delivered to three sites. However, the Ministry of Finance apparently has not yet certified that funds are available for the letter of credit for this deal, and the MOE is behind in the payment to GE that was due at the end of February. The MOE has signed a contract with the engineering, procurement, and construction (EPC) contractor for one of the three sites.[290]

The letter of credit for the larger contract with GE—the so-called "Mega Deal"—is 94% funded. The final payment for equipment is due in October 2010, and the final payment for services, testing, training, and parts is not due until January 2012. The Siemens letter of credit is 85% funded, and the remainder is due in 2011. The MOE has not yet entered into contracts with any EPCs for these projects, and U.S. Embassy-Baghdad reports that GE and ITAO are working with the MOE to streamline the EPC selection process. For some projects, the GOI apparently is now pursuing the independent power-producer model that has taken hold in the Kurdistan Region. Under this approach, the GOI would sell at least some of the

In a $10.2 million, CERP-funded project completed in three phases, USACE installed 1,200 solar-powered street lights along 35 kilometers of roadway in and around Falluja. (USACE photo)

GE and Siemens turbines to private investors who, in turn, would build, operate, and maintain the plants for a set term. A DoS-funded program to provide technical assistance to the MOE is helping the ministry establish internationally accepted best practices in developing this private-sector investment initiative.[291]

Recently Completed and Ongoing U.S. Projects

According to the Iraq Reconstruction Management System (IRMS), 10 U.S.-funded electricity projects with a total value of $18.7 million were completed this quarter.[292] The largest was a $9.3 million, ESF-funded project to construct a 132-kV electrical network between Bab al-Zubair and al-Basrah Center Power Station. USACE completed this two-year construction project at the end of March, but has not yet turned it over to the MOE. A fault was discovered, and the contractor is repairing one of the lines.[293] The second-largest project completed this quarter was the $3.2 million third and final phase of a CERP project to install solar-powered streetlights in Falluja. USACE completed this project in January, almost one-half year ahead of schedule. The total cost of the three phases was $10.2 milion.[294]

As of March 31, 2010, 109 electricity projects with a combined value of $141 million were ongoing.[295] The three largest projects—construction of the Farabi and Jamila substations in al-Sadr City, construction of another in Ramadi, and rehabilitation

of a fourth in Falluja—have fallen further behind schedule. USACE now expects work on these 132-kV substations to be completed in June or July 2010, roughly three years later than originally planned, at a total cost of $98.8 million. Funding for these three projects comes from the IRRF.[296]

Most ongoing electricity projects—105 of the 109 projects reported in IRMS—are funded through the CERP. Their costs range from $1,000 to $4.8 million; collectively, they have a value of almost $41 million.[297]

This quarter, SIGIR issued an assessment report on a USACE-managed project to provide and install six 33/11-kV mobile substations in al-Qaim, in western Anbar province.[298] See Section 3 for more information on this inspection.

ITAO reports that, under the Ministerial Capacity Development Program's Master Electricity Plan, the United States has set up specialized planning software and associated hardware and begun to provide training classes for the MOE. Moreover, it has requested that the contractor performing this work submit a proposal to expand the project and provide the MOE with a grid code—basically, the technical rules that power plant operators and others must follow to ensure the proper functioning of the national grid. All $4.85 million of the funds allocated for the plan have been obligated.[299]

Strategic Energy Planning

On January 11, 2010, the World Bank made a $5 million grant available to help the GOI develop an integrated national energy strategy to foster sustainable development.[300] Insufficient coordination and communication between the Ministries of Electricity and Oil—exemplified by MOE combustion turbine power plants not being colocated with the Ministry of Oil's gas infrastructure—has been an obstacle to strategic energy planning. The U.S. government attempted to address this issue in 2007 with the formation of the Energy Fusion Cell (EFC). Comprising representatives from the Embassy, the U.S. military, and the two energy ministries, the EFC was charged with crafting an integrated energy

strategy for infrastructure security and repair efforts. Soon after the EFC was formed, the U.S. Government Accountability Office (GAO) issued a report commenting that the effectiveness of this effort would depend on the EFC's ability to obtain buy-in from the two ministries.[301]

Since the EFC was disbanded in late 2008 and replaced by the Energy and Services Division, the U.S. government has had no ongoing formal effort to better coordinate energy planning between the two ministries. According to U.S. Embassy-Baghdad, some activities under USAID's National Capacity Development (*Tatweer*) program promote such inter-ministerial coordination on an ad hoc basis, and the Embassy anticipates that the working groups of the Economic and Energy Joint Coordination Committee under the U.S.-Iraq Strategic Framework Agreement will also promote such communication. While the Embassy believes that development of a national energy strategy is a key step toward better coordination between the two ministries, it also acknowledges that U.S. government sponsorship or funding would hinder acceptance by the Iraqis.[302] The World Bank-funded project will be implemented by the Prime Minister's Advisory Commission.[303]

Water and Sanitation

As of March 31, 2010, the United States had allocated $2.75 billion, obligated $2.64 billion, and expended $2.51 billion to rehabilitate Iraq's water and sanitation sector.[304] As of this quarter, U.S.-funded water projects provide a total of 2.45 million cubic meters of water per day—an increase of roughly 450,000 cubic meters since January 2008.[305] These projects generate almost a quarter of the 9.92 million cubic meters of potable water that Iraq produces each day and serve 8.7 million Iraqis. An additional 300,000 Iraqis are expected to receive potable water once ongoing U.S.-funded water projects are completed.[306] U.S. Embassy-Baghdad reported that U.S.-funded sewerage projects

While the Embassy believes that development of a national energy strategy is a key step, it also acknowledges that U.S. government sponsorship or funding would hinder acceptance by the Iraqis.

process 1.2 million cubic meters of wastewater per day, benefiting 5.3 million people.[307]

According to a DoD assessment, the Iraqi Ministry of Municipalities and Public Works has been effective in ensuring that the available public water supply is safe for consumption through efficient repairs of water networks, proper treatment of potable water, and effective point-of-use testing programs.[308] However, the same assessment found that Iraq still lacks adequate water supplies because of a sharp drop in reservoir levels, broken distribution systems, and management problems.[309] According to the Baghdad Water Authority, nearly 50% of potential potable water is routinely lost to leaks, illegal tapping, and waste.[310] Delivery of services continues to lag in many parts of the country, leaving many Iraqis without access to clean drinking water and adequate sanitation facilities.[311]

World Bank figures released in February 2010 show that potable water service is available to less than 70% of the population outside of Baghdad and can drop to as low as 48% in rural areas. In Baghdad, most residents have in-home access to potable water, but varying sources estimate that between 10% and 25% of the population is disconnected from the water supply network and relies on expensive alternative sources for drinking water, such as delivery by tankers. In some areas, water is available only in the evening; and in many areas, village residents illegally tap into water pipelines.[312] Fewer homes are connected to wastewater sanitation systems than to potable water sources. According to the World Bank report, less than 8% of the homes outside Baghdad were connected to sewerage systems, though other sources report higher connection rates in major cities outside the capital.[313]

> Potable water service is available to less than 70% of the population outside of Baghdad and can drop to as low as 48% in rural areas.

U.S.-funded Water Projects Completed This Quarter

An $8.3 million ESF-funded project to repair turbine generators and rehabilitate butterfly valves at the Kharkh Water Treatment Plant in Baghdad province was completed this quarter, nearly two years after its originally planned completion date.

USACE personnel inspect one of two Rolls-Royce turbines at the Kharkh Water Treatment Plant. (USACE photo)

Several CERP-funded projects were also completed this quarter, including:[314]
- a $498,000 upgrade to water purification systems in Diyala province
- a $180,000 project to clean canals in Baghdad province
- a $147,000 project to build a water distribution network in Muthanna province
- a $90,000 project to rehabilitate a water compact unit in Ninewa province
- $72,000 in projects to build seven wells in Baghdad and Babylon provinces

Water Projects Funded by World Bank

The World Bank announced completion of a new $25.5 million project to provide a water treatment facility to serve an area of Muthanna province with a population of more than 250,000. Construction was funded through the Emergency Water Supply, Sanitation, and Urban Rehabilitation Project of the Iraq Trust Fund, a vehicle set up by the World Bank and the United Nations to funnel international donor assistance to Iraq. In December 2004, the World Bank approved the project under a $110 million grant. In addition to the Muthanna project, the grant aims to upgrade and rehabilitate basic water supply and sanitation services in eight cities, including Kerbala, al-Samawa, and Erbil. The Muthanna project consists of eight water treatment units, 25 kilometers (km) of new pipeline, a staging water tank, and pumping stations.[315]

Ongoing U.S.-funded Water Projects

As of March 31, 2010, almost 300 CERP-funded water projects remained ongoing, valued at $65.0 million; 12 IRRF projects, valued at $105.4 million, are also underway.[316]

Ongoing CERP projects include construction of water compact units in Babylon province and installation of a deepwater well in Qadissiya province.[317] Several CERP-funded projects underway are concentrated in provinces bordering the Kurdistan Region, including Ninewa, Salah Al-Din, Diyala, and Tameem provinces. A large number of ongoing CERP and I-CERP projects have been awarded to local Iraqi contractors.[318]

Two projects that had been scheduled for completion this quarter are now expected to be completed in June—the $10 million (ESF) Garma Water Reverse Feeding project in Basrah province and a $23.1 million IRRF-funded segment of the $70 million Meshkab Water Treatment Plant in Najaf province.[319] For a description of the largest ongoing U.S. water and sanitation projects, see Figure 2.22.

U.S.-funded Water Projects Not Yet Started

According to IRMS data, funding for several water projects has been obligated, but construction has not yet begun. These include the $2.6 million CERP-funded al-Nuamiyah water treatment project in Anbar province and several smaller projects, with contract values of less than $1 million each, to build sewage treatment lagoons, water treatment plants, and sewage repairs in Anbar, Basrah, Baghdad, and elsewhere.[320]

Transportation and Communications

As of March 31, 2010, the United States had allocated $1.16 billion, obligated $1.12 billion, and expended $1.01 billion to rehabilitate Iraq's transportation and communications sectors.[321] This

SELECTED ONGOING U.S.-FUNDED WATER PROJECTS
$ Millions

$38.5 Eastern Euphrates Drain
This $38.5 million IRRF-funded project began in November 2006 with the aim of reclaiming more than 58,000 hectares of agricultural land and removing excess saline water from more than 400,000 hectares of irrigated land in Muthanna province. It is slated for completion on April 30, 2010.

$29.5 Falluja Waste Water Treatment System
The "backbone" of this $98 million project-including a wastewater treatment plant, three pump stations, two main trunk lines, and an outfall pipe leading from the plant in Anbar province to the Euphrates River—was due to be completed in April 2010. According to USACE, the treatment plant, a $29.5 million piece of the total project, is scheduled for completion in August 2010.

$23.1 Meshkab Water Treatment Plant
Work on this $23.1 million water project, which aims to provide drinking water for roughly 110,000 people in Najaf, began in September 2007. The project includes construction of a new water treatment plant, piping, a booster pump station, and three storage tanks. It is being executed as a grant project with the Iraqi Ministry of Municipalities and Public Works, which is funding an additional $46.9 million. It is scheduled for completion in June 2010.

$11.0 Al-Kibla Sewer and Storm Network
This $11 million project is designed to provide a water compact unit and distribution network in Basrah province. This quarter, the project was 15% complete, and it is scheduled for completion in October 2010.

$10.0 Garma Water Reverse Feeding
Awarded in October 2007, the $10 million Garma Water Reverse Feeding project is designed to provide clean drinking water to residents of Basrah province by connecting water compact units to the Basrah city supply, installing new pumps, and modifying existing water compact unit treatment systems. It is scheduled for completion in June 2010.

Sources: USACE, response to SIGIR data call, 4/2/2010; USACE Commander, SIGIR interview, 1/12/2010; USACE, response to SIGIR data call, 1/16/2010; SIGIR PA-08-144–148, "Falluja Waste Water Treatment Facility," 10/27/2008.

quarter, Iraq's Minister of Transportation sought to expand the number of airlines serving Iraq, meeting with Dutch officials in March in a bid to initiate air travel between the two countries. Work began this quarter on a new airport that will serve Kerbala and Najaf provinces. In addition, Iraq's railroad service continued to expand, and telecommunications improved in Baghdad.[322]

Transportation

Ports

Construction of the $53 million GOI-funded Umm Qasr pier and seawall project continued this quarter with work on a tail wall, drains, and a seawall backfill to prevent clay from seeping into a portion of the port area.[323] USACE reported that Iraqi naval ships had sailed through the construction site and docked at Pier 2, causing safety hazards and slowing construction, and that its staff had worked with Iraqi naval officials to stop disruptions at the site.[324] The project is USACE's first Foreign Military Sales project with Iraq.[325]

Umm Qasr, the largest of five Iraqi ports, includes 22 operational berths, 33 warehouses, and four container cranes. It is the primary point of entry for food and general cargo coming into Iraq, including 85% of grain imports. By 2008, the port was receiving more than 75,000 containers, and by 2012, it is expected to be processing up to 150,000 containers.[326]

A French company has contracted to complete construction of Dock 4 at Umm Qasr, and an Italian construction company announced this quarter that it would begin construction at the al-Faw port at the southernmost tip of Iraq.[327] Iraqis hope the port will compete with Dubai, becoming a transit point for goods coming by sea that are destined for the eastern Mediterranean and Europe, bypassing the Suez Canal. Iraq's railroad would accommodate land travel.[328]

Roads and Bridges

Work continued this quarter on two IRRF projects in Salah Al-Din province—the $7.8 million Baghdad-Kirkuk Carriageway and the $7.1 million Shirqat Bridge. USACE reports that no progress had been made in February on the 40-km highway designed to link Baghdad to Kirkuk, which is in its second phase of construction. Construction of the road is three years behind schedule, and given the slow progress, USACE reported that it was unlikely to be completed by a March 2010 deadline.[329]
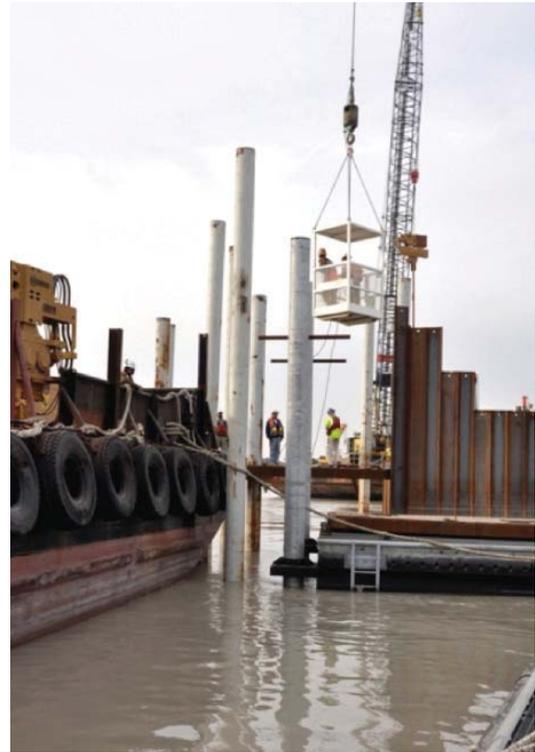
Construction of the $53 million pier and seawall continued this quarter at Umm Qasr in Basrah province. (USACE photo)

The deadline for the project has been extended to June 30, 2010.[330]

The Shirqat Bridge is located in an agricultural region of the province, where minimal ferry service is available. USACE reported that construction was 75% complete as of March 10, though the forecast completion date was March 31, 2010.[331] Again, the deadline has been extended to June 30, 2010.[332] Elsewhere in Salah Al-Din, smaller roads and bridges were under construction this quarter, including a new joint U.S.- and GOI-funded road to connect outlying villages and serve a combined population of about 75,000.[333]

In Anbar province, major road construction continued along Iraq's border with Syria. Groundbreaking began in January, and the GOI committed to provide $52 million for the USACE-managed border project to construct 90 km of roads to link remote outposts and protect against smugglers and foreign insurgents.[334]

Railroads

In February, the Iraqi Republic Railway Company resumed service connecting Iraq and Turkey for the first time since the 1980s.[335] The National Investment Commission (NIC) has identified 45 regional railway construction projects in need of private investment for construction, including lines to connect Kerbala, Najaf, and al-Samawa in the south and Mosul and Dahuk in the north.[336] For a map of Iraq's current railroad lines, both completed and preliminary, see Figure 2.23.

This quarter, the U.S. government began operations and maintenance training following the completion of 33 U.S.-funded digital microwave radio sites.[337] The U.S. Department of Transportation (DOT) Attaché Office and project contractor Volpe Center worked with Iraqi railroad personnel to monitor continuing work and to phase in activities between Baghdad and Hilla, located in Babylon province.[338]

The digital network runs from the Syrian border, through Baghdad, to the Port of Umm Qasr and provides microwave radio technology on more than 1,000 km of railroad track.[339] According to IRMS data, this $44.3 million IRRF- and ESF-funded project is the largest ongoing U.S. transportation project. Now 76% complete, it is scheduled for completion in September 2010.[340]

Aviation

Iraq continued to expand its aviation sector this quarter as it sought to take early possession of dozens of Boeing airplanes purchased in 2008, take gradual control of its air traffic control services, increase flight routes to other countries, and open a new terminal in the Kurdistan Region.

Iraq's Transportation Ministry said it hoped to obtain early delivery of 55 Boeing 737, 777, and 787 airplanes (originally due to arrive in 2013) as part of a $5.9 billion deal signed with Boeing and Canada's Bombardier in 2008. The agreement with Boeing includes $30 million for pilot training and $7 million for the construction of a training institute in Baghdad.[341] The Iraqi Civil Aviation

FIGURE 2.23
IRAQI RAILWAY SYSTEM

Legend:
- Standard Gauge
- Standard Gauge Design Completed
- Preliminary Studies for New Lines Completed
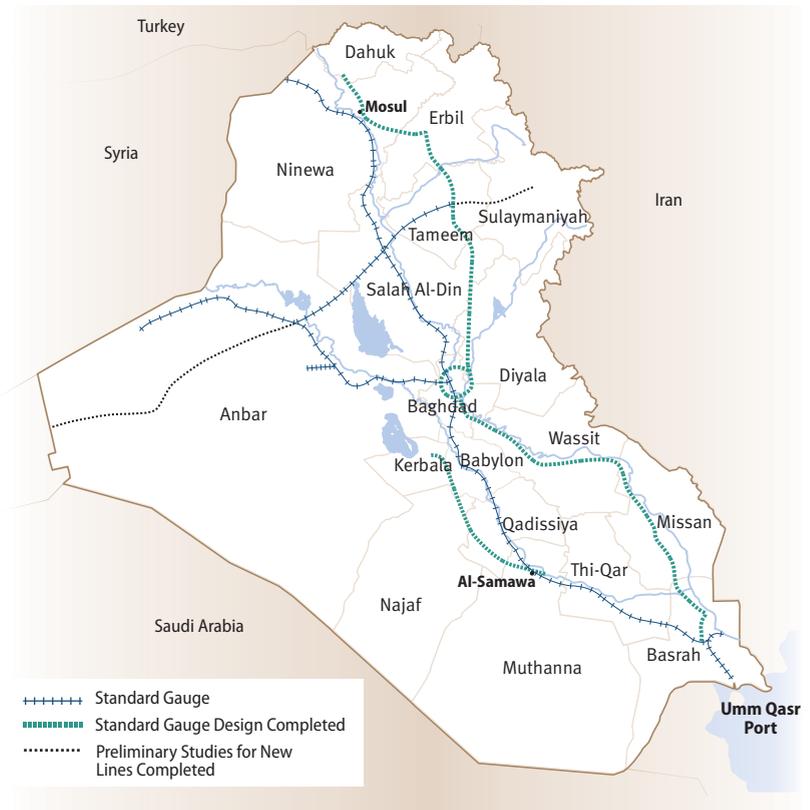
Source: GOI, Iraqi Republic Railway Company, www.iraqirailways.com/private/mapen.htm, accessed 3/30/2010.

Iraqi workers climb atop a train engine of the Iraqi Republic Railway Company. (USACE photo)

An Iraqi Airways plane parks at Baghdad International Airport. (USAID photo)

Authority (ICAA) had several contracts with Boeing in place this quarter, including agreements to publish arrival and departure procedures at Basrah and Baghdad airports and to send controllers to Miami for U.S training.[342]

The Boeing purchase would boost Iraq's fleet, which currently consists of four aging planes and depends heavily on leased aircraft. The push for new planes comes as plans move forward for Iraq to take control of its air traffic control services. The ICAA currently operates airspace in Iraq above 24,000 feet. Plans call for Iraqi control of airspace above 15,000 feet by fall 2010 and below 15,000 feet by the end of 2011.[343]

Meanwhile, two more foreign airlines announced plans to begin flights to Iraq. Lufthansa Airlines announced it would begin flights to Erbil beginning on April 25, 2010, and to Baghdad by summer, ending a 20-year hiatus in Lufthansa flights to Iraq.[344] Greek airline Viking Hellas began flights between

Two more foreign airlines announced plans to begin flights to Iraq.

Athens and three Iraqi cities—Baghdad, Sulaymaniyah, and Erbil—in February.[345] Six commercial airports now operate in Iraq—Basrah, Najaf, Baghdad, Sulaymaniyah, Erbil, and Mosul.

Mosul's airport is located on a U.S. military base, with air-traffic control services provided by the U.S. Army.[346] In January, the U.S. Army's 34th Infantry Division handed over part of the taxiway at Basrah International Airport that can accommodate the landing of large aircraft. The facility was first occupied by the British in 2003, and the runway had been used to park U.S. helicopters.[347] Erbil International Airport plans to open a new terminal and runway by spring or summer 2010.[348]

For information on SIGIR's audit of the Commercial Economic Zone at Baghdad International Airport, see Section 3.

Telecommunications

The completion date for construction of a Baghdad communications center was postponed again this quarter. USACE reported that the $18.3 million al-Mamoon Exchange and Communications Center was currently 25% complete and would be finished in January 2011.[349] The original contract, valued at nearly $23 million, was awarded in 2006 but later terminated for lack of progress. A new contract was re-awarded on July 31, 2009. In October 2009, USACE reported that the project was 2% complete and behind schedule, and a new target completion date was set for August 2010. In January 2010, USACE reported the project was 7% complete.[350] ◆

GOVERNANCE

As of March 31, 2010, the United States had allocated $7.58 billion, obligated $7.29 billion, and expended $6.46 billion to support democracy, governance, capacity development, and public services in Iraq.[351] For the status of these funds, see Figure 2.24 and Table 2.17.

This quarter, there were $63.1 million in net deobligations for governance programs. Most of these deobligations came from the Provincial Reconstruction Team (PRT) Quick Response Fund and the Democracy and Civil Society program, both of which are funded by the ESF. The CERP-funded Civic Infrastructure Repair program had $18.3 million in new obligations, the most of any governance-related program.[352]

This quarter, there were $107.4 million in net expenditures. Most new expenditures were for capacity development, including $18.6 million for PRT/Provincial Reconstruction Development Council (PRDC) projects and $7.4 million for the Community Stabilization Program, both of which are funded by the ESF.[353]

National Elections

On March 7, 2010, about 11.5 million Iraqi voters turned out to elect the 325-seat Council of Representatives (CoR) from a pool of more than 6,170 candidates.[354] For voter turnout, see Figure 2.25, and for elections results, see Section 1.

Electoral System

The CoR elections were held using an open-list electoral system in accordance with the 2009 amendment to the Electoral Law of 2005. Voter ballots offered a choice of political blocs—which could include "single list" blocs (that is, a bloc with just one candidate) or political blocs comprising one or more parties that have submitted a list of multiple candidates (25% of whom must be women). In the open-list system, voters indicate

FIGURE 2.24
GOVERNANCE: STATUS OF FUNDS
$ Billions

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

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

FIGURE 2.25
IRAQI VOTER TURNOUT
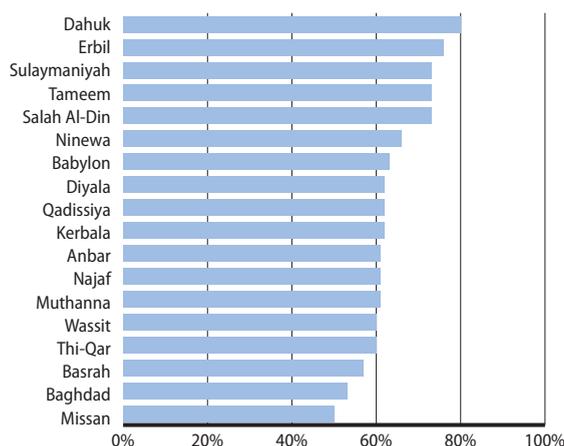
Source: GOI, IHEC, "Voter Turnout Figures," 3/9/2010, ihec.iq/English/press_releases.aspx?id=2189, accessed 3/17/2010.

TABLE 2.17
GOVERNANCE: STATUS OF FUNDS, WITH SELECTED PROGRAMS
$ Millions

SECTOR	PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Capacity Development	PRT/PRDC Projects (ESF)	496.0	423.5	-2.6 (-1%)	18.6 (5%)
	Community Stabilization Program (ESF)	619.3	619.0	0.0 (0%)	7.4 (1%)
	National Capacity Development (ESF)	309.4	251.6	0.0 (0%)	7.1 (3%)
	PRT Quick Response Fund (ESF)	208.9	163.8	-11.2 (-5%)	17.6 (12%)
	Other	669.1	589.3	-0.5 (0%)	4.4 (1%)
	Subtotal	**2,302.7**	**2,047.2**	**-14.3 (-1%)**	**55.1 (3%)**
Democracy and Civil Society	Democracy and Civil Society (ESF)	234.2	155.6	-25.2 (-10%)	7.6 (5%)
	Community Action Program (ESF)	311.0	226.4	0.0 (0%)	16.4 (8%)
	Other	1,627.2	1,445.1	-1.6 (0%)	3.0 (0%)
	Subtotal	**2,172.4**	**1,827.0**	**-26.8 (-1%)**	**27.0 (2%)**
Humanitarian Relief	Food Production & Distribution (CERP)	0.0	0.0	-13.8 (-100%)	-10.5 (-100%)
	Other Humanitarian and Reconstruction Projects (CERP)	150.6	110.8	7.5 (5%)	11.2 (11%)
	Other	703.9	692.5	0.0 (0%)	0.5 (0%)
	Subtotal	**854.5**	**803.3**	**-6.3 (-1%)**	**1.2 (0%)**
Public Services	Civic Infrastructure Repair (CERP)	109.4	89.3	18.3 (20%)	12.0 (16%)
	Health Care - Equipment Procurement and Modernization (IRRF 2)	277.1	270.2	2.4 (1%)	9.6 (4%)
	Civic Cleanup Activities (CERP)	200.2	158.8	5.4 (3%)	5.0 (3%)
	Other	1,371.5	1,265.8	3.7 (0%)	11.0 (1%)
	Subtotal	**1,958.2**	**1,784.2**	**29.7 (2%)**	**37.6 (2%)**
Total		**7,287.7**	**6,461.7**	**-17.7 (0%)**	**120.9 (2%)**

Note:Data not audited. Numbers affected by rounding. Programs listed in this table had changes of at least $5 million in combined quarterly obligations and expenditures. Appendix C shows the status of programs in the "Other" categories, which had nominal or no quarterly change. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting by one quarter. Therefore, category totals found in the Funding subsection of this Report may not match top-line values found in the four subsections on major reconstruction areas.

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

An Iraqi voter on election day, March 7, 2010. (IHEC photo)

their preferred bloc and then go on to select their preferred candidate within that bloc. Thus, the voters determine which individual candidates will fill a winning bloc's seats.[355] Blocs can represent nationwide political movements, provincial interests, or ethnic, religious, or sectarian groups. By contrast, the 2005 elections used a closed-list system. Voters selected the winning blocs, but not individual candidates. Rather, a winning bloc chose its representatives through an internal selection process and without voter input.[356]

TABLE 2.18

NUMBER OF SEATS WON PER BLOC, BY PROVINCE

2010 Election

	PROVINCE	ALLOCATED SEATS
North	Ninewa	34
	Sulaymaniyah	17
	Erbil	15
	Tameem	13
	Salah Al-Din	12
	Dahuk	11
Central	Baghdad	70
	Babylon	16
	Anbar	14
	Diyala	13
	Najaf	12
	Wassit	11
	Qadissiya	11
	Kerbala	10
South	Basrah	24
	Thi-Qar	18
	Missan	10
	Muthanna	7
Compensatory		7
National Total	Al-Iraqiya (91) INA (70) SoL (89) KAL (43) IUA (4) Other (28)	

Source: GOI, IHEC, "Number of seats won per bloc by province," 4/2/2010.

CoR Seat Distribution and Allocation

The CoR's 325 seats comprise 310 provincial seats, awarded on the basis of the population of each province, as well as 8 seats for minority groups and 7 compensatory seats.

Voters first choose a bloc and may, but are not required to, also vote for a candidate from that bloc. A proportional system is used to award seats to a bloc based on its share of votes within each province. Votes cast for blocs that do not gain enough seats to be entitled to a single seat in a province are ignored. Candidates from a winning bloc are awarded seats based on the number of votes they received. For example, if a bloc wins three seats, then the three candidates within that bloc with the most votes are entitled to seats.[357]

The seven compensatory seats are awarded to winning blocs in proportion to the seats won nationwide. In the March 2010 election, the top three vote-winning blocs—al-Iraqiya, State of Law Coalition, and Iraqi National Alliance—won 2 compensatory seats each. The fourth-place Kurdistan Coalition won the remaining compensatory seat. Winning seats are filled by the candidates within that bloc who had the largest share of votes in their own provinces but were not seated.[358] For the number of seats won per bloc by province, see Table 2.18.

If fewer than 25% (82) of all 325 seats have been filled by women under the procedures established above, a special procedure is employed. It begins with the provinces with the lowest proportion of women elected and with the blocs entitled to seats with the lowest proportion of women elected. Within blocs entitled to seats in those provinces, the lowest-ranked males are replaced with the highest-ranked unseated females until 82 women are among the candidates to be seated. According to the United Nations Assistance Mission in Iraq, "this adjustment mechanism will ensure that there are at least 25% women in the Council of Representatives, although the percentage of women in each governorate and each [bloc] may vary."[359]

According to Article 76 of Iraq's Constitution, within 15 days after the President is selected, he or she shall ask the largest bloc to select a candidate for Prime Minister.[360] However, it is unclear if post-election political negotiations prior to the start of this selection process could affect the number of seats held by a bloc and, therefore, which bloc is the largest.

TABLE 2.19

TIME LINE OF THE GOVERNANCE GAP

EVENT	TIME PERIOD	CONSTITUTIONAL AUTHORITY
Preliminary election results	4 days after election	
Uncertified official results	15 days after election	All election inquiries resolved by Iraq's Higher Judicial Council (HJC)
Certified official results	Pending recount	HJC certifies the election
CoR convenes	15 days after certification of the election	Article 54: Eldest member shall chair the first session to elect the speaker and two deputies
CoR Speaker elected	During first session of the CoR	Article 55: Elected by absolute majority of secret balloting
President elected	No set deadline	Article 70: Elected by 2/3 majority. If no candidate receives required majority, two candidates with highest number of votes compete; majority vote wins.
Presidential charge to form government	Within 15 days of President's election	Article 76: President asks the largest CoR bloc to nominate a candidate for Prime Minister
Prime Minister-designate names Council of Ministers	Within 30 days of designation	Article 76: If Prime Minister-designate fails to name CoM within this time period, the President shall charge a new nominee for Prime Minister
Prime Minister-designate puts forth Council of Ministers and ministerial program for approval	No set deadline	Article 26: If they do not receive a vote of confidence, the President must ask a new nominee to form the CoM within 15 days.

Sources: Institute for the Study of War, "Process of Government Formation," 3/11/2010; UNAMI, "Iraqi Constitution," www.uniraq.org/documents/iraqi_constitution.pdf, accessed 4/16/2010.

"Governance Gap"

Iraq's constitution contains articles that put into question the GOI's ability to function fully during the period when national elections are held and the government is being reformed. On March 15, 2010, the CoR officially ended its term and all of its sessions stopped, pending the seating of the new CoR.[361] The President of Iraq's term, which is constitutionally tied to the term of the CoR, ended on the same day. According to Article 72 of Iraq's Constitution, the President continues to exercise his or her duties after the term has ended and until the newly seated CoR elects a new President, but does not make clear the President's authorities during that period. Furthermore, some constitutional language leaves the authority of the Council of Ministers—which includes the Prime Minister—in question following the "dissolution" of the CoR. Article 64 states that "the Council of Ministers in this case is deemed resigned and continues to run everyday business."[362] This period in which executive authority may be in question or, at least, not clearly defined could potentially affect the

> This period in which executive authority may be in question or, at least, not clearly defined could potentially affect the functioning of the federal government.

functioning of the federal government just prior to and following national elections. For a time line of this governance gap, see Table 2.19.

U.S. and International Support for the Election

The DoS Bureau of Democracy, Human Rights and Labor (DRL) funded a range of activities related to the March elections. These activities built on the approximately $170 million in past and current DRL-funded programs that targeted the 2009 provincial and KRG elections, as well as broader democracy-building programs. In addition, in coordination with the United Nations Assistance Mission for Iraq (UNAMI), USAID's $103 million Election Strengthening Program (ESP) has provided advice and technical assistance to the Independent High Electoral Commission (IHEC).[363]

Specific U.S.-funded activities in support of the March election included the following:[364]

- **Supporting Out-of-Country Voting.** USAID funded a $5.5 million program to support IHEC's "Out of Country Voting" initiative.

According to the IHEC, 272,016 voters cast their ballots in 16 other countries.[365]

- **Equipping the Electoral Offices.** USAID funded a $2.5 million project (conducted in coordination with IHEC and the PRTs) to provide equipment and supplies to the governorate electoral offices.

- **Developing Domestic "Get Out the Vote" Programs.** USAID funded a $2 million program to train and support Iraqi civil society organizations to conduct voter education workshops, supplementing IHEC's voter outreach efforts and efforts by DRL grantees. American University worked with an Iraqi NGO to train community leaders and local groups on targeting election information to low-turnout populations—specifically, people from rural areas, women, illiterate people, and the young. The International Republican Institute (IRI) dispatched voter education teams to deliver election process training and help rural Iraqis connect with the political process. The International Research & Exchanges Board (IREX) and IRI carried out programs to televise candidate debates, town hall forums, and issue-based talk shows.

- **Strengthening Political Parties and Candidates.** In 2009, the National Democratic Institute (NDI) and IRI trained almost 3,000 candidates and 119 political parties or coalitions in drafting party platforms, communicating election messages, and building voter support. Both organizations also held training specifically for female legislators and other politically active women in party recruitment, staff development, strategic planning, and field-office organization.

- **Bolstering Professional Media Election Coverage.** The Institute for War & Peace Reporting and IREX trained Iraqi media professionals in best practices for election reporting. IREX published an update of the "Code for Media Coverage During Elections" and provided training for journalists in television, radio, and Internet media in partnership with the privately owned Iraqi Media Institute.

- **Ensuring Domestic Election Monitoring.** In partnership with the Iraqi Sun Network for Election Monitoring, NDI held "train the trainer" programs for political party members, civil society groups, and other activists who, in turn, provided poll monitor training to thousands of Iraqis. In addition, NDI and the Iraqi Sun Network trained 2,500 observers to participate in an activity designed to identify potential problems on Election Day.

International support for the election was extensive and included the following:

- The United Nations Office for Project Services (UNOPS) funded an initiative to train more than 29,000 domestic observers to monitor processes on Election Day.[366]

- The International Foundation for Electoral Systems provided technical support to IHEC's "Out of Country Voting" program and supported domestic GOI voter registry, finalizing IHEC's public outreach plan and materials and developing political party, candidate, and coalition databases.[367]

Legislation

Since November 2009, Iraq's CoR has passed several important pieces of legislation. In addition to finalizing the electoral law and setting up the March election, the CoR passed amendments to the investment law as well as the 2010 budget and laws that dissolved the Ministry of Labor and Social Affairs and the Ministry of Municipalities and Public Works.[368] Additionally, on February 3, 2010, the Non-Governmental Organizations Law was approved, providing several protections to nongovernmental organizations (NGOs) and specifying how these NGOs are to be formed and regulated. This law, first introduced to the CoR in March 2009, replaces CPA Order 45 and provides an avenue for appeal in case of an NGO's denial of registration or license revocation. It also requires the government to

NDI and IRI trained almost 3,000 candidates and 119 political parties or coalitions in drafting party platforms, communicating election messages, and building voter support.

The National Anti-Corruption Strategy 2010–2014.

have reasonable suspicion that accounts are inaccurate or manipulated before auditing an NGO.[369]

Legislative Strengthening Program

This quarter, USAID's Legislative Strengthening Program (LSP) entered its second year of providing technical support to the CoR and began implementing its newly approved work plan. LSP reports working closely with the CoR on a transition plan and orientation program for newly elected members and with members of the international donor community to coordinate support of the CoR.[370]

The $24 million, ESF-funded LSP contract award to U.S. firm AECOM began in October 2008 and is scheduled to run through September 2010.[371]

U.S. Support for GOI Anticorruption Efforts

As of March 31, 2010, U.S. Embassy-Baghdad's Anti-Corruption Coordination Office (ACCO) had obligated about $16.6 million and expended about $6.8 million for anticorruption initiatives.[372] These include stand-alone programs that provide

workshops and seminars directed toward best practices. For example, in February, ACCO and Iraq's Office of Constitutional Affairs, in partnership with the University of Utah, sponsored a legislative drafting symposium under the auspices of the Ministry of Justice. The Shura Council, an Iraqi state institution responsible for vetting draft legislation for constitutionality, gathered officials from throughout the GOI to discuss obstacles to creating effective anticorruption laws and to explore solutions to ongoing corruption problems.[373]

More far-reaching uses of ACCO's funding streams involve support for various implementing partners, such as the UN Development Programme (UNDP), Iraq Foundation, and IRI. For example, as part of an $8 million ACCO-funded project, UNDP, ACCO, and senior Iraqi officials developed the new National Anti-Corruption Strategy.[374] For details of the strategy, see Section 1 of this Report.

Ongoing Governance Capacity Development Programs

U.S. efforts to increase Iraq's capacity for governance—primarily funded by the ESF—are supported through several targeted capacity development programs at national, regional, and sub-regional levels. Of the $2.55 billion allocated for these efforts, more than $2.30 billion has been obligated and $2.05 billion expended as of March 31, 2010. Several of the long-running capacity development programs are now winding down.[375]

Ministerial Capacity Development Program

As of March 31, 2010, USAID's ESF-funded Ministerial Capacity Development (MCD) program had been allocated $48 million, of which $41 million had been obligated and $30 million expended.[376] The objective of the MCD program has been to help build or strengthen the national government through an effective system of ministries with a focus on helping Iraqi senior government

employees execute their budgets.[377] Currently, DoS is working with the DoD's Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) to review the status of, and close out as appropriate, all remaining FY 2006 ESF MCD contracts and grants.[378]

National Capacity Development Program

As of March 31, 2010, USAID's ESF-funded National Capacity Development (NCD), or *Tatweer*, program had been allocated $309.4 million, all of which had been obligated and $251.6 million of which had been expended—including $7.1 million expended this quarter.[379] NCD focuses on increasing the effectiveness of ministries through reforming internal operational systems and instituting best practices and international standards. *Tatweer* initiatives assist in the core public administration areas of contract and procurement management, human resource management, project management, leadership and communication, strategic planning, and information technology. Examples of recent programs include:

- working with MOH budget directors to assist in revising their goals to match the needs identified in their five-year strategic plan
- leading a Ministry of Planning and Development Coordination team to assist the GOI with its (currently unreleased) five-year National Development Strategy

USAID reported that nearly 90,000 civil servants have been trained through the NCD program.[380]

Provincial Reconstruction Teams

The U.S. Embassy-Baghdad's Office of Provincial Affairs (OPA) reported a continued reduction in the footprint of the PRT program this quarter, including the closings of several satellite offices and the merging of embedded PRTs (ePRTs) with the PRTs in Baghdad and Anbar provinces. The new PRT footprint shows 15 PRTs, 1 Regional Reconstruction Team (RRT) in the Kurdistan Region, 4 ePRTs in Baghdad and Anbar provinces, and 18 satellite

offices scattered throughout central and northern Iraq. The Anbar ePRT is slated for consolidation into a satellite office in June 2010. No satellite offices remain in southern Iraq.[381] U.S. Embassy-Baghdad reported that the new footprint would remain through September 30, 2011.[382] Ultimately, the last five PRTs will transition to Enduring Presence Posts (EPPs)—including two consulates in Erbil and Basrah provinces, and three posts in Tameem, Ninewa, and Diyala provinces.[383]

DoS's current authority to employ Section 3161 employees—temporary government employees assigned to Iraq—expires in May 2010. DoS is seeking a new authority to use temporary employees for another three years to help staff the EPPs as well as INL and other programs. According to U.S. Embassy-Baghdad, the number of such employees would be reduced under more restricted use of the new authority.[384]

PRT Activities

PRT objectives continue to be supported through projects funded by the CERP as well as the ESF Quick Response Fund (QRF), Local Governance Program (LGP III), and PRDC program. PRTs in key strategic provinces typically have large amounts of CERP funds available for projects and thus rely less on the QRF. OPA reviews the projects to determine their success.[385] The PRTs use the QRF to gain influence, reconcile conflicting parties, and enhance civil development through training and mentoring activities. The civilian Foreign Service Officer Team Leader and military Deputy Team Leader on each PRT determine which QRF projects best advance PRT goals. Most projects are limited to $25,000 or less and focus on specific local development.[386] For instance, in Ninewa province, a $22,000 project will enable data on the water network system to be digitally archived for easier access. In Missan province, a $7,000 project involves training the staff of the Directorate of Water Resources.[387]

As ePRTs have drawn down during early 2010, most have experienced a decrease in military

Figure 2.26
Ongoing PRT/PRDC Projects: Obligations, by Province and Category
$ Millions

Benchmark Category	Obligations
Water and Sanitation	63.5 (38%)
Health	43.2 (26%)
Education	33.6 (20%)
Electrical	14.4 (9%)
Buildings	10.7 (6%)
Security and Justice	1.9 (1%)
Transportation	0.6 (0%)
Total	**168.0**

Baghdad $2.9 million

Nationwide $2.8 million

Basrah $44.1 million

< $2 million | $2 to $5 million | $5 to $10 million | $10 to $20 million | >$20 million
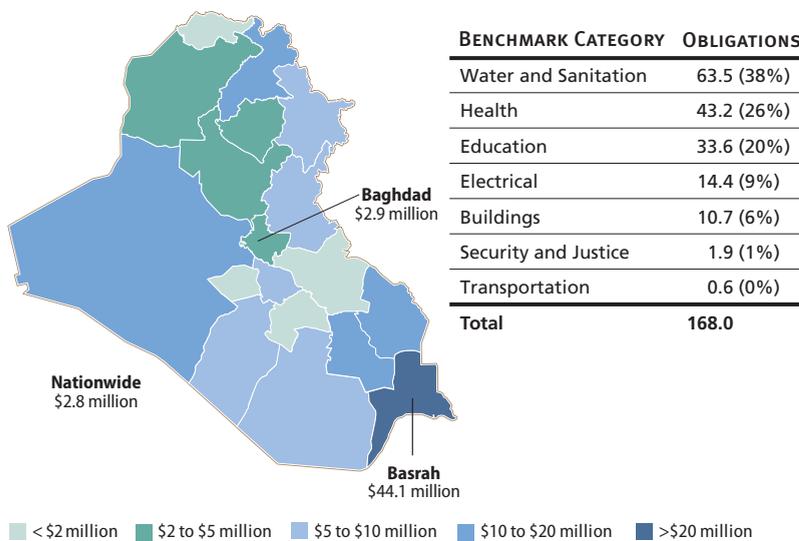
Note: Data not audited. Numbers affected by rounding.

Source: U.S. Embassy-Baghdad, ITAO, response to SIGIR data call, 4/13/2010.

support for their movements throughout the province. As a result, QRF activity has decreased correspondingly. However, U.S. Embassy-Baghdad has reported that the remaining PRTs continue to operate with freedom of movement and are able to adequately monitor QRF-funded projects.[388]

USAID continues to provide financial support to meet PRT goals for building the capacity of city and provincial governments through LGP III activities. These projects address budget formulation and execution, financial management, planning for public investment, public outreach, and other governance activities.[389] As of March 31, 2010, $407.5 million of the ESF had been obligated to the program, and more than $294.5 million had been expended.[390] LGP III funds projects in all 14 provinces outside of the Kurdistan Region.[391]

PRDC projects have also used ESF funding to address needs for essential services, such as education, electricity, transportation, and solid waste treatment. They are executed through an Inter-agency Agreement between NEA-I and USACE,

which develops, solicits, contracts, implements, oversees, and delivers PRDC projects. This quarter, 12 projects, valued at $27.5 million, were completed in seven provinces.[392] As of March 31, 2010, $423.5 million of the $496 million obligated for PRDC projects had been expended.[393]

For an overview of PRDC funding, by province and type of ongoing project, see Figure 2.26.

Assessment of Provincial Development
This quarter, PRTs released their updated assessment of the progress that each provincial government is making toward self-reliance in areas of governance, rule of law, national unity, economic development, and political development. Called the Maturity Model Quarterly Assessment (MMQA), the report ranks progress or regression in each of the five categories based on subjective evaluations made by PRT personnel. The lowest ranking is *beginning*, and progressive rankings include *developing*, *sustaining*, *performing*, and the highest ranking, *self-reliant*. The latest assessment was completed on December 30, 2009, and covers the period from September 1, 2009, to November 30, 2009.[394]

Kerbala province was judged by the PRT working there as *self-reliant* in political development because the provincial government provided adequate supplies of gasoline to consumers through government-owned gas stations and was starting to be responsive to constituents' needs for government services. The biggest leap in progress was noted in Missan province, where the rule-of-law ranking climbed from low-*developing* to mid-*sustaining*. According to PRT Missan's evaluation, security concerns expressed by local judges have turned out to be "overstated." Although judges in the province are still routinely threatened, there have been no acts of violence against them, which has emboldened judges to apply the law more even-handedly.[395]

Baghdad's PRT ranked the province slightly higher (though still ranked as *sustaining*) in the national unity category because rival parties appear to have resolved differences sufficiently to be able to

deliver essential services without regard to ethno-sectarian differences. Basrah's PRT noted progress in both governance and political development as several members of the Provincial Council attended training to learn how to create a provincial development strategy, and there was some evidence of a strategy being put into place, prompting the PRT to rank its political development as *performing*. The PRT observed political representation being distributed more widely throughout the province and a reduction in politically motivated violence.[396] Despite continued unresolved political problems in Ninewa and Tameem, assessments in both provinces remained constant at the relatively low rankings of *developing* and *sustaining*.[397]

Diyala, meanwhile, regressed from *developing* to *beginning* in the rule-of-law category because of an apparent increase in sectarian bias by police against Sunnis. PRT Diyala reported politically motivated arrests of Sunni leaders, including the provincial deputy governor and members of the Sons of Iraq. PRT Diyala also reported that it believed the arrests were made at the behest of the GOI. Salah Al-Din province also slipped in governance, political development, and national unity ratings (now at *sustaining*) due to political wrangling over the budget and a political stalemate in the Provincial Council. The PRT also noted a significant black market for fuel distribution in the province.[398]

Internally Displaced Persons and Refugees

More internally displaced persons (IDPs) and refugees returned to their areas of origin this quarter, and new cases of displacement slowed considerably as Iraqis continued to perceive an improvement in the overall security situation.[399] The United Nations High Commissioner for Refugees (UNHCR) estimated that nearly 450,000 refugees and IDPs had returned to Iraq as of February 2010.[400] The DoS Bureau of Democracy, Human Rights, and Labor estimated roughly 400,000 Iraqis had returned home since

FIGURE 2.27

IRAQI INTERNALLY DISPLACED PERSONS, BY DISTRICT
January 2010
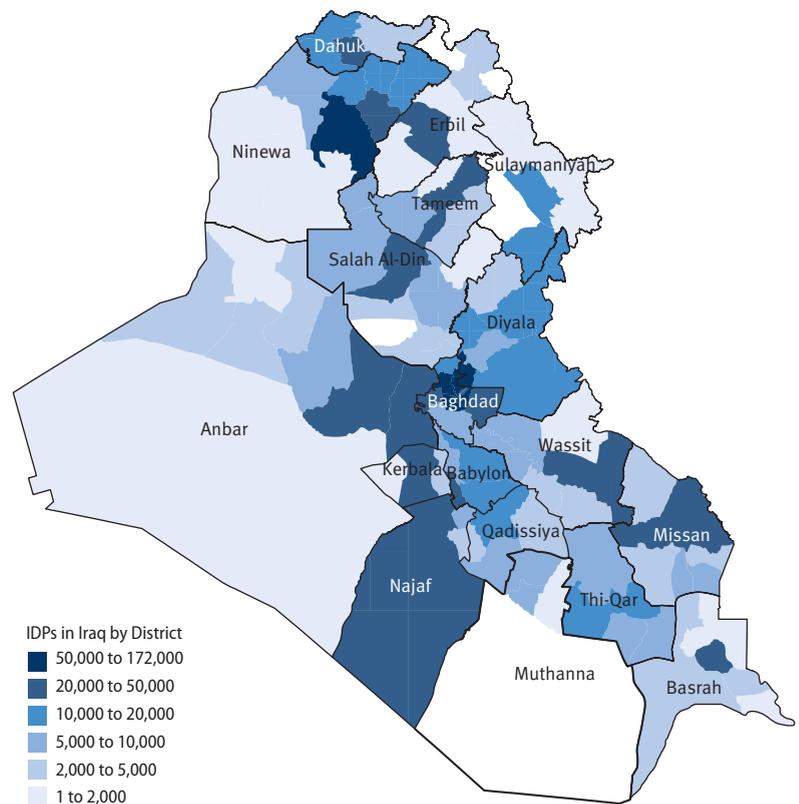
Source: Norwegian Refugee Council, Internal Displacement Monitoring Centre, "IDPs in Iraq by District January 2010," www.internal-displacement.org/8025708F004BE3B1/(httpInfoFiles)/A1F617996D005FF7C12576A900385588/$file/iraq_unhcr_idps-by-district_jan10.pdf, accessed 3/5/2010.

2008, crediting improvements in security and a reduction in sectarian tensions.[401] Approximately 85% of all returnees were reportedly IDPs, and just more than half returned to the Baghdad area.[402]

DoS and others estimate that 1.5 million Iraqis fled from ethnosectarian violence following the 2006 Samarra mosque bombing.[403] Approximately 200,000 more had already been displaced following the 2003 U.S. invasion, and approximately 1 million—most of them Kurds who relocated to northern Iraq and have established permanent settlements in the Kurdistan Region—were displaced during the previous Iraqi regime.[404] The displaced found refuge mainly in Baghdad, the Kurdistan Region,

and Ninewa and Diyala provinces.[405] Six Baghdad districts were among the 15 districts with the most IDPs.[406] For an overview of IDPs in Iraq, by district where they currently reside, see Figure 2.27.

Hygiene and sanitation conditions for IDPs are reported to be generally better in the Kurdistan Region than in the rest of Iraq, but many of the displaced continued to face inadequate access to food, housing, basic services, and employment. Most IDPs report living with families or in rented housing, though some occupy abandoned homes or public buildings.[407] Roughly 40% rented their homes before they fled and now have nowhere to return. An estimated 22% live in communal settlements, public housing, or makeshift camps.[408]

Iraqi Government Assistance to IDPs and Refugees

In January, the chair of the CoR's committee on displacement and migration proposed allocating an additional $169.5 million to the existing budget of the Ministry for Displacement and Migration (MoDM).[409] While GOI financial aid was essential for many IDPs and returnees, many have found it inadequate or been unable to access it. A 2009 joint national survey by MoDM, UNHCR, IOM, and others found that 86% of IDPs had obtained food through Iraq's Public Distribution System, while 45% had received monthly MoDM stipends.[410] Prime Minister al-Maliki appointed a senior advisor to act as coordinator of refugee and IDP issues and issued orders for the government to increase financial payouts to the displaced, but the challenges of budget shortfalls, high unemployment, a severe housing shortage, and lack of overall security remain roadblocks to GOI efforts.[411]

According to UNHCR, an $80 stipend was supposed to be paid monthly to each displaced family, but by January, most families had received only a single payment. According to U.S. Embassy-Baghdad, by the end of 2009, roughly half of some 64,000 registered returnee families had received a promised lump-sum payment of roughly $850 from the GOI.[412] This quarter, there were two

assistance centers in Baghdad and one each in Diyala, Anbar, Salah Al-Din, and Basrah provinces where returnees could present documents and verification of property ownership and ask police to evict illegal occupants.[413]

The KRG Department of Displacement has been struggling to provide adequate relief in northern Iraq as well, and IDPs in the Kurdistan Region face a particularly restrictive employment environment.[414] Neither the GOI nor the KRG has offered a comprehensive assistance package, and according to the International Rescue Committee, there appears to be no coordination between the two governments.[415]

National Unity as a Component of IDP and Refugee Repatriation

The GOI has yet to formulate a comprehensive policy for reversing the effects of ethnosectarian violence. Sunni leaders, including Deputy Prime Minister Rafi al-Eissawi, have accused the government of discouraging Sunni refugees and IDPs from returning home, but the GOI has denied the allegations.[416]

In Diyala province, thousands of Shia and Sunni families have returned to live in mixed villages with the help of the GOI and in coordination with UNHCR, the PRT, and others.[417] Called the Diyala Initiative, the effort was led by Prime Minister al-Maliki's Implementation and Follow-Up Committee for National Reconciliation and includes a pledge of $35 million in compensation to local victims of terrorism. U.S. Embassy-Baghdad reported that the UNHCR built more than 3,000 one-room homes as part of the initiative, and other agencies are providing agriculture assistance, job opportunities, water, and education support.[418] The National Reconciliation Committee chairman called on Diyala's tribal sheiks to establish their own tribal reconciliation committee that would focus on helping more IDPs return to their homes.[419]

But elsewhere, many IDPs and refugees reported to UNHCR that they could not safely return to claim their homes. The most common reasons were that the property had been damaged or destroyed,

or had been sold under duress.[420] For an overview of factors affecting IDP decisions to stay put or to relocate, see Figure 2.28.

In a November 2009 report, the IOM found that roughly 53% of IDPs surveyed wanted to return to their original homes, 25% hoped to integrate into their host communities, nearly 20% planned to resettle, and less than 3% were waiting to make a decision.[421] Those who managed to return were motivated by improved security in their areas of origin, the promise of government payments to those who elected to return, and the arduous living conditions they faced while displaced.[422]

U.S. Assistance to Iraqi IDPs and Refugees

In FY 2009, the United States provided a total of $387 million to assist refugees in neighboring countries and IDPs and returnees in Iraq, including funding for the DoS Bureau of Population, Refugees, and Migration (PRM) and USAID's Office of Foreign Disaster Assistance (OFDA) programs.[423] Of that total, OFDA funded $83.4 million in programs implemented by 10 partner agencies.[424] PRM contributed $303.4 million for humanitarian assistance to Iraqi refugees and IDPs through UNHCR and the United Nations Children's Fund, as well as other NGOs, including $95 million funneled through UNHCR to support the GOI-led Diyala Initiative.[425] Additionally, more than 63,500 IDPs and refugees visited the GOI's Return Assistance Centers (RACs), which were established in 2008 with U.S. funding.[426]

This quarter, USAID's Office of Inspector General (OIG) released an audit of OFDA programs worth $115 million and operated in FY 2007 and FY 2008 by three implementing partners—International Medical Corps, International Relief and Development, and Mercy Corps. The audit found that while the programs had achieved OFDA's goals of saving lives and alleviating human suffering, there were also significant problems associated with the implementing partners. For instance, the audit found that implementing partners had exaggerated

FIGURE 2.28

FACTORS AFFECTING IDP DECISIONS TO STAY PUT OR RELOCATE

Reasons IDPs Said They Could Not Access Their Property

Reasons IDPs Said They Chose To Return
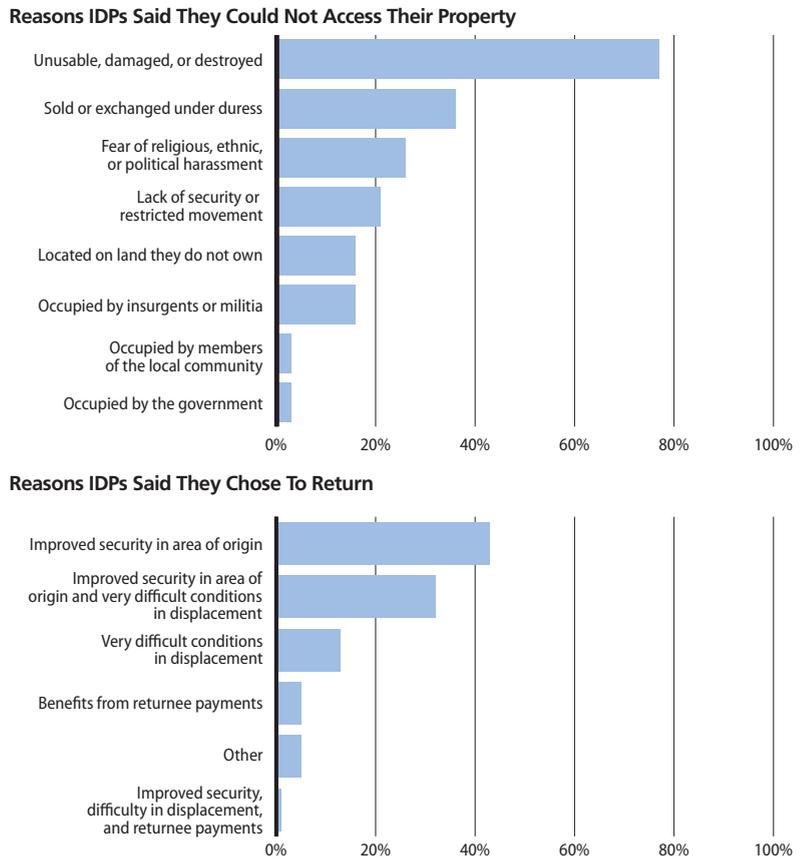
Note: Survey respondents were allowed to select more than one reason; therefore, percentages do not add to 100%.

Sources: International Rescue Committee, "A Tough Road Home: Uprooted Iraqis in Jordan, Syria, and Iraq," 2/2010, p. 7; Norwegian Refugee Council, International Displacement Monitoring Centre, "Patterns of Return and Resettlement," 3/1/2010, http://www.internal-displacement.org/8025708F004CE90B/(httpCountries)/718916EEB6743EEF802570A7004CB9B9?OpenDocument&expand=11&link=23.11&count=10000#23.11, accessed 3/5/2010.

beneficiary claims—such as reporting more beneficiaries than the total population of Iraq—and had falsified signatures and fingerprints that resulted in more than $766,000 in questioned costs. The audit also reported on unauthorized commitments of funds, the absence of program monitoring, and late or insufficient implementation of prior OIG recommendations. OFDA accepted two of the audit's recommendations and disagreed with six, including those that dealt with unauthorized commitments of funds; it did not respond to four of the recommendations.[427]

FIGURE 2.29

RESETTLEMENT OF IRAQI REFUGEES AND SPECIAL IMMIGRANT VISA HOLDERS, BY STATE

FY 2006–FY 2009

Combined Refugees and SIV Holders

- 0-99
- 100-999
- 1,000-4,999
- 5,000-10,000
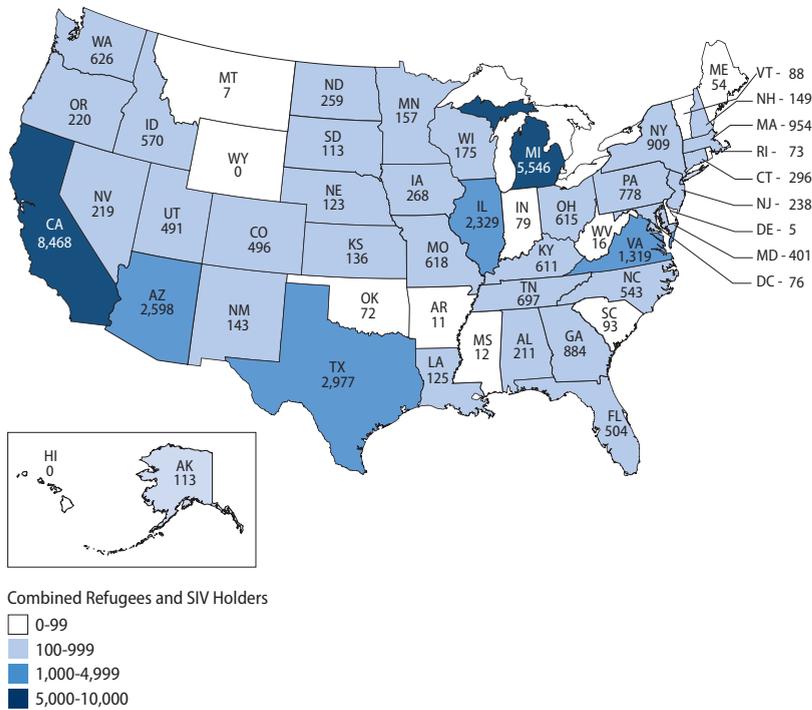
Note: Iraqi SIV data includes only those 1,995 SIV holders (out of 4,634 total issued visas) who signed up to receive resettlement and placement benefits funded by the DoS Bureau of Population, Refugees and Migration. Resettlement locations are reported according to where Iraqis are living on their 30th day in the United States.

Source: GAO Report GAO-10-274, "Iraq: Iraqi Refugees and Special Immigrant Visa Holders Face Challenges Resettling in the United States and Obtaining U.S. Government Employment," 3/9/2010, p. 10.

As of March 31, 2010, OFDA had provided nearly $5.8 million of FY 2010 funds for humanitarian programming in Iraq, including more than $2.7 million this quarter.[428]

Resettlement in the United States

As of March 23, 2010, 42,388 Iraqis had resettled in the United States since FY 2007. Of this number, 8,120 resettled in 2010. The majority came to the United States after being processed in third-party countries, predominantly in Jordan and Syria. As of the end of 2009, the largest numbers of refugees had settled in California and Michigan.[429] Placement depends on the location of an individual's family, potential medical needs, and the ability of the

municipal or sponsoring agency to accept them.[430] For an overview of refugee and special immigrant visa (SIV) resettlement, by state, see Figure 2.29.

DoS administers the U.S. Refugee Admissions Program (USRAP), which accepts referrals for Iraqis from UNHCR, embassies, and NGOs, though some do not need a referral and may apply directly for refugee consideration through programs in Jordan, Egypt, and Iraq.[431] To obtain refugee status, Iraqis must provide details of persecution or fear of persecution. To obtain an SIV, Iraqis must have worked for, or on behalf of, the U.S. government in Iraq and provide details of persecution or fear of persecution as a result of their work. Some SIV holders are admitted into the United States as lawful, permanent residents.[432]

While the USRAP program has been processing refugees at the highest levels in more than a decade, the program has been constrained by the economic downturn in the United States, as well as the high levels of trauma, injury, and illness among refugees. Many resettled Iraqis have faced unemployment and homelessness.[433] U.S. government hiring requirements, such as citizenship or background checks, also keep many Iraqi refugees and SIV holders from working in government jobs for which they may be well qualified (as translators, for example). Exceptions include DoD's Defense Language Institute and DoS's Foreign Service Institute, which are both available to non-citizens. However, according to a GAO report, both DoD and DoS have failed to employ Iraqis as translators, interpreters, and cultural awareness instructors despite authorization to do so. GAO also reported that neither government body had plans to employ Iraqis in temporary employment programs, nor had they received funding to do so.[434]

Health Care

U.S. Embassy-Baghdad's Health Attaché Office (HAO) closed in January 2010. The policy portion of HAO's portfolio was picked up by the Embassy's

Economic Section, and the construction program management functions were assumed by ITAO. The construction program currently has nine projects underway, valued at approximately $85 million, as well as another $2.5 million in planned projects.[435] In addition, USACE reported this quarter that all IRRF-funded Primary Healthcare Centers (PHCs) have been turned over to the GOI Ministry of Health (MOH), and 48 hospital renovations have been completed. As of April 1, 2010, USACE estimated that its projects have added the capacity to treat an additional 6.6 million hospital patients and 4.6 million PHC outpatients each year.[436]

Primary Healthcare Centers

The U.S. government spent about $345 million to construct and equip 133 PHCs in Iraq. In April 2009, SIGIR reported that a lack of visibility over the status of the PHC program, together with operational and sustainability issues, left the U.S. investment at risk. SIGIR recommended that an assessment of the program be conducted to provide transparency.[437]

SIGIR issued an audit report this quarter on a $16.5 million contract to Stanley Baker Hill to identify and repair PHC deficiencies, conduct PHC assessments, run an operations and repair program for one year, develop a comprehensive maintenance management program for the Iraqi Ministry of Health, and enhance the MOH's operations and maintenance capabilities. The contract had mixed results, with nearly $4 million apparently wasted. For more information on this audit, see Section 3.

Humer Kwer Health Center

In April 2010, SIGIR released a sustainment assessment of the $0.5 million ESF-funded Humer Kwer Health Center. SIGIR found that the health center, which had been turned over to the GOI in May 2009, was adequately constructed and was being used as intended. As part of the assessment, SIGIR recommended that USACE make some minor, safety-related repairs.[438] Further information about this assessment is in Section 3.

Humer Kwer Health Center's waiting room.

Basrah Children's Hospital

SIGIR has issued two reports, an inspection report (SIGIR-PA-08-160) and an audit report (SIGIR Audit 06-026), that were critical of the construction of the Basrah Children's Hospital. In July 2009, SIGIR's inspection of the construction of the 94-bed pediatric facility found that inadequate contractor performance, unrealistic timeframes, security issues, and unreliable GOI follow-through had caused repeated setbacks. At the time of the report's release, the estimated date for the hospital to be fully functional was 2011,[439] but USACE now reports that the project is slightly ahead of this schedule.[440]

Nonetheless, when the hospital is completed, it will be about five years behind its original completion date and $134 million (463%) over its original budget. Construction of the hospital was originally scheduled to be completed by December 31, 2005, at a cost of $37 million.[441] As of March 31, 2010, the cost had grown to at least $171 million according to new data provided by USACE.[442] Of this total, the United States has provided about $110 million for the project, and the rest of the funding ($61 million) has been provided by the GOI, the Government of Spain, and Project HOPE.[443]

Missan Surgical Hospital

In July 2009, SIGIR released two inspection reports (PA-08-165 and PA-08-167) on Phases I and II of

construction of Missan Surgical Hospital. SIGIR inspectors found that construction deficiencies, deviations from design specifications, slow progress, and the GOI's inability to meet its commitment to supply equipment and staff had delayed the hospital's opening.[444]

USACE reported that, as of March 31, 2010, work on the 80-bed hospital, funded by $12.7 million of the ESF, had fallen behind schedule and incurred a cost increase due to construction changes. USACE reports that it is meeting regularly with the contractor to rectify problems and bring the project back on schedule.[445] U.S. Embassy-Baghdad reported that the scope and schedule of the project is currently under review to evaluate changes necessary for timely completion.[446]

USAID's Health Promotion Program in Iraq

USAID's Health Promotion Program in Iraq is a $5 million capacity-building program that aims to support the Ministry of Health in the design, implementation, and evaluation of effective communication programs to promote healthier behaviors among individuals, families, and communities to reduce the risk of illness or injury. The one-year program, which is expected to run through September 2010, also works to coordinate support for H1N1 influenza prevention activities.[447]

Education

DoS reports that, as of March 31, 2010, it was overseeing 40 school construction projects in Iraq, totaling nearly $42 million; 28 are in progress. Twelve contracts, with a total value of almost $4 million, are pending award; these are for continuation of previously started projects. U.S. Embassy-Baghdad reports that these will be the last school construction projects it awards.[448] USACE reported that, as of April 1, 2010, it had completed 1,145 school projects throughout Iraq.[449]

The American University of Iraq, in Sulaymaniyah province, is a U.S.-style, liberal arts institution that opened in 2007. The private, non-profit university, founded by current KRG Prime Minister Barham Salih, has 375 students enrolled for the spring 2010 semester and is constructing a new 430-acre campus. The KRG provided $65 million to fund the work, and the United States has pledged $10 million for the university's power plant. The University has received $1.8 million of the U.S. pledge, which it reallocated for construction of a new academic building. In January 2010, U.S. Embassy-Baghdad announced that it would donate an additional $1 million for the school's scholarship fund.[450]

Housing Rehabilitation

Iraq's population is projected to reach 40 million (from its current 27.8 million) by 2025 and will require an estimated 2 million additional housing units by 2015 to accommodate the increase. Iraq's National Investment Commission has identified 75 housing projects in Iraq's 18 provinces.[451] As of March 31, 2010, the U.S. government had completed $7.4 million worth of housing projects. An additional $2.8 million in projects were ongoing, and $508,000 in projects had not yet been started. USAID's $550,000 project to rehabilitate 10 residential compounds in a Baghdad neighborhood was the largest effort underway this quarter. Most ongoing projects are managed by USAID and valued at less than $10,000.[452] ◆

ECONOMY

As of March 31, 2010, the United States had allocated $1.59 billion, obligated $1.59 billion, and expended $1.38 billion to support Iraq's economic governance and private sector development.[453] For the status of these funds, see Figure 2.30 and Table 2.20.

This quarter, there were $14.5 million in new obligations for programs to support Iraq's economy. The CERP-funded Economic, Financial, and Management Improvements program and the CERP-funded Agriculture program accounted for all new obligations.[454]

There were also $6.0 million in new expenditures, significantly less than the amount expended last quarter. Much of this relative drop in net expenditures from last quarter can be accounted for by two programs that reported fewer expenditures than they did last quarter: the ESF-funded Provincial Economic Growth (PEG), or *Tijara*, program; and the IRRF-funded Market Based Reforms program.[455]

Key Economic Trends and Developments

This quarter, Iraq received $12.97 billion in total revenue from the export of crude oil; $0.65 billion (5%) was reserved for war reparations to Kuwait, leaving $12.32 billion in oil export receipts. This is up 122% from the same quarter one year ago,[456] even though the volume of crude oil exports increased just 5% over the same period.[457]

Increased oil revenues were driven primarily by higher oil prices. The weighted average price of Iraq's crude oil increased by $2.44 per barrel (3%) over the quarter and by $37.05 per barrel (102%) from March 31, 2009, to the end of this quarter. Iraqi oil receipts totaled $37.02 billion in 2009.[458] If current prices and export levels hold steady, Iraq would net $49.28 billion in oil receipts for 2010,

ahead of 2009, but still short of the $52.77 billion budgeted by the CoR for 2010.[459]

Iraq's highly centralized economy is dominated by the oil sector. Oil receipts accounted for 60% of GDP in 2005–2009,[460] with domestic oil refining and consumption pushing the oil sector's share of the economy even higher. Moreover, the CoR has projected that oil proceeds will account for more than 90% of all government revenue in 2010.[461] As a consequence, the Iraqi economy and government remain vulnerable to fluctuations in the price of oil. This quarter, the International Energy Agency released its projections for global oil consumption in 2010. The forecasts project an increase in demand by 1.6 MBPD, up from 85 MBPD in 2009, to a record 86.6 MBPD.[462] If worldwide demand does increase, it would help to stabilize, and possibly increase, current oil prices, to the benefit of the

FIGURE 2.30
ECONOMY: STATUS OF FUNDS
$ Billions

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

Sources: IRMS, *USF-I CERP Category Report*, 4/14/2010; NEA-I, response to SIGIR data call, 4/2/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USAID, response to SIGIR data call, 4/13/2009; USTDA, response to SIGIR data call, 4/2/2009.

Table 2.20

Economy: Status of Funds, by Sector, with Selected Programs
$ Millions

		STATUS OF FUNDS		QUARTERLY CHANGE	
SECTOR	PROGRAM	OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Economic Governance	Economic, Financial, and Management Improvements (CERP)	120.9	84.4	3.4 (3%)	5.1 (6%)
	Private Sector Development — Market-Based Reforms (IRRF 2)	135.0	109.9	0.0 (0%)	-8.7 (-7%)
	Other	571.4	563.2	0.0 (0%)	0.0 (0%)
	Subtotal	**827.3**	**757.5**	**3.4 (0%)**	**-3.5 (0%)**
Private Sector Development	Agriculture (CERP)	111.1	90.0	11.1 (11%)	18.2 (25%)
	Provincial Economic Growth (ESF)	85.8	38.1	0.0 (0%)	-10.6 (-22%)
	Other	563.4	493.0	0.0 (0%)	1.9 (0%)
	Subtotal	**760.2**	**621.0**	**11.1 (1%)**	**9.6 (2%)**
Total		**1,587.5**	**1,378.6**	**14.5 (1%)**	**6.0 (0%)**

Note: Data not audited. Numbers affected by rounding. Programs listed in this table had at least $5 million in combined quarterly obligations and expenditures. Appendix C shows the status of programs in the "Other" categories, which had nominal or no quarterly change. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting by one quarter. Therefore, category totals found in the Funding subsection of this Report may not match top-line values found in the four subsections on major reconstruction areas.

Sources: IRMS, *USF-I CERP Category Report*, 4/14/2010; NEA-I, response to SIGIR data call, 4/2/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USAID, response to SIGIR data call, 4/13/2009; USTDA, response to SIGIR data call, 4/2/2009; SIGIR, *Quarterly and Semiannual Report to the United States Congress*, 1/2010.

Figure 2.31

Iraq's Trade Balance
$ Billions
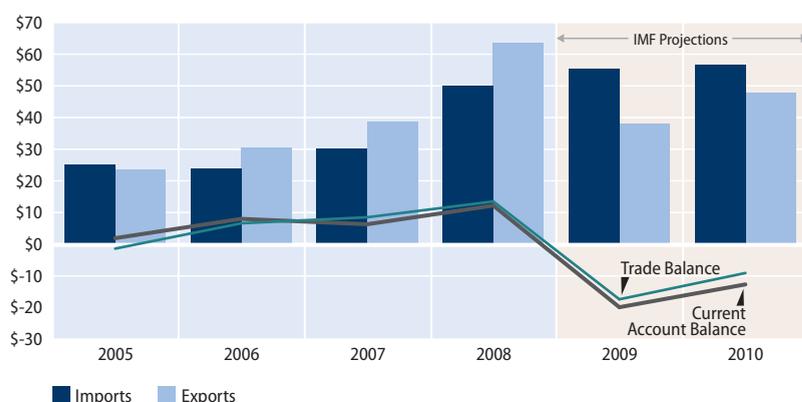
Source: IMF, *Regional Economic Outlook: Middle East and Central Asia*, 10/2009, pp. 55–57.

pressures during much of 2009, the CBI eased its tight policy stance by maintaining a fixed exchange rate and lowering its policy rate.[464] With indicators now stable, the CBI intends to maintain its current monetary and exchange rate policies.[465]

As of December 2009, year-on-year inflation was -4.4% and year-on-year core inflation was 6.1%.[466] For details, see Figure 2.32.

Low oil prices in 2009 resulted in a negative balance of payments for the year, which was largely covered by reserves built up during previous years.[467] For details on Iraq's trade balance, see Figure 2.31.

U.S. companies continue to expand trade with Iraq, and U.S. data shows exports steadily increasing from $1.37 billion in 2005 to more than $2.00 billion in 2008, before falling in 2009 to $1.77 billion.[468]

Developing a more complete picture of Iraq's trade regime is difficult. According to the IMF, GOI tracking of external trade data suffers from serious issues of timeliness and quality.[469] The Iraqi Customs Department, for example, has not yet begun to use new forms designed to track imports because of a lack of resources and ongoing security challenges.[470]

GOI's potential revenues. For a historical perspective, see Figure 2.32.

Iraq's recent monetary stability persisted through the end of the quarter. Until late 2008, the Central Bank of Iraq (CBI) allowed the Iraqi dinar to appreciate against the U.S. dollar to help bring down the core inflation rate.[463] In response to deflationary

FIGURE 2.32

THE IRAQI ECONOMY, 2004–2010

Oil Price, Iraqi Oil Receipts, and GDP
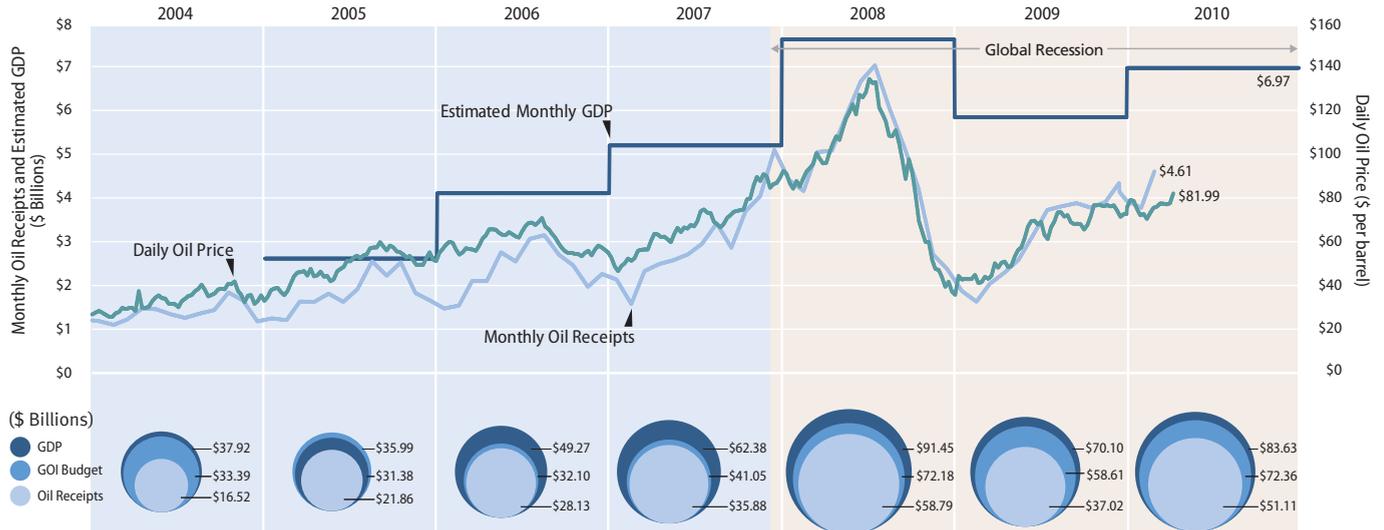
Inflation in Iraq and the Middle East
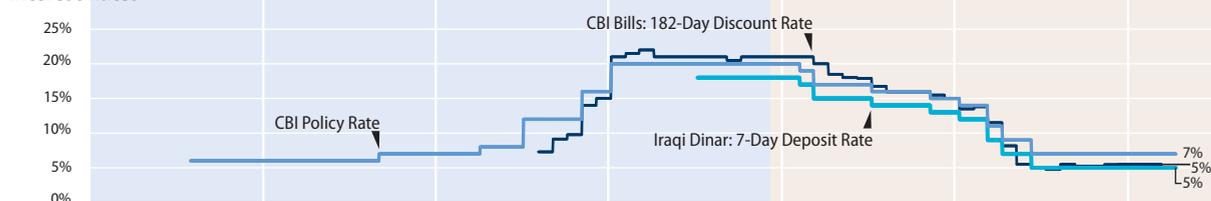% Change from Period End (Iraq Monthly Data) or Annual Average (Middle East Average)

Exchange Rate
Dinars per U.S. Dollar

Interest Rates

Note: Data not audited. Numbers affected by rounding. Weekly Iraq Kirkuk netback price at U.S. Gulf used for all oil price descriptions, depictions, and analysis. All dollar values in current prices; GDP for 2007–2010 are estimates; 2010 oil revenue projection is from the 2010 GOI Budget.

Economic Governance

The country's transition from a centralized command economy to a more open one, based on free markets overseen by democratic structures, continues to face many challenges, and the governance framework remains a work in progress. Programs to enhance the institutions and framework for economic governance have been related to the (potential) allocation of development funding from international stakeholders. Among the formal processes Iraq has undertaken to this end are:

- **National Development Strategy (NDS), 2005–2007.** Developed in conjunction with the World Bank, the NDS served as a basis for promoting Iraq as a recipient of donor assistance under the International Reconstruction Fund Facility for Iraq (IRRFI).[471]
- **International Compact for Iraq (ICI), 2007–2008.** Developed in conjunction with the United Nations, this five-year program included benchmarks and mutual commitments from both Iraq and the international community. The only review of the compact revealed that several key economic benchmarks were missed, and the program fell short of GOI goals.[472]
- **National Development Plan, 2010–2014.** This plan is currently being developed in conjunction with the United Nations.[473]

> Iraq is expected to run deficits at least through 2011 before returning to a budget surplus.

New IMF Stand-By Arrangement

On February 24, 2010, the IMF announced a new two-year Stand-By Arrangement (SBA) for Iraq for up to $3.6 billion,[474] of which Iraq has already drawn $455 million.[475] The arrangement, a successor to the previous one that expired in March 2009,[476] is a standard, short-term instrument issued by the IMF to assist middle-income countries facing short-term, balance-of-payment deficits.[477] The SBA is conditioned on Iraq working toward a more sound macroeconomic framework by implementing certain reforms, to include:[478]

- more efficient budget execution and public financial management

- banking sector reform
- greater transparency in the oil industry
- a streamlined public distribution system (PDS)

The SBAs have provided Iraq direction consistent with the goals that were continued in the ICI. The arrangement finalized this quarter, for example, is conditioned on Iraq working to achieve goals that were set, but not attained, under the ICI framework.

The World Bank also announced a new loan program for Iraq in the form of two development policy loans (DPLs) of $250 million each.[479] Both the IMF and World Bank cited Iraq's expected budget deficits for 2010 and 2011 as a major factor in their decisions to extend the loans.[480] Because of its vulnerability to fluctuations in oil prices, Iraq has solicited precautionary financial support from the IMF and World Bank in the past in the form of SBAs and other loans.

Financial Management

In March, the Minister of Finance and the CBI, in a statement to the IMF, announced that the GOI would develop a dinar-denominated bond market and an interbank foreign exchange market.[481] The establishment of this secondary market, outside of the dollar-denominated bond auctions currently run by the CBI—which authorities plan to develop further by improving the auction process for treasury bills[482]—could help the GOI finance annual budgets in the face of revenue shortfalls.[483] Iraq is expected to run deficits at least through 2011 before returning to a budget surplus.[484] However, as SIGIR has reported, previous deficit projections for Iraq have failed to materialize, largely due to the GOI's failure to fully execute past budgets.

Banking Reform

Iraq's banking sector is underdeveloped by international standards and is dominated by the state-owned Rafidain and Rasheed Banks, which hold 90% of the banking system's assets.[485] Capital remains difficult to raise for private enterprises, credit to the economy is estimated at only about

4% of GDP, and Iraq's private banks—36 at last count[486]—are risk averse and lend only to proven, trustworthy clients.[487] Reports that GOI officials have recently instructed Rasheed and Rafidain Banks to make available 5-year loans (up to $4,300) to full-time GOI employees at rates below CBI rates present a possible conflict of interest between these institutions.[488] Reforming the Rafidain and Rasheed Banks is a key goal of the IMF's past and present SBAs with Iraq.

Oil Industry Transparency

On February 11, 2010, the Extractive Industries Transparency Initiative (EITI) announced that Iraq had become a candidate country.[489] The EITI seeks to improve governance in resource-rich countries through the verification and full publication of company and government revenues and receipts from oil, gas, and mining.[490] Iraq, which ranks in the bottom 20% (number 153 out of 183) in the World Bank's most recent country rankings for ease of doing business,[491] would benefit from an improved investment climate that greater transparency would bring. The country will require massive capital investments in its oil sector in the coming years, much of which will come from international oil companies contracted to make the upgrades. Under the rules of the initiative, Iraq now has two years to conform to EITI standards and must then undergo a four-part validation process before being granted the status of EITI compliant.[492]

Other oil-sector reforms—such as the maintenance of a single, auditable account for oil export revenues[493] and completion of a metering system for export fuel flows—have to date been largely implemented. However, Iraq has not yet completed installation of a domestic metering system, which would give a more accurate measure of oil production and distribution internally and allow accurate accounting of proceeds from exports and internal consumption.[494]

Public Distribution System

The GOI 2010 budget eliminates funding for PDS ration-card items to Iraqi households earning more than 1.5 million Iraqi dinars per month (approximately $1,280).[495] With the average annual income for Iraqis estimated at roughly $2,000 per year, however, this exclusion appears to apply only to the nation's wealthiest demographic.[496]

The GOI has budgeted approximately $3.5 billion for the PDS in 2010[497]—6.7% of the GOI's total operating budget for the year.[498] If that figure becomes final, it would represent a significant reduction in resources for the PDS from last year, which is estimated to have cost the GOI between $5.3 billion and $7 billion in 2009.[499] The PDS, the largest emergency food aid program in the world, delivers a basket of goods to Iraqis—7 million of whom subsist on less than $2 per day.[500] However, the PDS is often cited as inefficient and open to corruption,[501] and beneficiaries are estimated to receive only half of the daily food entitlement.[502] In addition, U.S. Embassy-Baghdad points out that the distribution of imported foodstuffs at heavily subsidized rates through the PDS crowds out and undermines local food producers, processors, and retailers.[503]

The PDS is estimated to have cost the GOI between $5.3 billion and $7 billion in 2009.

Private Sector Development

Agriculture

Iraq's agriculture sector accounts for approximately 8.4% of GDP[504] and, according to GOI estimates, employs 12.3% of the workforce.[505] Two thirds of the arable farmland in Iraq is state-owned and administered by the Ministry of Agriculture, which maintains the authority to lease land to tenant-farmers.[506]

The GOI estimates that Iraq requires, on average, an estimated 50 to 60 billion cubic meters of water per year to meets its irrigation, drinking, and industrial needs, with 75% of that going to agriculture uses.[507] However, the severe drought in recent years has damaged Iraq's agricultural production. The country continues to import the majority of its

Wheat seed, distributed with assistance from USAID, is given to Iraqi farmers who are struggling after two years of drought. (USAID photo)

Preliminary indications are that Iraq's wheat and barley production will rebound strongly from the drought-suppressed levels of 2008 and 2009.

required grains,[508] with 74% of its wheat demand in 2008 alone being met from abroad.[509] Although grain-producing areas did not receive enough rainfall during the final quarter of 2009 to saturate the soil,[510] preliminary indications are that Iraq's wheat and barley production will rebound strongly from the drought-suppressed levels of 2008 and 2009, especially in the northern regions most affected by the drought.[511] The larger crop will do little to reduce Iraq's dependence on imports for bread-quality wheat, but should increase supplies of feed-quality wheat and barley available for use by livestock producers.[512] With the Ministry of Trade indicating that it intends to only purchase grains of higher quality than is commonly produced by Iraqi farmers, it is possible that wheat imports will increase despite greater indigenous production.[513]

The region-wide water shortage has caused neighboring countries to divert water resources destined for Iraq for their own use. In an interview in February, Iraq's Minister of Water Resources, Abd al-Latif Rashid, estimated that Iraq is receiving 10–15 billion cubic meters per year of water from the Euphrates emanating from Turkey and Syria, less than half the flow Iraq received in the 1980s before Turkey constructed a number of dams upriver.[514] According to the minister, some water sources, such as the Karun River coming from Iran, have almost ceased flowing entirely. The reduced flows from the rivers into the Persian Gulf

permit saltwater to back into large swathes of the lower watersheds, causing salinity levels to rise in the south and rendering agriculture in the region increasingly difficult.[515]

However, water shortages in Iraq are not solely the result of external factors. USAID observers estimate that poor water management policies, which make water available to farmers at no cost, contribute to a 25%–30% over-watering of crops.[516] Iraq received about half the water the GOI estimated it needed in 2009, and how much it will receive in 2010 will depend on hydrological cycles and ongoing negotiations over water releases with neighboring countries.[517] This is the second prolonged drought to afflict Iraq in a decade.

In early April, the Ministry of Agriculture announced a "ban" on imports of tomatoes, okra, squash, eggplant, onions, cucumbers, and peppers.[518] The ban appears more targeted than the blanket ban on vegetable imports imposed in spring 2009. Vegetable prices in Iraq are characterized by large swings tied to seasonal production and imports. Given that the ban has been in effect for such a short period, it is too soon to judge its effects.[519] However, it is noteworthy that the ban in 2009 was largely circumvented by importers, and its impact diluted through the issuance of import licenses by the ministry.[520]

Expanding Iraq's food-processing capacity could help ease the country's reliance on food imports and attain a modicum of food self-sufficiency. To that end, the United States has funded agricultural projects aimed at developing such capacity. This March, in the Kurdistan Region, USACE completed a year-long construction project on the Qadazilla meat processing plant in coordination with the KRG.[521] The aim of this $1.1 million ESF-funded project was to provide the region with a sanitary, efficient facility to supply area butchers and markets.[522] In April, USACE also announced the completion of the al-Kut Grand Market, in Wassit Province.[523] The project, funded with $5.2 million from the ESF, has provided nearly 35,000 square feet of retail space

The al-Kanz Poultry Processing Facility is one of the final projects to be completed under a U.S.-funded initiative to reestablish poultry production in Mahmoudiyah. It will supply Iraqis with fresh chicken slaughtered in accordance with Islamic dietary standards. (U.S. Army photo)

Farmers in Thi-Qar province tend bee colonies. Beekeeping provides an extra source of income, helping farmers to weather poor harvests affected by the ongoing drought. (U.S. Embassy-Baghdad photo)

to accommodate 56 fish and meat sellers and an expected work force of 300.[524]

In another project south of Baghdad, a joint effort by the U.S. Army and USDA resulted in the refurbishment of the al-Kanz poultry processing plant, which had been idle for six years. The plant, a $1.6 million CERP project[525] led by the Mahmoudiyah Poultry Association,[526] is an initiative to re-establish a self-sufficient poultry industry in Yusifiyah.[527] However, current market conditions have hindered the plant's ability to operate at a profit, and field reports indicate that the facility is currently closed.[528]

This quarter, SIGIR conducted an inspection of the ESF-funded Basrah Modern Slaughterhouse. For more information, see Section 3 of this Report.

Also this quarter, the area PRT and U.S. military in Falluja assisted local farmers in producing, harvesting, and selling hybrid seed corn to government purchasers, who pay according to prices set by the GOI. Corn not sold to the GOI has been sold in the local market at a premium price because of its high quality and significantly higher yields than local varieties.[529] In all, 13,200 pounds of the hybrid seed were distributed to 400 Iraqi farmers, and a U.S. company plans to sell this hybrid seed, Monsanto's DeKalb brand corn, in Falluja and to showcase it to distributors throughout Anbar province in the near future.[530] The GOI has traditionally maintained exclusive control over the importation of grains for agricultural use.[531]

Beekeeping has become a more prominent niche in the Iraqi agriculture sector. The United States continues to fund programs to encourage small businesses, particularly for Iraqi women in the industry. This quarter, the Kerbala PRT worked with the area Agricultural Community College to train 20 local women in the practice of beekeeping, providing them the necessary equipment to begin their businesses.[532] The program is financed through the PRT Quick Response Fund to provide women, most of them widows, with the means to become economically independent.[533]

In Thi-Qar province, the PRT reported that the area beekeeper association, founded in 2005, has expanded to 400 members who produce 5 tons of honey annually.[534] Demand throughout Iraq for honey is high, and with beekeeping one of Iraq's few agricultural activities not dominated by the state,[535] such programs have proven successful in providing farmers and entrepreneurs with extra sources of income. For the findings of SIGIR's recent assessment of the U.S.-funded beekeeping program in Thi-Qar province, see Section 3 of this Report.

Microfinance and Banking Services

This quarter, USAID reported that its *Tijara* Provincial Economic Growth program hosted business development training events as part of its work to encourage private-sector development. The program provided approximately $4.4 million in grants to nine Iraqi microfinance institutions for

> Beekeeping is one of Iraq's few agricultural activities not dominated by the state.

loan capital, which in turn disbursed 17,489 loans, worth $40.8 million.[536] Total outstanding micro-loans made by Iraqi institutions are reported at 58,852, worth approximately $82.3 million.[537]

Tijara also supported Iraq's financial services industry by providing technical assistance to nine private banks in establishing small and medium enterprise (SME) lending units at 34 branches in Iraq. The SME's advanced 353 loans this quarter worth roughly $7.0 million. *Tijara* also provided technical assistance to the Iraq Company for Bank Guarantees (ICBG) to reduce collateral risk through a loan guarantee of 75%. This quarter, the ICBG guaranteed 236 loans, worth $2.7 million. USAID reported that *Tijara* provided $3.0 million in loan capital and substantial technical assis-tance to the Iraq Company for Financing SMEs (ICF-SME), which in turn supported 192 loans worth $4.2 million this quarter. Private banks conducting SME lending in Iraq reported a total of 1,572 loans outstanding, worth $31.6 million.[538]

In February 2010, Asiacell, a Kurdish-owned, Qatari-managed mobile-phone operator, announced that it had entered into an agreement with AMWAL—a consortium of Iraqi banks, both state-owned and private—to provide customers the ability to use their mobile phones to make money transfers, check account balances, and engage in other banking activities.[539] The confluence of bank-ing and telecommunications is increasingly com-mon in countries with high demand for banking services that cannot be met through an underde-veloped financial sector.[540] AMWAL is supported through an $8.9 million program, run by the Task Force for Business and Stability Operations, to develop a modern, internationally competitive banking sector that connects Iraq to the global financial community.[541]

Commercial Law and Regulation

Business in Iraq continues to suffer from a lack of clear commercial and civil code to govern business practices and to enforce contracts, cross-border trading, land ownership, taxes, and property

> The manner in which the GOI develops regulations is opaque and prone to arbitrary use.

registration.[542] According to a USDA guide recently published for U.S. firms seeking to export to Iraq, the potential rewards of doing business in Iraq must continue to be weighed against significant challenges, such as legal and political uncertainties.[543] For example, Iraqi law requires that regulations on duties be published and made publicly available, but the manner in which the GOI develops regula-tions, according to the guide, is opaque and prone to arbitrary use.[544]

According to U.S. Embassy-Baghdad, the GOI has done little this quarter to further streamline its regulatory framework or improve upon and expand its commercial code, though the U.S. government continues to encourage it to do so and expects more progress once the outcome of the recent election is settled.[545] The most recent significant commercial legislation to pass the CoR was the 2006 Investment Law No. 13, which established the Iraqi National Investment Com-mission as the sole "one-stop-shop" for foreign companies seeking logistical support, business process support, and introductions into the Iraq marketplace.[546] An amendment to Law No. 13, which passed the CoR in November 2009, loos-ened restrictions on land ownership by foreign firms for housing projects;[547] however, other types of investments remain ineligible, and no steps have been taken to implement the amendment since its passage.[548]

Foreign Direct Investment

Notwithstanding the aforementioned difficulties, the international business community appears increasingly confident about investing in Iraq,[549] especially in more secure areas, such as the Kurd-istan Region. Steel manufacturer ArcelorMittal announced in March that it had signed a memo-randum of understanding (MOU) with Turkish partner firm Dayen to build a steel mill in Sulay-maniyah province that could eventually achieve production of half a million tons annually.[550] The joint venture is estimated to cost between $100 million and $130 million, with construction

set to begin later this year.[551] Other business deals recently made public by the GOI include the signing of an MOU with an Australian company by the Najaf Provincial Investment Commission for several large projects in the province, including construction of 35,000 housing units, a date factory, and a cement factory.[552] Such investment deals are in addition to the energy-related negotiations and contracts discussed in the Infrastructure subsection of this Report. ◆

SIGIR OVERSIGHT

SECTION

3

SIGIR AUDITS

Since March 2004, SIGIR has issued 166 audit reports. From February 1, 2010, to April 30, 2010 SIGIR issued six audits addressing a wide range of reconstruction issues:

- an interim report on the management of two Iraq Security Forces Fund (ISFF) contracts totaling $19.3 million to assist the Iraqi Special Operations Forces develop a counter-terrorism communications network and intelligence database
- a report on the cost, outcome, and management of 46 Commander's Emergency Response Program projects at Baghdad Airport costing $35.5 million
- a report on the process being used for paying U.S. contractor invoices from the Development Fund for Iraq
- a report to examine the cost, outcome, and oversight of a contract to assess the status of the Primary Healthcare Centers (PHCs), identify and repair deficiencies, and perform other training and maintenance activities
- a report on the status of obligations of ISFF appropriations
- the third in a series of interim reports describing the methodology and results of SIGIR's forensic auditing efforts

For a list of these audit products, see Table 3.1.

SIGIR currently has 13 ongoing audits, and others are expected to start this quarter. SIGIR performs audit work under generally accepted government auditing standards.

SIGIR's audits continue to find recurring management deficiencies. To illustrate, SIGIR has reviewed the list of open recommendations and has identified two recurring themes that would significantly improve contingency reconstruction operations in both Iraq and Afghanistan.

1. **Better contract/grant performance monitoring.** SIGIR has found many instances of poor contract and grant oversight. A primary cause of this weakness is a lack of a sufficient number of qualified staff dedicated to the administration of contracts and grants within the audited organizations. Follow-up on one of our recommendations in this area could result in the recovery of $8.6 million of questionable costs charged by contractors. This quarter's audit of the PHC contract also identified poor management and wasted funds.

2. **Improved Oversight and Use of Private Security Contractors (PSCs) in Contingency Reconstruction Operations**. SIGIR continues to make recommendations to the three

Table 3.1
SIGIR Audit Products since 1/31/2010

Report Number	Report Title	Date Issued
10-009	Letter Report for the Commanding General, U.S. Forces-Iraq—Interim Report on Projects To Develop the Iraqi Special Operations Forces	3/2010
10-013	Commander's Emergency Response Program: Projects at Baghdad Airport Provided Some Benefits, but Waste and Management Problems Occurred	4/2010
10-014	Process for Continuing Invoice Payment for the Development Fund for Iraq Needs Attention	4/2010
10-015	Health Center Sustainment Contract Resulted in Some Repairs, but Iraqi Maintenance Capability Was Not Achieved	4/2010
10-016	Most Iraq Security Forces Fund Appropriations Have Been Obligated	4/2010
10-017	Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse— Interim Report #3	4/2010

implementing agencies (Department of Defense, Department of State and U.S Agency for International Development) on how the government can make better use of private security contractors in a contingency reconstruction operation. The summarized recommendation from these individual audits and open recommendations is that (1) the use of security contractors must be better planned and incorporated into the overall strategic plan for the reconstruction effort, and (2) security contractors must be closely monitored for operational efficiency and effectiveness in addressing the risks of working in this environment. SIGIR will continue its oversight of management of PSCs.

For information on all audit products that SIGIR has issued, go to the SIGIR website at www.sigir.mil.

Final SIGIR Audits for This Quarter

Letter Report for the Commanding General, U.S. Forces-Iraq—Interim Report on Projects To Develop the Iraqi Special Operations Forces *(SIGIR 10-009, 3/2010)*

Introduction
Since 2003, the Congress has appropriated $18.04 billion for the Iraq Security Forces Fund to support the development of the Iraqi Security Forces. Of this total, about $333 million was appropriated to train and equip the Iraqi Special Operations Forces (SOF) from 2004 to 2009. The Iraqi SOF fall under the Counter-Terrorism Command (CTC), which responds to target priorities and mission execution orders conveyed by the Prime Minister, through the Counter-Terrorism Service. (Formerly the CounterTerrorism Bureau, the Counter-Terrorism Service advises the Prime Minister on counter-terrorism issues and develops the Iraqi Counter-Terrorism National Strategy, policies, and procedures.) The CTC is also

responsible for integrating intelligence and providing command and control of counterterrorism operations nationwide. Under the direction of the CTC, the Iraqi SOF operational mission specializes in counterterrorism and counterinsurgency tactics.

Responsibility for organizing, equipping, and training all Iraqi Security Forces belongs to the Commander, U.S. Central Command. As of January 1, 2010, these duties are now carried out by one of the Central Command's subordinate commands, U.S. Forces-Iraq (USF-I). Prior to January 1, these duties were carried out by the U.S. Central Command's former subordinate command, the Multi-National Force-Iraq, under which the Multi-National Security Transition Command-Iraq (MNSTC-I) was responsible for training and equipping the Iraqi SOF. The Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) executed contracts for MNSTC-I to train and equip the Iraqi SOF.

This is an interim report on U.S. assistance to the SOF and addresses SIGIR concerns regarding two contracts costing $19.3 million and managed by MNSTC-I to provide the Iraqi SOF with a counterterrorism communications network and intelligence database. Together, the contracts were to provide:

- a secure communications network known as the Counter-Terrorism Network (CTNET) that links major counterterrorism centers in Iraq
- a software system (known as Memex) that uses CTNET to consolidate field reports to identify terrorist networks, targets, and their activities
- training in the use and maintenance of both systems

The CTNET contract ended in June 2008, and the Memex contract ended in February 2009.

Results
SIGIR found that the CTNET and its associated Memex software appear to be available to the Iraqi SOF. However, SIGIR has the following concerns:

- As of October 22, 2009, CTNET was only being used at 5 of 25 sites that were to be connected to the network. In written comments on a draft of

this report, USF-I stated that CTNET is operational at 17 locations. However, it acknowledged that many of these locations are not the locations identified in the contract. Moreover, JCC-I/A did not modify the contract to authorize changes to planned locations. Changing contract requirement without modifying the contract impairs accountability and adds significant risks for MNSTC-I. Because USF-I did not provide information about CTNET at other sites until after audit field work was complete, SIGIR was unable to conduct checks on the other locations.

- Nearly $1 million worth of satellite communication equipment consisting of 18 units, one for each of the provincial coordination centers, either is not being used or is missing. Possible reasons for why the Iraqis are not using the systems include poor training of Iraqi SOF personnel in the use and maintenance of the systems and the high operating costs of the systems.

- As of November 14, 2009, Memex was being used at only five of six sites that were to have data analysis capability, and none of those are in use at their full intended capacity. SIGIR found that of the five sites operating, the current capacity ranges from 6% to 38% of what officials intended. In comments on a draft of this report, USF-I said that a sixth site has since been added and that the Iraqis have funded a new contract to provide both on-site technical support and maintenance, which should increase use of the system.

- Both the CTNET and Memex contracts' statements of work were poorly written, and SIGIR had difficulty obtaining information on the contracts. For example, the CTNET contract contained conflicting instructions on government-furnished equipment, and both contracts lacked milestones for some deliverables. Further, even after the completion of the contracts, officials from MNSTC-I's Iraqi National Counter-Terrorism Force-Transition Team (INCTF-TT) could not provide reliable information on the number of troops trained or the operational status of equipment purchased.

- Much of the documentation for the CTNET and Memex contracts that is required by the Federal Acquisition Regulation is either missing, incomplete, or of such poor quality that it is difficult to determine the contract requirements. It was also difficult to determine whether MNSTC-I exercised appropriate contract oversight due to the lack of documentation. As a result of poor oversight, one INCTF-TT official explained that INCTF-TT is not certain what has been delivered under the contracts and directed SIGIR to the contractor for information pertaining to which sites are operational and how many servers are at each site.

Recommendations

SIGIR recommends that the Commanding General, U.S. Forces-Iraq, take the following actions:

1. Assist the Counter-Terrorism Service in developing a plan to use the equipment provided to it under these two contracts. The plan should focus on achieving full operational capability for both CTNET and Memex. This plan should identify each party's roles and responsibilities, a time line for achieving the goals, and Iraqi SOF training needs for the systems. If the Counter-Terrorism Service is unable to operate or configure the systems in the manner envisioned under the contracts, determine if the systems can be operated or configured in a manner consistent with the goal of increasing the operational capability of the Counter-Terrorism Service.

2. Conduct a review of the CTNET and Memex contract files and develop a plan for addressing the deficiencies identified in this report for these contracts and future contracts.

Management Comments and Audit Response

SIGIR provided two drafts of this report to USF-I for comment. The first draft was issued to the USF-I Commanding General on January 7, 2010, and USF-I provided comments on January 17, 2010. However, the comments received did not

directly address the findings contained in SIGIR's draft report. Following discussions with senior Joint Forces Special Operations Component Command-Iraq officials, USF-I agreed to a second opportunity to comment on the draft. During the same discussions, SIGIR agreed to modify one of its draft recommendations to better reflect the possible options for addressing its concerns. SIGIR provided the revised draft report to the Command for comment, and USF-I resubmitted its comments on March 13, 2010.

In written comments to the second draft of this letter report, USF-I did not concur with the information on the number of sites with CTNET capabilities. However, it acknowledged that many of these locations are not the locations identified in the contract. There were no modifications to the contract that indicate changes in these locations, and because SIGIR did not receive information about these sites until after field work was complete, SIGIR was unable to conduct further checks on the locations.

USF-I also stated in its comments that SIGIR is correct that 2 Broadband Global Area Network (BGAN) systems are "unlocated" and the other 16 are not being used. USF-I reiterated its earlier point that the recurring cost of commercial satellite usage to operate the BGAN is beyond the fiscal capability of the Counter-Terrorism Service to fund. Thus, the nearly $1 million spent purchasing this equipment was wasted.

Finally, USF-I stated that Memex is currently operational at six locations, one more location than the five SIGIR reported. This change occurred since SIGIR completed its field work. USF-I also said that the Counter-Terrorism Service has taken steps to increase its Memex usage by contracting for on-site technical support, Memex server maintenance, and the installation of Memex at a seventh site.

Commander's Emergency Response Program: Projects at Baghdad Airport Provided Some Benefits, but Waste and Management Problems Occurred

(SIGIR 10-013, 4/2010)

Introduction

According to the Under Secretary of Defense (Comptroller), since 2004 the Congress has provided $3.74 billion to the Commander's Emergency Response Program (CERP) for Iraq, enabling military commanders to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility. In July 2009, SIGIR examined the results of construction of a hotel that is located at the Baghdad International Airport (BIAP) and identified a number of weaknesses in the project's overall management by the Multi-National Corps-Iraq (MNC-I). Because of these weaknesses, SIGIR initiated a study of all of MNC-I's CERP projects at BIAP. The cost of these projects totaled nearly $35.5 million as of November 2009.

SIGIR's reporting objectives for the CERP-funded BIAP projects were to examine their (1) cost and outcome and (2) management.

Results

After four years of effort and nearly $35.5 million in expenditures on 46 projects, MNC-I's goals—to develop a commercial economic zone at BIAP that would generate revenue; provide prosperity, stability, and social development for the people of Iraq; and establish BIAP as an international gateway— have only been partially achieved. SIGIR notes that 22 projects valued at $19.3 million have had generally successful outcomes. However, 24 projects, valued at $16.1 million have had generally unsuccessful outcomes, and these funds are at risk of being wasted without further action. SIGIR notes that MNC-I believed that improving the airport and stimulating the economic recovery could help to reduce the violence and contribute to the goals of the surge in U.S. military troop strength. To the credit of the current military commander, U.S. Forces-Iraq (USF-I) is

actively working with the GOI, which now has ownership of the facilities that were constructed, to identify opportunities to gain additional benefits from the investment that has been made.

In general, MNC-I officials who managed the CERP projects followed the policies and procedures that were in place at the time. However, the outcomes of the projects raise questions about the overall adequacy of project management, particularly as it relates to the adequacy of guidance for implementing CERP projects. SIGIR identified five issues that contributed to management problems, including:

1. The projects were undertaken without a plan to guide the effort and without adequate coordination with U.S. civilian agencies.
2. The projects were undertaken without a plan to evaluate the projects' results and the impact on the level of violence in Baghdad.
3. CERP guidance in place at the time included management and oversight procedures designed for smaller, quick-reaction projects and did not fully address the management needs of large-scale counterinsurgency and economic development efforts.
4. MNC-I personnel assigned to the projects lacked expertise in large-scale development projects and rotated frequently, which contributed to oversight inefficiencies.
5. Project files were not well-maintained, and project tracking data was incomplete.

SIGIR also notes that project risk and outcomes were also affected by (1) the inherent difficulties in undertaking projects in a war zone and (2) difficulties in working with a government that is in the process of developing its own form of democracy and processes for governance.

Over the past several years, DoD and MNC-I have significantly improved their management of CERP projects. Guidance improvements and recent changes to address the shortages of personnel who are trained in contracting officer's representative and CERP-related responsibilities are particularly noteworthy. However, while these actions address some of SIGIR's concerns about project oversight, gaps still remain with regard to planning. CERP guidance does not require project implementation plans. While this may be appropriate for small-scale CERP projects, this is not the case for large-scale efforts with multiple integrated projects like the BIAP projects.

Recommendations

SIGIR recommends the following:

1. The Secretary of Defense should direct the Under Secretary of Defense (Comptroller) to revise CERP guidance to include a requirement that a project implementation plan be developed for large-scale projects.
2. The Commanding General, USF-I, should enhance its ongoing efforts for gaining additional benefits from the BIAP project investment by working with GOI officials to develop approaches for improving the use and sustainment of CERP-funded BIAP projects and, to the extent practicable, develop a plan for accomplishing any agreed-upon approaches for improving the use and sustainment of the projects.
3. The Commanding General, USF-I, should take actions to enhance the data systems used to track and record CERP project data.

Lessons Learned

Certain of the issues raised by SIGIR in this audit have been addressed by the Department of Defense (DoD) during the course of the project's implementation or were the subject of prior audit recommendations. Nonetheless, the four lessons learned identified by SIGIR provide useful lessons for other contingency operations.

Management Comments and Audit Response

USF-I agreed with SIGIR's recommendation that it take actions to enhance its CERP project data systems. However, it did not agree that the Under Secretary of Defense (Comptroller) should revise CERP guidance to include a requirement that a project implementation plan be developed for large-scale projects.

Process for Continuing Invoice Payment for the Development Fund for Iraq Needs Attention

(SIGIR 10-014, 4/2010)

Introduction

The Development Fund for Iraq (DFI) was established in May 2003 by the Administrator of the Coalition Provisional Authority and recognized by United Nations Security Council Resolution 1483. DFI funds were to be used by U.S. agencies for the economic reconstruction and repair of Iraq's infrastructure and other purposes benefiting the people of Iraq. The DFI was funded from export sales of petroleum, petroleum products, and natural gas from Iraq. In addition, surplus funds from the United Nations Oil-for-Food Program, as well as frozen assets, were transferred to the DFI.

Since July 2004, the Federal Reserve Bank of New York has held DFI funds in two accounts for the GOI: the Central Bank of Iraq account—known as the main account—and an account available to U.S. government agencies for use in administering DFI contracts—known as the secondary or sub-account. Bank records show that more than $2.8 billion was deposited in the DFI sub-account in 2004 for use by U.S. agencies in contracting for DFI projects.

Upon dissolution of the Coalition Provisional Authority in June 2004 and the transfer of sovereignty to the Interim Government of Iraq, the DFI's administrative responsibilities were transferred to the GOI Ministry of Finance. From June 2004 through December 2007, the Minister of Finance extended authority and responsibility to several different U.S. government organizations to administer the DFI, and the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) was the last to be extended this authority.

The Minister of Finance, in a letter to the Commanding General, JCC-I/A, agreed to extend JCC-I/A's authority to administer and complete payment of remaining money due on DFI-funded contracts until December 31, 2007. The Minister directed that all DFI contracts were to be completed by the end of December and that remaining funds were to be transferred from the sub-account to the main account within the Federal Reserve Bank of New York. In March 2008, as part of its closeout actions, JCC-I/A prepared a package of unpaid DFI invoices totaling $53.1 million and submitted it to the Minister of Finance for payment. Action has been taken to satisfy several unpaid invoices, including the GOI's payment of $4.0 million to six Iraqi contractors in the June 2008–October 2008 time period; however, most of the invoices remain unpaid. JCC-I/A and the Office of the Treasury Attaché have been the primary agencies working to facilitate payment of these unpaid invoices by the Ministry of Finance.

SIGIR's objective for this report was to review the process being used for paying U.S. contractor invoices from DFI funds.

Results

The process established between U.S. agencies and the GOI to facilitate payment of invoices for reconstruction contracts funded from the DFI has not been effective. More than two years after JCC-I/A closed out its DFI-administered contracts and submitted a package of $53.1 million in unpaid invoices to the Minister of Finance, the majority of the invoices—$32.3 million (60.8%)—remain unpaid. Twenty contractors from several countries have unpaid invoices dating as far back as 2004 and 2005, including 11 U.S. contractors with unpaid invoices totaling $24.4 million.

Nine different GOI ministries and the Baghdad Amanat (City Hall) have unpaid invoices associated with DFI work completed within their area of responsibility. The Ministry of Interior and Ministry of Housing and Construction are associated with the largest amount of unpaid invoices at $16.5 million and $4.2 million, respectively, including $16.6 million of unpaid invoices involving four U.S. contractors.

Obstacles to accomplishing payment of these invoices are mounting. On the U.S. side, there are few personnel remaining in Iraq with historical

knowledge of DFI activities. Of the two most knowledgeable officials, one from JCC-I/A permanently returned to the United States in March 2010, and the other, from the Office of the Treasury Attaché, is scheduled to leave Iraq in August 2010. The JCC-I/A official has not been replaced. In addition, JCC-I/A has had the lead in pursuing payment of DFI invoices with the GOI, but as the U.S. military drawdown continues in Iraq, JCC-I/A will eventually cease to exist. At that point, in JCC-I/A's absence, it is unclear who will be assigned overall responsibility for processing these DFI payment packages with the GOI.

On the Iraqi side, as with the 2006 Parliamentary elections, U.S. officials stated the March 2010 Parliamentary elections may bring personnel changes to the various ministries, which could result in additional challenges to the approval of invoice payments for projects with which the new officials have no familiarity. Current U.S. and Iraqi officials told SIGIR they want to accomplish payment of these DFI invoices and are frustrated with their inability to do so. Continued engagement between U.S. and GOI officials will be necessary to keep the process moving.

Recommendations

SIGIR recommends that the U.S. Ambassador to Iraq and the Commanding General, USF-I, jointly (1) identify and coordinate the activities responsible for working with the Minister of Finance on this issue and (2) have those activities work with the GOI to develop a plan to pay the invoices in a timely manner. The plan should include, but not be limited to, clarification of documentation needed to close out the invoices and identification of U.S. and Iraqi resources needed to accomplish this task.

Management Comments and Audit Response

JCC-I/A, USF-I J9, and the Office of the Treasury Attaché each provided comments on a draft of this report. The Office of the Treasury Attaché noted actions it was taking to address the issues SIGIR raised.

While SIGIR is encouraged by these actions, we continue to be concerned that a coordinated plan to resolve the invoices has not been developed by USF-I and the U.S. Embassy. The GOI has a two-tier process for paying invoices that includes the ministry responsible for the sector in which the work was done and the Ministry of Finance. As the Office of the Treasury Attaché only plans to work with the Ministry of Finance, the GOI's two-tier process will require a coordinated effort from USF-I to ensure that the other GOI sector ministries are involved. Therefore, we clarified our recommendations to show our intent that USF-I and the U.S. Embassy jointly develop and coordinate a plan for resolving the invoices and facilitating payment. We also made other revisions to the report based on technical comments provided in the written responses, as appropriate.

Health Center Sustainment Contract Resulted in Some Repairs, but Iraqi Maintenance Capability Was Not Achieved
(SIGIR 10-015, 4/2010)

Introduction

The U.S. government spent about $345 million to construct and equip Primary Healthcare Centers (PHCs) in Iraq. In April 2009, SIGIR reported that a lack of visibility over the PHCs' status, together with operational and sustainability issues, left the U.S. investment at risk. SIGIR then recommended a study to provide transparency on the status of PHCs.

In response, the Iraq Transition Assistance Office (ITAO), which had program management responsibility, stated that it had an existing contract with Stanley Baker Hill (SBH) to conduct PHC assessments that should help to provide transparency on the PHCs' status. The U.S. Army Corps of Engineers Gulf Region Division was the contracting office. The objectives of this $16.5 million SBH contract were to (1) identify and repair PHC deficiencies, (2) conduct PHC assessments, (3) run an operations and repair program for one year,

(4) develop a comprehensive maintenance management program for the Iraqi Ministry of Health (MOH), (5) use automation tools to collect and execute maintenance, and (6) enhance the MOH's operations and maintenance capabilities.

SIGIR's objectives for this report were to examine the cost, outcome, and oversight of the PHC contract and to assess the status of the PHCs as ITAO's responsibilities are transitioned to the U.S. Embassy.

Results

The contract's outcomes, for certain requirements, achieved the desired result, but for other requirements, they did not, and funds were wasted. The contract assessed the physical status of 109 PHCs and corrected construction and equipment deficiencies at 17 PHCs. However, SBH fell short in establishing a maintenance management program for the MOH to use to sustain the facilities and a management information system that the ministry could use to prioritize, assign, and execute maintenance. About $3.9 million spent on these activities appears to have been wasted. Also, the ITAO goal of achieving transparency on the PHCs' status and information to calculate the potential operational and sustainability concerns was not realized.

The shortfalls in meeting some contract requirements were caused by a number of factors. First, the contract lacked specifics about what was to be done. For example, the contract did not specify how many PHCs were to be assessed or repaired. Second, oversight on the contract was poor. According to a senior SBH official, Gulf Region Division instructed the contractor to focus on repairing and assessing PHCs rather than on those tasks that would directly support MOH sustainment efforts. However, contractual documents showed that SBH was always responsible for meeting the sustainment requirements. Nonetheless, SIGIR found no evidence that Gulf Region Division or ITAO ever took action to address SBH's lack of progress in developing the Iraqi MOH's capacity. Third, coordination between ITAO and Gulf Region Division was ineffective. ITAO officials said that after contract completion,

they made several requests for information on contract outcome, but received nothing from Gulf Region Division. However, Gulf Region Division says it conducted regular biweekly briefings on the project where ITAO officials could have asked questions regarding the project. ITAO noted that this was one of hundreds of projects covered by these biweekly meetings and was not the forum to discuss projects in detail. Fourth, Gulf Region Division contracting officials rotated frequently. As a result, some were not knowledgeable about the contractor's responsibilities and, in some cases, Gulf Region Division was dependent on SBH to explain what was required and how well it was meeting expectations. Lastly, in some cases, the GOI did not make personnel available for training opportunities.

The MOH has taken ownership of the PHCs and assumed responsibilities for repairs. At the same time, the U.S. Health Attaché position was eliminated in February 2010, and ITAO will no longer exist after May 2010. Responsibility for health care issues will transition to the U.S. Embassy's Economic Section without a clear understanding of what was accomplished under the SBH contract and how information developed from the contract can best be used in further engagement with the GOI on PHC matters.

The situation regarding the contract's management and the larger issue of PHC matters transitioning to the Embassy's Economic Section illustrate two overall concerns that SIGIR has generally identified with the reconstruction effort. First is the ad hoc nature of the agencies that managed these programs and the gaps in information transfer that are created as matters are transitioned from one entity to another. Second, and more importantly, is the lack of accountability for program results, which stems from the lack of unity of command.

Recommendations

SIGIR recommends that the U.S. Ambassador to Iraq should direct that future engagements with GOI on health care issues include a focus on gaining maximum benefit from U.S. investments made in PHCs.

Management Comments and Audit Response

The U.S. Embassy-Baghdad concurred with SIGIR's recommendations and plans to complete a reassessment of the PHC status by December 2010. USACE stated it was concerned with SIGIR's view of the contract's deliverables as well as events related to this effort. SIGIR addressed these concerns where appropriate.

Most Iraq Security Forces Fund Appropriations Have Been Obligated
(SIGIR 10-016, 4/2010)

Background

Between May 2005 and June 2009, the Congress appropriated $18.04 billion for the Iraq Security Forces Fund (ISFF). ISFF is used to train, equip, and maintain all elements of the Iraqi Security Forces, including the Iraqi Army, Navy, Air Force, and Special Operations Forces; Iraqi police forces; special task forces; the Iraqi Intelligence Agency; and border security forces. The Commanding General, USF-I, is the statutory custodian of the ISFF and is responsible for training and equipping the Iraqi Security Forces.

The ISFF was appropriated through supplemental funding acts, and the Congress specified the period of time each appropriation could be used. In each case, Congress made the funds available for periods between 12 and 19 months, and funds were to be obligated within the period for which Congress made them available. Any funds not obligated within their designated period of availability were considered expired. Expired funds cannot be used for new obligations; however, they can be used for up to five years after they expire to pay for (that is, liquidate) authorized increases to existing obligations made from the same appropriation. Any funds remaining in USF-I's accounts after the five-year period must be returned to the U.S. Treasury.

This report addresses the status of ISFF.

Results

Of the $18.04 billion appropriated for the ISFF, $16.746 billion (93%) has been obligated for contracts to train and equip the Iraqi Security Forces as of December 31, 2009. Only about $825 million, all from the fiscal year 2009 appropriation, remains available for new obligation. At SIGIR's exit conference on this review, USF-I officials stated that the amount remaining for new obligation as of March 31, 2010, is about $340 million. However, SIGIR did not have time to review this number prior to issuing this report. At that time, USF-I had six more months to obligate these funds.

Of the $16.746 billion obligated as of December 31, 2009, $15.088 billion (90%) has been liquidated. An obligation is considered liquidated when all services or goods have been received and paid for. About $1.657 billion in outstanding obligations remains to be liquidated. As reported in 2007, SIGIR found that DoD was conducting its required tri-annual reviews of unliquidated obligations. However, SIGIR notes that some of these unliquidated obligations are approaching five years in age and may need to be reviewed to determine why they remain unpaid. According to USF-I officials, the balances for these years have not been liquidated, in part, because USF-I has limited resources available to track down contractors in order to request, approve, and process invoices.

About $469 million (3%) of the funds appropriated were not obligated during the period in which they were authorized to be obligated and have expired. Expired funds cannot be used for new obligations, but can be used to cover adjustments to other obligations recorded in fiscal years 2005 through 2008. DoD regulations do not specify the amount that USF-I should keep on hand to cover potential adjustments. If the funds are not needed to cover potential adjustments, the expired funds for each fiscal year will remain in USF-I's accounts for five years.

Management Comments and Audit Response

USF-I responded that they generally concurred with the conclusions in the report. USF-I also provided additional information on the status of ISFF funds and processes to oversee unliquidated obligations. SIGIR made revisions to the report based on these technical comments as appropriate.

Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse— Interim Report #3
(SIGIR 10-017, 4/2010)

Background

Public Law 108-106 requires SIGIR to prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq, which to date totals more than $53 billion. This interim report presents the results of SIGIR's ongoing forensic auditing program, including an update on efforts to identify questionable financial activity and an update on SIGIR's review of agency expenditures. The report also presents information on data mining methodology. SIGIR is reporting its results periodically, and a final cumulative report will eventually address all available reconstruction funds.

SIGIR's first report summarized the results of a series of audits of major reconstruction contracts that were intended, in part, to identify internal control weaknesses. Because such weaknesses provide opportunities for fraud, waste, and abuse, SIGIR has used the results from these audits to develop targeted forensic auditing approaches to identify instances of possible wrongdoing.

SIGIR continues its forensic review of Department of Defense (DoD), Department of State (DoS), and U.S. Agency for International Development (USAID) expenditures. These reviews systematically examine Iraq reconstruction program expenditures to identify anomalies in transactional data that may indicate fraud, waste, or abuse. SIGIR's approach combines automated data mining with standard audit and investigative techniques to detect questionable transactions and develop relevant evidence for use in administrative actions or civil or criminal fraud prosecutions.

Results

A major aspect of SIGIR's forensic audit program is the joint Audit/Investigation Initiative in which teams of SIGIR auditors and investigators focus on programs that afford easy access to cash and have weak controls over expenditures. This initiative continues to identify instances of questionable activity. Since our last report in January 2010, SIGIR has opened an additional 13 criminal investigations involving 18 subjects. This brings the total number of criminal investigations opened resulting from this initiative to 45, involving a total of 60 subjects.

Another major aspect of SIGIR's forensic audit program is the congressionally mandated forensic audit of DoD, DoS, and USAID expenditures. Since its last report, SIGIR has reviewed an additional 10,000 transactions valued at $4 billion, bringing the total transactions reviewed to 83,000 transactions valued at $32 billion. In addition to testing for anomalous activity, this forensic effort provides critical information in support of ongoing SIGIR audits, investigations, and the audit and investigative initiative.

Among the issues that SIGIR examines in its forensic review are possible duplicate payments and possible fictitious contractors. SIGIR has largely completed its review of possible duplicate payments involving approximately $300 million in DoD Iraq Relief and Reconstruction Fund (IRRF) and Iraq Security Forces Fund (ISFF) program transactions. As noted in Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, Abuse—Interim Report #2 (SIGIR 10-011), SIGIR anticipated that many of the questionable transactions would prove to be valid when supporting documentation was reviewed, and this proved to be the case. SIGIR selected about 1,000 transactions with the highest dollar value totaling about

$150 million for detailed analysis. Other than approximately 20 transactions, with a value of approximately $300,000, that remain under investigation, the other selected transactions have been determined not to be duplicative payments.

SIGIR has also reviewed potentially fictitious contractors associated with DoD's IRRF- and ISFF-funded programs. As with its duplicate payment work, SIGIR is performing detailed research to determine whether these contractors were legitimate or were engaged in a scheme to defraud the U.S. government. Again, SIGIR anticipates that many of these contractors will prove to be legitimate once the review is completed. An examination of key documentation, such as state business licenses, contracts, invoices, receiving reports, and other pertinent payment information will be used to support conclusions concerning the validity of the questionable vendors.

The results of SIGIR's forensic audit efforts will generally be reported in the aggregate, and specific findings will be included where appropriate and useful. SIGIR is also providing lessons learned that can be applied to other contingency operations, such as in Afghanistan. Detailed information regarding ongoing criminal investigations will not be presented in these reports.

Management Comments

Because this report is for information only, it does not contain findings or recommendations, and agencies were not required to comment.

Ongoing and Planned Audits

SIGIR primarily conducts performance audits that assess the economy, efficiency, effectiveness, and results of Iraq reconstruction programs, often with a focus on the adequacy of internal controls and the potential for fraud, waste, and abuse. This includes a series of focused contract audits of major Iraq reconstruction contracts, which will support SIGIR's response to congressional direction for a

"forensic audit" of U.S. spending associated with Iraq reconstruction.

Ongoing Audits

SIGIR is currently working on these audits:
- Project 1012: Audit of the Status of Funds Appropriated for the Commander's Emergency Response Program for Iraq
- Project 1011: Audit of the Status of Appropriations for the Economic Support Fund for Iraq
- Project 1009: Audit of the Contract for Warehousing and Distribution Services at Abu Ghraib and the Port of Umm Qasr
- Project 1008: Audit of the Status of DoD's Theater-wide Internal Security Services (TWISS) Contracts
- Project 1007: Audit of Costs and Outcome of Department of State Democracy Grants to International Republican Institute (IRI) and National Democratic Institute (NDI)
- Project 1006: Audit of the Development Fund for Iraq's Funds in U.S. Accounts
- Project 1004: Audit of the Sons of Iraq Program
- Project 9030: Audit of Plans to Transition and Maintain Iraq Reconstruction Contract Files to Permanent Storage Facilities
- Project 9028: Audit of the Program Management Practices for the Iraqi Police Training Program
- Project 9023-B: Final Report on MNSTC-I Efforts To Develop the Iraq Special Operations Forces
- Projects 9005, 9012, and 9013: Audits of Appropriation, Obligation, and Expenditure Transaction Data Related to Iraq Relief and Reconstruction of the Department of Defense, Department of State, and the U.S. Agency for International Development

Planned Audits

SIGIR's audit planning is aligned with three key goals contained in its strategic audit plan:
- improving business practices and accountability in managing contracts and grants associated with Iraq reconstruction

- assessing and strengthening the economy, efficiency, and effectiveness of programs and operations designed to facilitate Iraq reconstruction
- providing independent, objective leadership and recommendations on policies designed to address deficiencies in reconstruction and stabilization efforts in Iraq

SIGIR's strategic plan recognizes the legislative mandate to complete a forensic audit report on all amounts appropriated or otherwise made available for Iraq reconstruction. As part of that effort, SIGIR has completed 20 focused contract audits dealing with outcomes, costs, and the oversight associated with major reconstruction

contract in Iraq, as well as vulnerabilities to fraud, waste, and abuse. Additional contract audits are ongoing and others are planned. These audits will increasingly focus on contracts funded by the Iraq Security Forces Fund and the Economic Support Fund.

SIGIR also is turning more of its resources to its forensic auditing initiatives and has published its third report on its efforts. Moreover, to continue to provide leadership and recommendations on policies designed to address deficiencies in reconstruction and stabilization efforts in Iraq, SIGIR will address issues related to the downsizing of the DoD presence in Iraq and the transition of reconstruction activities to DoS. ◆

SIGIR INSPECTIONS

During this quarter, the Special Inspector General for Iraq Reconstruction (SIGIR) completed six project assessment reports:

- Humer Kwer Health Center
- Thi Qar Bee Farm
- Basrah Modern Slaughterhouse
- Al Hadi Permanent Police Station
- Al Qaim 33/11kV Electrical Mobile Substation
- Haditha Dam Perimeter Security

The relief and reconstruction projects assessed this quarter were funded by the Economic Support Fund (ESF) and the Iraq Security Forces Fund (ISFF). To date, SIGIR has completed 170 project assessments covering 158 project sites.

April 30, 2010, marks the termination of SIGIR's Inspections Directorate. The outstanding six announced project assessments will be terminated with no reports issued. SIGIR Inspections has provided a snapshot of U.S.-funded reconstruction efforts in Iraq, as well as an in-depth look into numerous projects throughout Iraq, and has recommended solutions to remedy troubled projects. In addition, SIGIR Inspections has acted as a catalyst for improving on-site supervision of quality control (QC) and quality assurance (QA) to ensure that projects are adhering to their contract requirements. SIGIR will issue a final capping report of all 170 completed project assessments next quarter, as well as an overview of the oversight accomplished during the 5-year lifespan of the Inspections directorate.

SIGIR's sustainment assessments focus on whether the projects delivered to the Iraqis were operating at the capacity planned in the original contract or task order objective. To accomplish this, SIGIR determined whether the projects were at planned capacity when accepted by the U.S. government, when transferred to Iraqi operators, and during the assessment. In addition, SIGIR determined whether sustainability was adequately planned for and whether it is likely continue.

SIGIR's in-progress construction assessments addressed these general questions:

- Were the project components adequately designed before construction or installation?
- Did the construction or rehabilitation meet the standards of the design?
- Were the contractor's QC and the U.S. government's QA programs adequate?
- Were project sustainability and operational effectiveness adequately addressed?
- Were the project results consistent with the original objectives?

Since the Inspections program began five years ago, SIGIR has also completed 96 limited on-site inspections and 871 aerial assessments.

Security continues to affect SIGIR's ability to conduct on-site assessments of reconstruction projects. Although it has not been possible for SIGIR inspection teams to spend as much time on site at some of the project locations as would be possible for locations in the United States, every effort has been made by U.S. Forces-Iraq and the Gulf Region District and local project offices of the U.S. Army Corps of Engineers (USACE) to enable and assist SIGIR inspections.

This quarter, SIGIR conducted three sustainment assessments and three in-progress construction assessments. The results were similar to SIGIR's findings in previous sustainment and construction assessments:

- Long-term operations and maintenance practices were not always being accomplished.
- Proper design plans and QA/QC oversight are negatively impacting construction.
- Routine maintenance was not always being performed.

TABLE 3.2
SIX PROJECTS ASSESSED THIS QUARTER

PROJECT NAME	ASSESSMENT TYPE	PROVINCE	TOTAL COST $ Thousands	EXECUTING AGENCY	FUNDING SOURCE	CONTRACTOR	AREA OF IRAQ
Humer Kwer Health Center	Sustainment	Sulaymaniyah	547	GRN	ESF	Local	North
Thi Qar Bee Farm	Construction	Thi-Qar	255	GRS	ESF	Local	South
Basrah Modern Slaughterhouse	Construction	Basrah	5,635	GRS	ESF	Local	South
Al Hadi Permanent Police Station	Construction	Basrah	1,274	MNSTC-I	ISFF	Local	South
Al Qaim 33/11kV Electrical Mobile Substation	Sustainment	Anbar	6,461	GRC	ESF	Local	Central
Haditha Dam Perimeter Security	Sustainment	Anbar	998	GRC	ESF	Local	Central

FIGURE 3.1
PROJECT ASSESSMENTS

● This Quarter
● Other Quarters
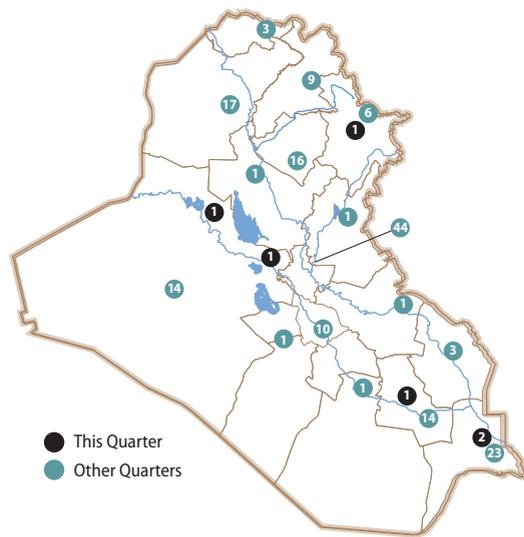
Approximate location by province of previous quarters' assessments.

For a list of the project assessments that SIGIR completed this quarter, see Table 3.2. For a complete list of project assessments from previous quarters, see Appendix E.

Figure 3.1 shows the approximate location of each project assessed this quarter and in previous quarters.

SIGIR Project Assessments

This section provides summaries of SIGIR project assessment reports completed this quarter. The full reports are located on the SIGIR website at www.sigir.mil.

Humer Kwer Health Center, Sulaymaniyah, Iraq
SIGIR PA-09-186

The overall objective of this $0.5 million ESF project was to construct a new 650-square-meter multi-level health center in the Humer Kwer district of Sulaymaniyah, Iraq. The project consisted of the complete design and new construction of the health center. This health center is intended to serve a population of 60,000 from the surrounding area.

The statement of work (SOW) required the contractor to prepare the site and construct the building, to include doctors' offices, patient rooms, an X-ray room, administrative office, pharmacy, and handicapped-accessible ramps and restrooms.

On May 31, 2009, the Kirkuk Area Office of the USACE's Gulf Region North (GRN) district officially turned over the Humer Kwer Health Center project to the Director General of Health for the Government of Iraq (GOI). The acceptance letter noted that the contractor turned over, and the Director General of Health received, the as-built drawings and the operation and maintenance manuals. Before the site visit, SIGIR reviewed the

Humer Kwer pharmacy.

Humer Kwer Health Center.

design submittals for the project and found that the design documentation appeared adequate.

On August 23, 2009, SIGIR conducted an on-site assessment of the Humer Kwer Health Center project. The Humer Kwer Health Center had been operational since May 2009, and patients were being seen at the time of the assessment. The site visit identified some issues, such as fire extinguishers placed on the floor in common hallways, a pressurized gas cylinder accessible to the public, no handrails present in the stairway, and a leaking fuel tank. SIGIR concluded that the construction of the Humer Kwer Health Center project was adequate and was being utilized as intended.

Recommendations
SIGIR recommends that the Gulf Region District require the contractor to:
1. Install handrails on the staircase.
2. Secure the fire extinguishers and the pressurized gas cylinder.
3. Fix the leaking fuel tank.

Management Comments
The Gulf Region District (GRD) provided comments on SIGIR's draft report, which were approved by the U.S. Forces-Iraq (USF-I). Comments

generally agreed with the facts presented, concurring with the recommendations and noting that corrective action had been taken or was in progress.

Evaluation of Comments
SIGIR appreciates the concurrence by USF-I and GRD with the recommendations as well as GRD's prompt corrective actions. As a result, no additional comments are required.

Thi Qar Bee Farm, Thi Qar, Iraq
SIGIR PA-09-188
On October 1, 2009, SIGIR performed an on-site assessment of the Thi Qar Bee Farm project. Due to scheduling, the total time available on site was approximately two hours. Consequently, a complete review of all the work at the project site was not possible. Although the project was complete and the equipment was present, honey-processing operations had not yet begun.

The overall objective of this $254,960 ESF project was twofold: design and construct a new 100-square-meter honey-processing facility, and provide training and materials to local farmers in honey-production management. Specifically, the processing facility included an office, store, work room, and bathrooms.

Bees and beehives supplied as part of the Thi Qar Bee Farm project.

In addition to the processing facility, the U.S. government provided beehive-management training materials, three months of training, and distributed beehives in five districts within Thi-Qar province. The GOI provided bees and beehive packages to the local farmers. As honeycombs become complete, the farmers transport the honeycombs to the processing facility. After the honey is processed, the farmers have the option of taking all or part of the honey with them or leaving all or part of the honey to be sold by the processing plant.

Project components were adequately designed prior to construction. Construction was in compliance with the standards of the design. The contractor's QC and the U.S. government's QA programs were effective. SIGIR reviewed the daily QA reports and found that they were effective in identifying and correcting construction deficiencies at the project site.

Sustainability was addressed in the contract requirements. The contract included sustainability elements to assist the Iraqis in operating this project after turnover.

Project results should be consistent with their original objectives. The Thi Qar Bee Farm project met the objectives of providing a new honey processing facility. The Thi Qar Bee Farm project's beehives will be harvested and used to grow other

bee farms, which should assist in natural pollination and restoration of crops and should help sustain future agriculture business.

Recommendations

The report does not contain any negative findings. As a result, no recommendations for corrective action were made, and management comments were not required.

Management Comments

Though not required, SIGIR received comments on the draft report from the USACE's Gulf Region South (GRS) district indicating that GRS had reviewed the draft report, generally agreed with the facts as stated, and had no comments to provide.

Basrah Modern Slaughterhouse, Basrah, Iraq
SIGIR PA-09-189

The objective of this $5.6 million ESF project was to design and construct a modern slaughterhouse in the Al-Zubair district of Basrah province. SIGIR performed a limited on-site assessment of one hour on September 29, 2009, and found the facility to be approximately 45% complete.

Construction work at the Basrah Modern Slaughterhouse.

The contract and its SOW were poorly written and confusing, causing four GRS representatives, including the project's construction representative, to not understand the requirements. The contractor designed a slaughterhouse facility significantly smaller than the contract and SOW required; consequently, it appears that the contractor was overpaid.

SIGIR expressed concerns about the adequacy of the building's structural support. However, GRS stated that the contractor's overall structural design was reviewed and approved by a licensed structural engineer; therefore, SIGIR considers this matter adequately addressed.

SIGIR reviewed QC and QA reports and found that the QA representatives, overall, did an effective job identifying and correcting construction deficiencies at the project site.

While the contract addressed sustainability for construction and spare parts, the remainder of the project suffers from a lack of adequate planning. This facility will require a significant supply of electricity and potable water both to operate and to safely dispose of waste water and blood products. Reliable permanent power is essential for operating the slaughtering equipment, cold storage rooms, waste-processing equipment, the laboratory, and

miscellaneous ancillary facilities. Potable water is needed for human consumption and facility cleaning. Wastewater and blood disposal is critical for protecting the environment and citizens of Basrah. After 19 months since the contract was awarded, a source of permanent power, potable water, and sewage and blood disposal for the slaughterhouse has not been identified. SIGIR found the project results to date are not consistent with the original contract objectives.

Recommendations

SIGIR recommends that the Commander, Gulf Region District of the U.S. Army Corps of Engineers:

1. Resolve the design deficiencies, omissions, and areas of concern with the contractor to guarantee that the project is adequately designed.
2. Perform a review of the contract file to ensure compliance with all Federal Acquisition Regulation provisions and the terms of the contract.
3. Require the contractor to provide power, water, and waste disposal calculations to operate the facility.
4. Obtain equitable price adjustment for all de-scoped or modified work.

Reinforcing materials for the Basrah Modern Slaughterhouse.

Construction of the Al Hadi Permanent Police Station.

The Basrah Provincial Reconstruction Team continues efforts to coordinate with the GOI to provide the necessary utilities to adequately operate the facility once construction has been completed.

Management Comments

GRD responded that the documents its offices provided to SIGIR were outdated and not official documents. However, GRD concurred with Recommendations 1 and 2; has additional documents that resolved Recommendation 3; and did not concur with Recommendation 4.

Evaluation of Management Comments

SIGIR requests that documentation to resolve Recommendation 3 be provided and that GRD further explain its non-concurrence with Recommendation 4.

Al Hadi Permanent Police Station, Basrah, Iraq
SIGIR PA-09-190

The objective of this $1.2 million ISFF project was to design and construct a local police station compound near the city of Basrah, Iraq.

On September 30, 2009, SIGIR performed an on-site assessment of the Al Hadi Permanent Police Station project. During the site visit, the GRS Adder Area Office representative and security team accompanied SIGIR. Due to scheduling, the total time available on site was approximately one hour.

The SOW required the contractor to prepare the site and construct the two-story building, to include 11 offices, an armory, a jail with a bathroom, a break room, a small kitchen, two main bathroom and shower areas, three office bathrooms, four dormitories, two utility rooms, and a communications and electrical room.

Project components were adequately designed prior to construction. Although only 32% complete, construction was in compliance with the design standards. The contractor's quality control and the U.S. government's quality assurance programs were effective. SIGIR reviewed the daily QA reports and found that they were effective in showing construction problems identified and corrected at the project site.

The contract included sustainability elements to assist the Iraqis in operating this project after turnover. If the observed construction and oversight continue, project results should be consistent with

Expansion joint between infill and frame at Al Hadi Permanent Police Station.

Construction of the Al Hadi Permanent Police Station.

their original objective of constructing a new local police station.

Recommendations

The report does not contain any negative findings. As a result, no recommendations for corrective action were made. Therefore, management comments are not required.

Management Comments

USF-I provided a response to the draft report indicating that it concurred with the report as written.

Al Qaim 33/11kV Electrical Mobile Substation, Al Qaim, Iraq
SIGIR PA-09-191

The project's objective was to manufacture, transport, and install six trailer-mounted 33/11kV mobile substation units at various locations within Anbar province. Further, the contractor was to construct a concrete pad, service buildings, and perimeter wall and gates for each substation. This $10 million ESF project was awarded on April 29, 2007, and terminated due to the non-responsiveness of the contractor on December 10, 2008, after almost $6.5 million was spent.

At the time of contract termination, the contractor had delivered four of the six contract-required mobile substations and five trailers to the Ministry of Electricity's outdoor warehouse facility and installed one trailer at the Haditha project site. The contractor also provided a three-day operations and maintenance training course and manuals to 23 mobile substation operators.

On November 1, 2009, SIGIR performed a limited on-site assessment. SIGIR identified four mobile substations that had been sitting idle at the warehouse facility for at least seven months that were factory-equipped/installed/assembled and mounted on trailers approximately 50 feet long by 11 feet wide. They were complete and adequately assembled with the required cables, transformer, power management units, and circuit components. Since the substations were not connected to the national grid, SIGIR could not determine their operational status.

SIGIR identified five trailers at the warehouse facility that were to serve as the service buildings. Each trailer was in poor condition, with wheels either missing or having flat tires, interior lights broken, circuit panels not connected, and debris scattered throughout. Because no file documentation or photographs existed, SIGIR could not

33/11kV Electrical Mobile Substation and exterior condition of trailers at the MOE's Ramadi outdoor warehouse facility.

conclude whether the contractor delivered poorly constructed trailers or if they were damaged or vandalized since their delivery.

Considering the significant financial investment of the U.S. government, SIGIR inquired into the planned use of the four mobile substations and found that U. S. government officials have been in communication with Iraqi officials as to the use of the substations but Iraqi officials have not yet come to a decision. Until this situation is remedied, $6.5 million in U.S. ESF can be considered wasted.

Recommendations

To protect the U.S. government's investment of approximately $6.5 million, SIGIR recommends that the Iraq Transition Assistance Office (ITAO) Director continue communication with Iraqi officials in an effort to utilize the mobile substations.

Management Comments

SIGIR received official comments on the draft report from USF-I and the USACE Gulf Region District and unofficial comments from an ITAO representative.

USF-I and GRD generally agreed with the facts as presented in the report but clarified that an additional contract modification provided to SIGIR on March 14, 2010, resulted in a cost savings of $193,878. The final report was changed to reflect that fact.

ITAO also generally agreed with the facts as presented in the draft report, but asserted that two additional mobile substations were to be delivered in April and noted that ITAO was working with the Iraqi Ministry of Electricity to utilize the mobile substations. The final report was changed to reflect the ITAO comments.

Evaluation of Management Comments

The management comments addressed our recommendations and provided additional clarifying information for the final report.

Haditha Dam Perimeter Security, Haditha, Iraq
SIGIR PA-09-192

The overall objective of this $1 million ESF project was to construct a security perimeter for the Haditha Dam to prevent the dam from being sabotaged. Destruction of the dam would greatly affect the functioning of the country's electrical grid and would cause major flooding downstream.

Haditha Dam damaged perimeter security fence and guardhouse.

The project was turned over to the GOI on January 5, 2009, with no construction deficiencies noted. The design documents contained information conveying the scope and intent of the project, and the drawings appeared complete, containing information regarding the fence, access drive, swing gate, lift gate, barriers, and other project details.

On November 3, 2009, SIGIR performed an on-site assessment. Due to security concerns, the total time available on site was approximately two hours. Therefore, a limited review was conducted. SIGIR inspected several sections of fence totaling 1 kilometer, 300 meters of perimeter road, and one access gate.

SIGIR found that sections of the perimeter fence did not conform to contract requirements. Strands of barbed wire were not placed on the brackets along the top of the fence. The wire was only 18 inches in diameter instead of the required 24 to 30 inches. In addition, the chain-link fabric was attached to the fence posts with steel bands at 32 inches on-center, which did not meet requirements. Further, several of the truss rods were poorly tensioned in the brace panels, which will affect the ability of the brace panels to support the fence without movement. SIGIR also noticed that the brace rails were misaligned.

SIGIR also observed that approximately 150 feet of fence line had fallen. Concrete anchorage for the fence posts was to be at a 45-inch depth; however, actual depth was 8 to 12 inches, and the diameter of the anchorage was less than the required 16 inches. In addition, the anchorage did not cover the end of the post, and gaps existed between the anchorage and the soil, which will allow for increased corrosion. Other deficiencies were also noted.

SIGIR concluded that the construction of the Haditha Dam Perimeter Security project was inadequate. However, after the deficiencies identified by SIGIR were brought to the attention of the Al Asad Resident Office, corrective action was initiated. After review of the contractor's submitted remediation plan, SIGIR determined that the proposed corrective actions should correct the deficiencies noted.

Recommendations
SIGIR recommends that the Al Anbar Resident Office continue to ensure that the contractor:
1. Replace and repair the collapsed fence line.
2. Reset the remaining fence poles that were not set to their proper depth.

Haditha Dam.

3. Implement controls to ensure that the contractor provides daily quality control reports of the corrective actions taken for the deficiencies.

Management Comments

SIGIR received comments on the draft report from USF-I and the USACE Gulf Region District concurring with the recommendations, confirming that corrective action was already underway, and noting that they generally agreed with the facts in the report. The Gulf Region District also provided comments for clarity and accuracy of the final report.

Evaluation of Management Comments

SIGIR appreciates the concurrence with the draft report's recommendations and corrective action taken by the Gulf Region District. USACE comments addressed the issues identified in our recommendations.

Aerial Project Survey Program

The SIGIR Satellite Imagery Group, based in Arlington, Virginia, performs aerial assessments of U.S.-funded reconstruction project sites throughout Iraq. The SIGIR satellite imagery analyst provides current imagery, imagery-based intelligence, and map products to the SIGIR directorates—Inspections, Audits, and Investigations. This program has enabled SIGIR to provide current information on remote site locations and to track construction progress at project sites throughout Iraq.

This quarter, SIGIR conducted imagery analysis of 27 images and created 25 imagery products, using satellite imagery and limited contract information. The imagery provides visual assessment of progress at reconstruction site locations throughout Iraq. This quarter, the SIGIR imagery analyst assessed and reviewed projects funded by IRRF, ISFF, ESF, and other sources. For an overview of the imagery products produced this quarter, see Table 3.3.

Imagery support products—including site overviews, project site break-outs, and site assessments—are used to prepare for inspection site visits and to identify possible problems. The 25 imagery products produced this quarter assisted

TABLE 3.3

IMAGERY ASSESSED SUPPORTING SIGIR PROJECT ASSESSMENTS AND OTHER DIRECTORATES

PROJECT TYPE	NUMBER OF PRODUCTS
Basrah Modern Slaughterhouse	6
Al Qaim Electrical Mobile Substation	5
Al Hadi Permanent Police Station	4
Haditha Dam Perimeter Security	3
Zurbatiya Point of Entry Cargo Transload Area	2
Al Farabi School	1
ADDITIONAL PRODUCTS	
Mosul Dam for Quarterly Report	3
36th Parallel through Iraq for Quarterly Report	1

inspectors with their project assessments of the six sites assessed this quarter, provided analyses of potential future sites, and provided images for the *Quarterly Report.*

In partnership with the National Geospatial-Intelligence Agency and the National Ground Intelligence Center, SIGIR imagery analysis has resulted in 871 cumulative satellite imagery assessments and products. For an overview of the approximate locations of these assessments, see Figure 3.2. ◆

FIGURE 3.2
AERIAL IMAGERY ASSESSMENTS

● This Quarter
● Other Quarters
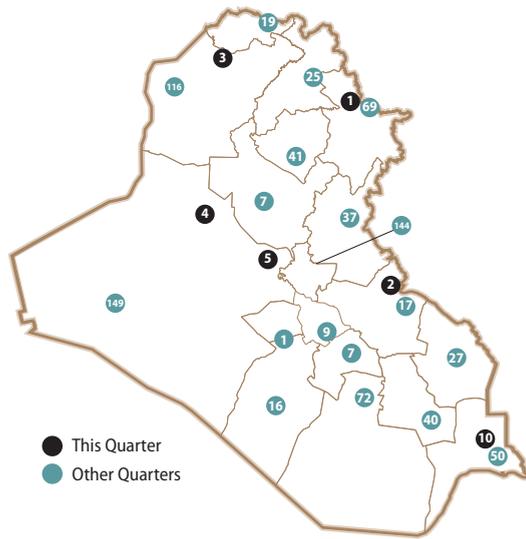
Approximate locations of SIGIR's aerial imagery assessments conducted this quarter and the locations by province of assessments from previous quarters.

WorldView 2009 ©

Aerial Imagery taken on December 10, 2009, of the Haditha Dam. (PA-09-192)

WorldView 2010 ©

WorldView 2010 ©

WorldView 2010 ©

Aerial Imagery taken on January 30, 2010, of the Basrah Modern Slaughterhouse site and the closest electrical source. (PA-09-189)

SIGIR INVESTIGATIONS

SIGIR Investigations continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 116 open investigations. As of March 31, 2010, SIGIR has 5 investigative personnel assigned to Baghdad; 12 at SIGIR headquarters in Arlington, Virginia; and 16 in offices in Pennsylvania, North Carolina, Florida, Texas, Arizona, Ohio, Michigan, New York, and California. To date, the work of SIGIR investigators has resulted in 28 arrests, 39 indictments, 30 convictions, and more than $69.6 million in fines, forfeitures, recoveries, restitution, and other monetary results.

This quarter, SIGIR continued to conduct a number of significant criminal investigations related to Iraq reconstruction and work closely with prosecutors, U.S. partner investigative agencies, and Coalition partner investigators. As a result of SIGIR investigations, 2 defendants are pending indictment based upon arrest complaints, 8 defendants are awaiting trial, and an additional 9 defendants are awaiting sentencing. For a comprehensive list of convictions compiled by the Department of Justice (DoJ), see Table 3.4 at the end of this section.

SIGIR notes these activities this quarter:

- A Marine Corps captain and his wife were charged with skimming $1.7 million from military contracts.
- A former U.S. military contractor pled guilty to a bribery and money laundering scheme and agreed to forfeit more than $15 million.
- The U.S. government filed a multi-million dollar civil lawsuit against a former Army officer and three contracting firms in connection with a bribery scheme.
- Two additional Coalition partner citizens were arrested for an $8.4 million scam involving a Coalition Provisional Authority (CPA) contract.
- A U.S. Army major was charged with smuggling more than $100,000 in cash from Iraq and making false statements.

- A retired U.S. Army colonel was charged and pled guilty to accepting $50,000 and trips.
- A former Army staff sergeant pled guilty to laundering more than $30,000.
- A former U.S. Army Reserve captain was charged and pled guilty to accepting an illegal $15,000 gratuity from a government contractor.
- SIGIR detailed three criminal prosecutors to the Criminal Division of DoJ, and they began prosecuting SIGIR's criminal cases.

Marine Corps Captain Charged with Skimming $1.7 Million from Military Contracts

A captain in the United States Marine Corps was charged on March 4, 2010, with conspiring with his wife to skim approximately $1.75 million from government contracts awarded under the Iraqi First Program while he was acting as a Marine Corps contracting officer's representative in Iraq. Eric Schmidt, of Murietta, California, who is assigned to the First Marine Division at Camp Pendleton, was charged with conspiracy to commit wire fraud and filing a false tax return that concealed the illicit income from the Internal Revenue Service (IRS). Capt. Schmidt's wife, Janet Schmidt, also was charged with the same two felony counts.

According to the criminal information, Captain Schmidt used his position in the contracting process to steer contracts to his favored Iraqi contractor, the Al-Methwad Company. The contracts were often awarded under the Iraqi First Program, which was designed to award certain contracts to Iraqi vendors to assist with Iraqi economic expansion and entrepreneurship. Once Al-Methwad had been awarded the contract, Janet Schmidt found U.S.-based vendors to provide the goods purportedly to be furnished by Al-Methwad under the

Restaurant on part of a proposed multi-million-dollar resort property on the Tennessee River forfeited by Terry Hall.

terms of the contract. Janet Schmidt purchased the goods using money provided by Al-Methwad, often purchasing far fewer or inferior products than those required by the contract. She then arranged for the goods to be delivered to the United States Marines in Iraq. Once the shipment arrived in Iraq, Captain Schmidt falsely certified that both the number and type of goods required by the contract had been provided by Al-Methwad Company to the Marines. Armed with the false certification, representatives from Al-Methwad Company sought and received payment from the United States.

Investigators have determined that the Schmidts collected a total of approximately $1.75 million in illegal payments during Captain Schmidt's one-year deployment to Iraq in 2008. Because they failed to report any of these illegal payments on their tax return for 2008, they substantially understated their income to the IRS.

During the course of this investigation, government agents seized from the Schmidts two California real properties—one in Big Bear and one in Murietta—two motor vehicles, and approximately $40,000 in cash.

As a result of this case, Captain Schmidt and his wife each face a statutory maximum penalty of 23 years in federal prison.

Janet Schmidt pled guilty on March 18, 2010, to a federal felony charge of filing a false income tax return in connection with her role in the Iraq contracting scheme.

This investigation is being conducted jointly by SIGIR, the Defense Criminal Investigative Service (DCIS), IRS, and Naval Criminal Investigative Service (NCIS).

Former U.S. Military Contractor Pleads Guilty to Bribery and Money Laundering Scheme and Agrees To Forfeit $15.7 million

On February 17, 2010, former military contractor Terry Hall pled guilty to conspiracy to pay more than $3 million in bribes to U.S. Army contracting officials stationed at Camp Arifjan, Kuwait, and to money laundering. Hall was indicted on May 6, 2009, along with a U.S. Army major and his wife. According to court documents filed in U.S. District Court for the Northern District of Alabama, Hall owned and operated several companies, including Freedom Consulting and Catering Co. (FCC) and Total Government Allegiance (TGA), which provided goods and services to the U.S. Department of Defense (DoD) in connection with Operation Iraqi Freedom. His companies received approximately $21 million between 2005 and 2007 in connection with contracts his companies received. To obtain the contracting business and facilitate unlawful payments by other contractors, Hall admitted he made more than $3 million in unlawful payments and provided other valuable items and services to U.S. Army contracting officials stationed at Camp Arifjan, including U.S. Army Major Eddie Pressley, and former Majors John Cockerham, James Momon, and Christopher Murray, among others.

The case against Hall arose out of a wide-ranging investigation of corruption at the Camp Arifjan contracting office. To date, eight individuals, including Hall, have pled guilty for their roles in the bribery scheme. On December 2, 2009,

One of several items forfeited by Terry Hall.

Docks on part of a proposed multi-million-dollar resort property on the Tennessee River forfeited by Terry Hall.

former U.S. Army Major John Cockerham was sentenced to 210 months in prison and ordered to pay $9.6 million in restitution. According to court documents, Cockerham arranged for Hall's companies to receive supply orders worth more than $2.6 million, as a result of which Hall paid Cockerham approximately $800,000.

According to court documents, Major Momon arranged for Hall's companies to receive supply orders worth approximately $6.4 million, as a result of which Hall paid Momon more than $300,000. Momon pled guilty on August 13, 2008, to receiving bribes from various contractors at Camp Arifjan, including Hall, and is awaiting sentencing.

Also according to court documents, Major Murray arranged for Hall to receive contracts to construct security fences at Camp Arifjan, as a result of which Hall paid Murray approximately $30,000. Murray pled guilty to receiving bribes from various contractors at Camp Arifjan, including Hall, and making a false statement. He was sentenced on January 8, 2009, to 57 months in prison and ordered to pay $245,000 in restitution.

The case against the Army major and his wife named in the May 2009 indictment is pending trial. The indictment alleges that the major and his wife received more than $2.8 million in money and other valuable items from Hall, in exchange for an agreement to take official actions to benefit Hall. The major's wife, at her husband's request, allegedly arranged for an entity named EGP Business Solutions Inc. (EGP) to be incorporated, opened a bank account in the name of EGP, and opened bank accounts in her name in the United States, Dubai, United Arab Emirates, and the Cayman Islands, all in order to receive the bribe payments.

According to the court documents, Hall will forfeit $15,757,000 to the U.S. government, which includes vehicles, cash, real estate, and personal property.

This investigation is being conducted jointly by SIGIR, the U.S. Army Criminal Investigation Command (CID-MPFU), DCIS, IRS, Immigration and Customs Enforcement (ICE), and Federal Bureau of Investigation (FBI).

Armored vehicle similar to the armored vehicles contracted for by the CPA but never delivered, though the contractor provided false documentation requesting payment. (DoD photo)

United States Sues Former Army Officer and Three Contracting Firms in Connection with Bribery Scheme

A multi-million dollar civil lawsuit was filed against a former U.S. Army officer and three contracting firms related to an alleged bribery scheme in connection with the awarding of contracts for services in Kuwait. Former Army officer John Cockerham, who is named as a defendant in the lawsuit, previously had pled guilty to criminal charges along with another former officer, James Momon.

The government's complaint alleges that from 2004 to 2006, several Kuwaiti companies—including Green Valley Co., Palm Springs General Trading and Contracting Establishment, and Jireh Springs General Trading and Contracting Establishment—engaged in a bribery scheme with Cockerham and Momon in exchange for their promises to award supply orders.

The suit, filed in the U.S. District Court for the Western District of Texas, alleges that defendant Saud Al Tawash provided payments to Cockerham's sister, Carolyn Blake, in exchange for supply orders awarded to or performed by Green Valley, Palm Springs, and Jireh Springs—companies that

he owned, controlled, or had an interest in, according to the complaint. The complaint also alleges Mohammed Howaiji, Green Valley's assistant manager, and Joseph E. Nakouzi, its head supervisor, agreed to pay Cockerham $300,000 in exchange for supply orders. According to the complaint, Cockerham awarded the supply orders to Green Valley at inflated prices. The complaint charges that after Momon replaced Cockerham as the Army's contracting officer, he also took over the bribery scheme and received $510,000 from Green Valley.

The government's complaint further alleges that Jamal Al Dhama, the manager of Jireh Springs, promised Cockerham $1.5 million to award supply orders to that firm. Saud Al Tawash, acting on behalf of Jireh Springs, later offered Momon a bribe for Momon's assistance in obtaining payment for Jireh Springs on a supply order, according to the lawsuit.

The government is seeking treble damages, under the False Claims Act, that could amount to more than $8 million, civil penalties in the amount of $5,500 to $11,000 per violation, post-judgment interest, and costs.

This investigation is being conducted jointly by SIGIR, CID-MPFU, DCIS, IRS, ICE, and FBI.

Two Additional Coalition Partner Citizens Arrested in $8.4 Million Scam Involving CPA Contract

An ongoing joint investigation by SIGIR, British law enforcement authorities, and DCIS has led to the arrest of two additional British citizens.

The investigation involves an $8.48 million contract awarded by the CPA to provide armored vehicles to Iraq's Ministry of Interior. It is alleged in the ongoing investigation that the contractor personnel provided false documentation to receive full payment for the contract and failed to deliver any items under the terms of the contract.

U.S. Army Major Charged with Smuggling More Than $100,000 in Cash from Iraq and Making False Statements

A U.S. Army major was arrested on January 11, 2010, on charges of bulk cash smuggling and making false statements to a federal agency. The major was charged in an indictment returned by a federal grand jury in Memphis, Tennessee, on January 5, 2010, and unsealed following his arrest in Huntsville, Alabama. According to the indictment, the major smuggled more than $100,000 in currency, concealed in a shipping package, into the United States from Iraq in January 2005. He also allegedly failed to declare that he imported the money.

As alleged in the indictment, from August 2004 through February 2005, the major was deployed to Balad Regional Contracting Center on Logistical Support Area (LSA) Anaconda in Iraq. LSA Anaconda is a U.S. military installation established in approximately 2003 to support U.S. military operations in Iraq. According to the indictment, the major served as a contracting officer while deployed to LSA Anaconda. As a contracting officer, he was responsible for, among other things, evaluating and supervising contracts with companies that provided goods and services to the U.S. Army.

According to the indictment, on approximately January 11, 2005, the major sent a package from Balad, Iraq, to Killeen, Texas, which was seized by Customs and Border Protection officers in Memphis. The international air waybill for the package said it contained books, papers, a jewelry box, and clothes with a total declared customs value of $140 but did not disclose the currency allegedly contained in the package. According to the indictment, the package also contained $107,900 in U.S. currency and 17,120,000 in Iraqi dinar. The major allegedly failed to file a Currency or Monetary Instruments Transaction Report (CMIR) as required by federal law when transporting currency in amounts of more than $10,000 into or out of the United States.

The maximum penalty for each of the two charges contained in the indictment—bulk cash smuggling and false statements to a government agency—is five years in prison and a $250,000 fine, to be followed by a term of up to three years of supervised release.

The indictment also contains a criminal forfeiture allegation. Specifically, if convicted of the bulk cash smuggling charge, the major would be ordered to forfeit the $107,900 in U.S. currency and 17,120,000 Iraqi dinar he is alleged to have concealed in the package.

This investigation is being conducted jointly by SIGIR, CID-MPFU, DCIS, IRS, ICE, and FBI.

U.S. Army Colonel Pleads Guilty to Accepting Illegal Gratuities Related to Contracting in Support of Iraq War

Defendant Accepted $50,000 and Tickets Related to Award of $12 Million Contract

On April 13, 2010, Kevin A. Davis, a retired colonel in the U.S. Army, pled guilty to accepting thousands of dollars in gratuities from a contractor during his deployment to Iraq as a contracting officer's representative. Davis pleaded guilty to a criminal information filed on February 26, 2010, charging

Tikrit warehouse that was part of the $12 million DoD warehouse contract for Iraq in 2004.

him with three counts of accepting an illegal gratuity. According to the court document, from about January 2004 until about June 2004 Col. Davis was deployed to Baghdad, Iraq, where he was assigned to the CPA's Office of Security and Cooperation. He served as the senior member of the source selection board responsible for the award of a contract valued at nearly $12 million to build and operate several Department of Defense warehouses around Iraq. In the period during and after the solicitation of the warehouse contract, Davis accepted two airplane tickets and $50,000 in cash from the contractor who submitted the successful bid for the contract. Davis admitted that he accepted the airplane tickets and money with the understanding and belief that they were for or because of his assistance to the contractor who received the warehouse contract.

Davis faces up to two years in prison and a fine of $250,000 per charged count. In addition, Davis agreed to pay $62,500 in restitution to the United States. A sentencing date has not yet been scheduled by the court.

This investigation is being conducted jointly by SIGIR, CID-MPFU, DCIS, IRS, ICE, and FBI.

Former Army Staff Sergeant Pleads Guilty to Laundering More Than $30,000

On January 27, 2010, Theresa Russell, a former staff sergeant in the U.S. Army, pled guilty in federal court in San Antonio, Texas, to a one-count criminal information charging her with money laundering arising from a scheme involving the fraudulent awarding and administration of U.S. government contracts in Iraq. According to court documents, from January 2004 through October 2004, Russell was deployed to LSA Anaconda, a U.S. military installation near Balad, Iraq. As part of the plea, Russell admitted that from April 2004 to February 2005, she received more than $30,000 in cash from John Rivard, a former major in the U.S. Army Reserves. Russell admitted that she

knew the money she received from Rivard was the proceeds of bribery.

In July 2007, Rivard pled guilty to bribery, among other offenses, in connection with his service as an Army contracting officer at LSA Anaconda. According to court documents, from April 2004 to August 2005, Rivard conspired with a government contractor to steer federally funded contracts to the contractor's company in exchange for hundreds of thousands of dollars in illicit bribe payments.

According to court documents, Rivard instructed Russell to divide the payments she received from him into several smaller monetary bank deposits, which she admitted she did, in an effort to avoid the detection of law enforcement authorities. Russell admitted that she subsequently used the criminal proceeds to purchase, among other things, a car, cosmetic surgery, and household furnishings and goods.

The maximum penalty for the money laundering charge is 10 years in prison, a $250,000 fine, and three years of supervised release following the prison term. Sentencing is scheduled for May 21, 2010.

This investigation is being conducted jointly by SIGIR, CID-MPFU, DCIS, IRS, ICE, and FBI.

Former U.S. Army Reserve Officer Pleads Guilty to Accepting Illegal Gratuities Related to Contracting While Serving at Camp Arifjan, Kuwait

On April 15, 2010, Markus E. McClain, a former captain in the U.S. Army Reserve, pled guilty to accepting thousands of dollars in gratuities from a contractor during his deployment to Kuwait. McClain pled guilty in U.S. District Court, District of Columbia, to a criminal information filed on February 26, 2010, charging him with accepting an illegal gratuity. According to the court document, then-Lt. McClain served in 2004 in a unit at Camp Arifjan, Kuwait, where he was

responsible for administering contracts for buses, nontactical vehicles, and other materiel. According to the court document, representatives from a company that held a contract to provide buses to the U.S. military offered McClain cash and other things of value in return for the extension of its contract. Although McClain initially declined this offer, he admitted he later accepted $15,000 in cash from a senior executive of the company. McClain admitted that this payment was for or because of actions he took in an effort to secure the extension of the company's contract.

McClain faces up to two years in prison and a fine of $250,000 at sentencing. In addition, McClain agreed to pay $30,000 in restitution to the United States. A sentencing date has not yet been set by the court.

This investigation is being conducted jointly by SIGIR, CID-MPFU, DCIS, IRS, ICE, and FBI.

SIGIR Investigations' Prosecutorial Support Program

Throughout its existence, SIGIR has continually strived to implement unique approaches in accomplishing the agency's mission. For example, the Inspections Directorate has taken the step of using satellite imagery and engineering teams to inspect U.S.-funded construction. Likewise, the SIGIR Investigations team has developed special programs that have made SIGIR more effective in its rigorous enforcement of the law. One such program has been the development of dedicated prosecutorial support for the criminal investigations conducted by SIGIR investigators. This program has recently evolved into a team of SIGIR-specific prosecutors, embedded within the Department of Justice (DoJ), whose sole mission is to prosecute those who violate the law in the Iraq reconstruction context.

Background

In the early years of SIGIR and CPA-IG (its predecessor agency), prosecutorial support for criminal investigations was obtained separately from DoJ's Criminal, Civil, and Antitrust Divisions. The arrangement met with marked success in obtaining positive outcomes. Nevertheless, the SIGIR caseload of prosecutable cases expanded, and the availability of DoJ prosecutors did not. This is understandable, as these DoJ units had, and continue to have, limited resources and considerable competing demands for prosecution support from investigative organizations of the various departments and agencies across the federal government.

To address this limitation, SIGIR began to work directly with federal prosecutors in U.S. Attorney's offices across the country in addition to continuing to work with DoJ at the headquarters level. SIGIR further supplemented its prosecution support by initiating a program to work with foreign investigative agencies in order to prosecute non-U.S. citizens in their home countries who defrauded the U.S. and joint U.S.-Coalition partner-funded reconstruction programs. This also met with marked success, with several individuals prosecuted and others still pending prosecution. For example, two South Korean military officers and an enlisted man were prosecuted in South Korea and sent to prison. Three British citizens have been arrested, and two have been charged in another case. Similar investigations and prosecutions are ongoing.

SIGIR Prosecutorial Initiative (SIGPRO)

The latest evolution of the SIGIR Prosecutions program is what the agency refers to as "SIGPRO," or *SIGIR Prosecutorial Initiative*. In an effort to further align resources with its expanding caseload, SIGIR proposed and then developed a program wherein it hired three highly experienced and respected former DoJ prosecutors and then detailed them as a unit to the Fraud Section of the Criminal Division of DoJ to prosecute SIGIR investigation cases. These highly skilled prosecutors were hired at the end of 2009 and beginning of 2010. They handle their own DoJ caseloads and work closely with the SIGIR General Counsel and other DoJ prosecutors who are assigned SIGIR cases.

Additionally, they collaborate with Assistant U.S. Attorneys throughout the United States, as well as foreign prosecutors, on all SIGIR-related prosecutions. To date, the SIGPRO prosecution team has had a substantive positive impact on the productivity of the SIGIR criminal investigation program. DoJ enthusiastically supports this program, and SIGIR could not be more pleased with the successful manner in which it has begun.

Suspension and Debarment

Since December 2005, SIGIR has worked closely with the Department of Justice, CID-MPFU, DCIS, and the Army Legal Services Agency's Procurement Fraud Branch (PFB) to suspend and debar contractors and government personnel for fraud or corruption within the Army, including those involving Iraq reconstruction or Army support contracts in Iraq. These cases arise as the result of criminal indictments filed in federal district courts and allegations of contractor irresponsibility that require fact-based examination by the Army's Suspension and Debarment Official.

During the period between January 1 and March 30, 2010, the Army suspended two contractors based on allegations of fraud in Iraq and Kuwait. In addition, the Army proposed eight contractors for debarment and finalized ten debarments of individuals and companies during that same period.

To date, the Army has suspended 90 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait. A total of 104 individuals and companies have been proposed for debarment, resulting in 88 finalized debarments, ranging in duration from nine months to 27.5 years. PFB is aggressively pursuing additional companies and individuals associated with fraud associated with Army contracts in Iraq, Kuwait, and other locations in Southwest Asia, with additional suspension and debarment actions projected during 2010. Suspension and debarment actions related to reconstruction and Army support contract fraud in Afghanistan are reported to the Special Inspector General for Afghanistan Reconstruction (SIGAR). Cases originating in Afghanistan—previously listed with cases originating in Iraq, Kuwait and other locations in Southwest Asia—were removed from PFB's submissions to the SIGIR in the third quarter of 2009 and are now included in the quarterly report produced by SIGAR.

For a list of debarments, see Table 3.5. For a complete list of suspensions and debarments, see Appendix F. ◆

TABLE 3.4
CONVICTIONS (AS COMPILED BY THE DEPARTMENT OF JUSTICE)

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Marcus McClain	Acceptance of illegal gratuities	4/15/2010	Pending
Kevin A. Davis	Acceptance of illegal gratuities	4/13/2010	Pending
Janet Schmidt, Contractor and military spouse	Filing a false tax return and fraud	3/18/2010	Pending
Terry Hall, Contractor	Conspiracy, bribery	2/17/2010	Pending
Theresa Russell, former USA staff sergeant	Money laundering	1/28/2010	Pending
Michael D. Nguyen	Theft and structuring financial transactions	12/7/2009	Pending
Ronald Radcliffe	Bribery and money laundering	10/16/2009	40 months in prison and $30,000 fine
Joselito Domingo	Bribery	11/19/2009	Pending
Gloria Martinez	Bribery and conspiracy	8/12/2009	5 years in prison
Robert Jeffery	Conspiracy and theft	8/11/2009	4 years in prison
William Driver	Money laundering	8/5/2009	3 years probation, to include 6 months home confinement; $36,000 restitution
Nyree Pettaway	Conspiracy to obstruct justice	7/28/2009	12 months and 1 day in prison; 2 years of supervised release; $5 million restitution
Michel Jamil	Conspiracy	7/27/2009	40 months in prison
Robert Young	Conspiracy and theft of government property	7/24/2009	97 months in prison, 3 years supervised release; forfeiture of $1 million; and restitution of $26,276,472
Samir Itani	Conspiracy	7/21/2009	Pending
Tijani Saani	Filing false tax returns	6/25/2009	110 months in prison; 1 year supervised release; $1.6 million fine; and $816,485 in restitution to the IRS
Diane Demilta	Wire fraud	5/27/2009	6 months in prison; 12-month house arrest; 2 years supervised release; $20,000 fine; $70,000 restitution
Benjamin R. Kafka	Misprision of a felony	5/18/2009	Pending
Elbert W. George III	Theft of government property; conspiracy	5/18/2009	Pending
Roy Greene, Jr.	Theft of government property; conspiracy	5/18/2009	Pending
Frederick Kenvin	Conspiracy	4/30/2009	Pending
Stephen Day	Conspiracy to defraud the United States by misrepresentation	4/13/2009	Pending
Jeff Alex Mazon, Contractor, KBR	Major fraud against the United States and wire fraud	3/24/2009	Pending
Carolyn Blake, Sister of Maj. John Cockerham	Conspiracy and money laundering	3/19/2009	70 months in prison; 3 years of supervised release; $3.1 million restitution
Michael Carter, Project Engineer, Force Protection Industries	Violating the Anti-Kickback Act	1/25/2009	Pending
Harith al-Jabawi, Contractor	Conspiracy, bribery, and false statements	1/22/2009	Pending
Maj. Christopher Murray, USA Contracting Officer	Bribery and false statements	1/8/2009	57 months in prison; 3 years supervised release; $245,000 restitution
Maj. Theresa Baker, USAR Contracting Officer	Conspiracy and bribery	12/22/2008	70 months in prison; $825,000 restitution

Continued on the next page

Name	Charges	Date of Conviction	Sentence
Col. Curtis Whiteford, USAR Senior Official, CPA-South Central Region	Conspiracy, bribery, and wire fraud	11/7/2008	5 years in prison; 2 years supervised release; $16,200 restitution
Lt. Col. Michael Wheeler, USAR CPA Reconstruction Advisor	Conspiracy, bribery, wire fraud, interstate transportation of stolen property, and bulk cash smuggling	11/7/2008	42 months in prison; 3 years supervised release; $1,200 restitution; $100 special assessment
David Ramirez, Contractor, Readiness Support Management, Inc.	Bulk currency smuggling and structuring transactions	10/9/2008	50 months in prison; 3 years supervised release; $200 special assessment
Lee Dubois, Contractor, Future Services General Trading and Contracting Company	Theft of government property	10/7/2008	3 years in prison and repayment of $450,000 that represented the illegal proceeds of the scheme
Jacqueline Fankhauser	Receipt of stolen property	8/28/2008	1 year probation; 180 days home confinement; 104 hours community service; $10,000 fine; $100 special assessment
Robert Bennett Contractor, KBR	Violating the Anti-Kickback Act	8/28/2008	Pending
Maj. James Momon, Jr., USA Contracting Officer	Conspiracy and bribery	8/13/2008	Pending
Lt. Col. Debra M. Harrison, USA Acting Comptroller for CPA-South Central Region	Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, and preparing false tax returns	7/28/2008	30 months in prison; 2 years supervised release; $366,640 restitution
Capt. Cedar Lanmon, USA	Accepting illegal gratuities	7/23/2008	1 year in prison; 1 year supervised release
Maj. John Lee Cockerham, Jr., USA Contracting Officer	Bribery, conspiracy, and money laundering	6/24/2008	210 months in prison; 3 years of supervised release; $9.6 million restitution.
Melissa Cockerham, Wife of Maj. John Cockerham	Conspiracy and money laundering	6/24/2008	41 months in prison; 3 years of supervised release; $1.4 million restitution
Lt. Col. Levonda Selph, USAR Contracting Officer	Conspiracy and bribery	6/10/2008	Pending
Raman International Corp.	Conspiracy and bribery	6/3/2008	$500,000 fine and $327,192 restitution
Capt. Austin Key, USA Contracting Officer	Bribery	12/19/2007	Pending
Maj. John Rivard, USAR Contracting Officer	Bribery, conspiracy, and money laundering	7/23/2007	10 years in prison; 3 years supervised release; $5,000 fine; and $1 million forfeiture order
Kevin Smoot, Managing Director, Eagle Global Logistics, Inc.	Violating the Anti-Kickback Act and making false statements	7/20/2007	14 months in prison; 2 years supervised release; $6,000 fine; $17,964 restitution
Anthony Martin, Subcontractor Administrator, KBR	Violating the Anti-Kickback Act	7/13/2007	1 year and 1 day in prison; 2 years supervised release; $200,504 restitution
Jesse Lane, USAR 223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months in prison; $323,228 restitution
Steven Merkes, DoD Civilian, Operational Support Planner	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison; $24,000 restitution

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; $57,500 fine and forfeiture
Jennifer Anjakos, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; $86,557 restitution; $100 assessment
Sgt. Lomeli Chavez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; $28,107 restitution; $100 assessment
Sgt. Derryl Hollier, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; $83,657.47 restitution; $100 assessment
Sgt. Luis Lopez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; $66,865 restitution; $100 assessment
Bonnie Murphy, Contracting Officer	Accepting unlawful gratuities	11/7/2006	1 year supervised release and $1,500 fine
Samir Mahmoud, Employee of U.S. construction firm	Making false statements	11/3/2006	1 day credit for time served; 2 years supervised release
Gheevarghese Pappen, USACE Civilian	Soliciting and accepting illegal gratuities	10/12/2006	2 years in prison; 1 year supervised release; $28,900 restitution
Lt. Col. Bruce Hopfengardner, USAR Special Advisor to CPA-South Central Region	Conspiracy, conspiring to commit wire fraud and money laundering, and smuggling currency	8/25/2006	21 months in prison; 3 years supervised release; $200 fine; $144,500 forfeiture
Faheem Mousa Salam, Interpreter, Titan Corp.	Violating the Foreign Corrupt Practices Act's Anti-Bribery Provisions	8/4/2006	3 years in prison; 2 years supervised release; 250 hours community service; $100 special assessment
Mohammad Shabbir Khan, Director of Operations for Kuwait and Iraq, Tamimi Global Co., Ltd.	Violating the Anti-Kickback Act	6/23/2006	51 months in prison; 2 years supervised release; $10,000 fine; $133,860 restitution; $1,400 assessment
	Witness tampering	8/10/2009	Pending
Philip Bloom, Owner: Global Business Group, GBG Holdings, and GBG-Logistics Division	Conspiracy, bribery, and money laundering	3/10/2006	46 months in prison; 2 years supervised release; $3.6 million forfeiture; $3.6 million restitution; $300 special assessment
Stephen Seamans, Subcontracts Manager, KBR	Wire fraud, money laundering, and conspiracy	3/1/2006	12 months and 1 day in prison; 3 years supervised release; $380,130 restitution; $200 assessment
Christopher Cahill, Regional Vice President, Middle East and India, Eagle Global Logistics, Inc.	Major fraud against the United States	2/16/2006	30 months in prison; 2 years supervised release; $10,000 fine; $100 assessment (a civil settlement with EGL arising from the same facts resulted in a settlement of $4 million)
Robert Stein, CPA-South Central Comptroller and Funding Officer	Felon in possession of a firearm, possession of machine guns, bribery, money laundering, and conspiracy	2/2/2006	9 years in prison; 3 years supervised release; $3.6 million forfeiture; $3.5 million restitution; $500 special assessment
Glenn Powell, Subcontracts Manager, KBR	Major fraud and violating the Anti-Kickback Act	8/1/2005	15 months in prison; 3 years supervised release; $90,973.99 restitution; $200 assessment

Note: Does not include non-U.S. court results from joint SIGIR/foreign law enforcement investigations.

TABLE 3.5
DEBARMENT LIST

Name	Debarred	Name	Debarred
Jeff Thompson	3/29/2010	Cedar J. Lanmon, CPT, USA	6/3/2009
John Cockerham	3/17/2010	D+J Trading Company	5/14/2009
Melissa Cockerham	3/17/2010	Jesse D. Lane, Jr.	1/30/2009
Carolyn Blake	3/17/2010	Jennifer Anjakos	1/30/2009
Nyree Pettaway	3/17/2010	Carlos L. Chavez	1/30/2009
Robert Young	3/9/2010	Darryl Hollier	1/30/2009
Elbert Westley George III	1/21/2010	Luis A. Lopez	1/30/2009
Roy Greene	1/21/2010	Mohammed Shabbir Kahn	10/10/2008
Ofelia Webb	1/21/2010	Kevin Andre Smoot	9/30/2008
Patrick Faust	1/21/2010	Green Valley Company	9/17/2008, 5/18/2007
Ali N. Jabak	9/30/2009	Triad United Technologies, LLC	9/17/2008
Liberty A. Jabak	9/30/2009	Dewa Europe	9/17/2008
Liberty's Construction Company	9/30/2009	Dewa Trading Establishment	9/17/2008
Tharwat Taresh	9/30/2009	Al Ghannom and Nair General Trading Company	9/17/2008
Babwat Dourat Al-Arab	9/30/2009	Dewa Projects (Private) Ltd.	9/17/2008
Dourat Al-Arab	9/30/2009	Future AIM United	9/17/2008
Hussein Ali Yehia	9/30/2009	First AIM Trading and Contracting	9/17/2008
Amina Ali Issa	9/30/2009	Vasantha Nair	9/17/2008
Adel Ali Yehia	9/30/2009	K. V. Gopal	9/17/2008
Javid Yousef Dalvi	9/25/2009	Falah Al-Ajmi	9/17/2008
Mohamed Abdel Latif Zahed	9/10/2009	Trans Orient General Trading	9/17/2008
Gerald Thomas Krage	9/4/2009	Zenith Enterprises Ltd.	9/17/2008
Andrew John Castro	9/4/2009	Peleti "Pete" Peleti, CWO, USA	6/15/2008
Airafidane, LLC	9/4/2009	Al Sawari General Trading and Contracting Company	3/13/2008
Kevin Arthis Davis	8/20/2009	John Allen Rivard, MAJ, USAR	1/14/2008
Jacqueline Fankhauser	8/7/2009	Samir Mahmoud	11/29/2007
Debra M. Harrison, LTC, USAR	8/7/2009	Robert Grove	10/30/2007
Nazar Abd Alama	7/1/2009	Steven Merkes	9/27/2007
San Juan Company	7/1/2009	Bruce D. Hopfengardner, LTC, USAR	9/20/2007
Mississippi Company for the General Contract	7/1/2009	Robert J. Stein, Jr.	8/16/2007
Lee Dynamics International	6/17/2009	Philip H. Bloom	8/8/2007
Lee Defense Services Corporation	6/17/2009	Global Business Group S.R.L.	8/8/2007
George H. Lee	6/17/2009	Stephen Lowell Seamans	7/27/2007
Justin W. Lee	6/17/2009	Gheevarghese Pappen	6/28/2007
Oai Lee	6/17/2009	Faheem Mousa Salam	6/28/2007
Mark J. Anthony	6/17/2009	QAH Mechanical and Electrical Works	6/27/2007
Levonda J. Selph	6/17/2009	Abdullah Hady Qussay	6/27/2007
Starcon, Ltd. LLC	6/17/2009		

Continued next column   *Continued next column*

Name	Debarred	Name	Debarred
Al Riyadh Laboratories and Electricity Co.	1/26/2007	Jasmine International Trading and Service Company	5/14/2009, 6/2/2006
Thomas Nelson Barnes	1/24/2007	Custer Battles	3/17/2006
Danube Engineering and General Contracting	12/28/2006	Robert Wiesemann, CW2, USA	3/6/2006
Alwan Faiq	12/28/2006	Glenn Allen Powell	2/16/2006
Christopher Joseph Cahill	11/9/2006	Amro Al Khadra	1/12/2006
Ahmed Hassan Dayekh	9/26/2006	Dan Trading and Contracting	1/12/2006
Diaa Ahmen Abdul Latif Salem	5/14/2009, 6/2/2006	Steven Ludwig	9/29/2005
		DXB International	9/29/2005

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SIGIR EVALUATIONS

During this quarter, SIGIR established an Evaluations Directorate that is being staffed in Washington, D.C., and Baghdad, Iraq. This new directorate will implement a multi-faceted approach to the evaluation of programs that are funded by the U.S. government for the purpose of supporting the stabilization and reconstruction of Iraq. This new organizational capability will help fulfill SIGIR's oversight responsibility using both traditional and innovative approaches.

Evaluation teams comprising SIGIR personnel with audit, evaluation, program analysis, and inspection experience are being assembled to design and implement a wide range of evaluation studies. These teams may be augmented by subject-matter experts and other technical advisors as needed, depending on the topic of the evaluation. The evaluation studies will be performed in the United States and in Iraq, in accordance with generally accepted standards for policy and program evaluations.

SIGIR plans to evaluate a cross-section of major U.S. government-funded programs that were initiated to improve the stability and security of Iraq, including those that were implemented to assist the Iraqi people to reconstruct and maintain their infrastructure. In addition to developing key conclusions, findings, and recommendations, the evaluations will identify and report on the outcomes and effects of the stabilization and reconstruction programs under review.

The SIGIR Evaluations Directorate has issued one evaluation study announcement this quarter and plans to issue the second in May of this year. The first evaluation (EV-10-001) is titled *Review of U.S. Government Program Evaluation Studies in Iraq*. The objectives of this review are to determine:

- what program evaluation studies have been completed to date on U.S. government-funded stabilization and reconstruction programs in Iraq
- how U.S. government departments and agencies have used the results of evaluation studies in their program planning, budgeting, and performance assessment

SIGIR expects to report on this evaluation review by the end of July 2010.

The second evaluation (EV-10-002) is expected to start in May of this year and will focus on major U.S. government-funded infrastructure projects in Iraq. The SIGIR Evaluations Directorate expects that this evaluation study will produce several individual case studies assessing the impact of infrastructure spending on basic services, economic growth, security, and stability in Iraq. ◆

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.

First Quarter Reporting

As of March 31, 2010, the SIGIR Hotline had initiated 791 cases. Of these cases, 728 have been closed, and 63 cases remain open. For a summary of these cases, see Table 3.6.

New Cases

During this reporting period, the SIGIR Hotline received 11 new complaints, bringing the cumulative total to 791 Hotline cases. The new complaints were classified in these categories:

- 5 involved contract fraud.
- 4 involved personnel issues.
- 2 involved miscellaneous issues.

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal through the website and electronic mail. Of SIGIR's 11 new Hotline complaints, 6 were received through electronic mail and 5 by the SIGIR website.

Closed Cases

During this quarter, SIGIR closed 10 Hotline cases:

- 9 were referred to other inspector general agencies.
- 1 was closed by SIGIR Investigations.

TABLE 3.6
**SUMMARY OF SIGIR HOTLINE CASES,
AS OF 3/31/2010**

OPEN CASES

Investigations	52
Audits	10
Inspections	1
Total Open	**63**

CLOSED CASES	1ST QTR 2010	CUMULATIVE*
FOIA	0	4
OSC Review	0	2
Assists	0	46
Dismissed	0	129
Referred	9	334
Inspections	0	79
Investigations	1	118
Audits	0	16
Total Closed	**10**	**728**
Cumulative* Open & Closed		**791**

*Cumulative totals cover the period since the SIGIR Hotline began operations—from 3/24/2004 to 3/31/2010.

Referred Complaints

After a thorough review, SIGIR referred 9 complaints to outside agencies for proper resolution:

- 4 were sent to the Joint Contracting Command-Iraq/Afghanistan.
- 3 were sent to the U.S. Forces-Iraq Office of Inspector General.
- 2 were sent to the U.S. Army Office of Inspector General. ◆

SIGIR WEBSITE

During this reporting period, the SIGIR website (www.sigir.mil) recorded these activities:

- More than 128,000 users visited the SIGIR website this quarter—more than 1,400 users per day.
- This quarter, the Arabic language section of the site received 1,038 visits.
- The most frequently downloaded documents were SIGIR's most recent Quarterly Reports.

  For an overview of daily visits to the SIGIR website, see Figure 3.3. ◆

FIGURE 3.3

AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, AS OF 3/31/2010
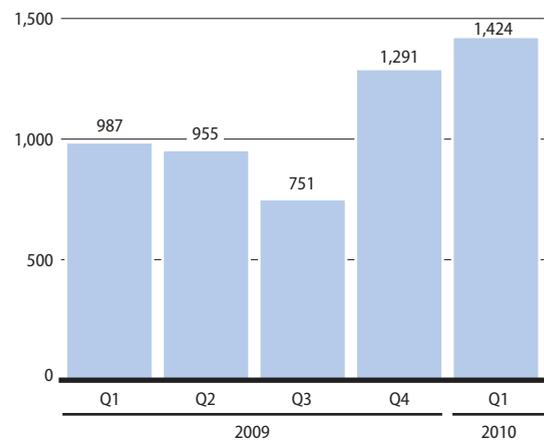
Source: DoD, IMCEN, response to SIGIR data call, 3/31/2010.

LEGISLATIVE UPDATE

During this quarter, the Inspector General appeared before one legislative branch commission and one congressional committee:

- **February 22, 2010—Commission on Wartime Contracting in Iraq and Afghanistan.** In the commission's hearing, titled "An Urgent Need: Coordinating Reconstruction and Stabilization in Contingency Operations," the Inspector General unveiled SIGIR's fifth Lessons Learned report, *Applying Iraq's Hard Lessons to the Reform of Stabilization and Reconstruction Operations.* This new report addresses the hardest lesson from Iraq: that the United States does not have a coherent approach to planning and executing stabilization and reconstruction operations (SROs). The report proposes the creation of the U.S. Office for Contingency Operations (USOCO), which, if created, would be charged with planning and managing SROs and would be accountable for their results.

- **February 24, 2010—House Committee on Foreign Affairs—Subcommittee on International Organizations, Human Rights, and Oversight.** In the subcommittee's hearing, titled "Oversight: Hard Lessons Learned in Iraq and Benchmarks for Future Reconstruction Efforts," the Inspector General testified on the need to prevent the repetition of the errors of the Iraq reconstruction program in present and future stabilization and reconstruction operations. He also discussed the advantages of establishing a U.S. Office for Contingency Operations to provide accountability and unity of command in the planning and management of such operations. ◆

OTHER AGENCY OVERSIGHT

SECTION

4

INTRODUCTION

In March 2004, SIGIR formed the Iraq Inspectors General Council (IIGC) to provide a forum for discussion of oversight in Iraq and to enhance collaboration and cooperation among the inspectors general (IGs) of the agencies that oversee Iraq reconstruction funds. Representatives of member organizations meet quarterly to exchange details about current and planned audits, to identify opportunities for collaboration, and to minimize redundancies.

The most recent meeting was held on February 17, 2010, at the SIGIR office in Arlington, Virginia. Mr. Glenn Furbish, SIGIR's Principle Deputy AIG-Audit, chaired the meeting. These organizations attended:

- Air Force Audit Agency (AFAA)
- Defense Contract Audit Agency (DCAA)
- Department of the Army Inspector General
- Department of Defense Office of Inspector General (DoD OIG)
- Department of State Office of Inspector General (DoS OIG)
- Government Accountability Office (GAO)
- SIGIR
- U.S. Agency for International Development Office of Inspector General (USAID OIG)
- U.S. Army Audit Agency (USAAA)

Each quarter, SIGIR requests updates from member organizations on their completed, ongoing, and planned oversight activities. This section summarizes the audits and investigations reported to SIGIR this quarter by DoD OIG, DoS OIG, GAO, USAAA, and USAID OIG. For DCAA updates, see Appendix G.

In previous quarters, SIGIR has provided updates on the U.S. Department of the Treasury and the U.S. Department of Commerce, but these agencies have no current Iraq reconstruction oversight activities ongoing or planned for FY 2010. SIGIR will no longer report on these agencies in this section.

Section 842 of the National Defense Authorization Act for Fiscal Year 2008 (Public Law 101-181) requires that SIGIR, in consultation with other inspectors general, develop "a comprehensive plan for a series of audits" of "federal agency contracts, subcontracts, and task and delivery orders for the performance of security and reconstruction functions in Iraq." Following the enactment of Section 842, SIGIR has worked closely with the DoD OIG Joint Planning Group-Southwest Asia, which has facilitated the production of the Comprehensive Oversight Plan for Southwest Asia. That document, compiled by the relevant IGs (including SIGIR), summarizes ongoing and near-term planned audits for Iraq and the region. The Group held its twelfth meeting in February 2010 and issued the FY 2010 update to the Comprehensive Oversight Plan for Southwest Asia in February 2010. The comprehensive plan was expanded beyond the statutory mandates to include other functional areas relevant to supporting Operations Enduring Freedom and Iraqi Freedom, as well as overseas contingency operations. These include contract administration and management, reset of equipment, financial management, and reconstruction support effort. Participating oversight agencies will continue to coordinate audit plans through working groups and councils. ◆

OTHER AGENCY AUDITS

This section updates the audits that IIGC member agencies reported to SIGIR:

- For recently completed oversight report activity, see Table 4.1.
- For ongoing oversight report activity of other U.S. agencies during this reporting period, see Table 4.2.

- For more information on other agency audits, including audit summaries, see Appendix G.
- For a complete historical list of audits and reviews on Iraq reconstruction by all entities, see Appendix H. ◆

TABLE 4.1
RECENTLY COMPLETED OVERSIGHT REPORTS OF OTHER U.S. AGENCIES, AS OF 3/31/2010

AGENCY	REPORT NUMBER	REPORT DATE	REPORT TITLE
DoD	D-2010-047	3/26/2010	Repair and Maintenance Contracts for Aircraft Supporting Coalition Forces in Afghanistan, Iraq, and Kuwait
DoD	D-2010-046	3/3/2010	Contracting for Tactical Vehicle Field Maintenance at Joint Base Balad, Iraq
DoD	D-2010-044	3/2/2010	Information Assurance Controls Over the Outside the Continental of the United States Navy Enterprise Network as Related to the Operations in Southwest Asia
DoD	D-2010-043	3/2/2010	Deferred Maintenance and Carryover on the Army Abrams Tank
DoD	D-2010-6-0001	2/16/2010	Review of Army Decision Not to Withhold Funds on the Logistics Civil Augmentation Program (LOGCAP) III Contract
DoD	IP02010E001	2/1/2010	Evaluation of DoD Sexual Assault Response in Operations Enduring Freedom and Iraqi Freedom Areas of Operation
DoD	D-2010-039	1/29/2010	Recapitalization and Acquisition of Light Tactical Vehicles
DoD	D-2010-038	1/25/2010	Identification of Classified Information in an Unclassified DoD System and an Unsecured DoD Facility
DoD	D-2010-037	1/25/2010	Internal Controls Over United States Marine Corps Commercial and Miscellaneous Payments Processed Through the Deployable Disbursing System
DoD	D-2010-036	1/22/2010	Controls Over Navy Military Payroll Disbursed in Support of Operations at Southwest Asia at San Diego-Area Disbursing Centers
DoD	D-2010-033	1/21/2010	Information Operations in Iraq
DoD	D-2010-035	1/11/2010	Defense Logistics Agency Contracts for M2 Machine Gun Spare Parts in Support of Operations in Southwest Asia
DoD	D-2010-034	1/8/2010	Internal Controls Over the Army, General Fund Cash and Other Monetary Assests Held in Southwest Asia
DoS	MERO-A-10-05	3/22/2010	Baghdad Embassy Security Force (BESF)
GAO	GAO-10-472	3/30/2010	Warfighter Support: DoD Needs to Improve Its Planning for Using Contractors to Support Future Military Operations
GAO	GAO-10-331	3/26/2010	Unmanned Aircraft Systems: Comprehensive Planning and a Results-Oriented Training Strategy Are Needed to Support Growing Inventories
GAO	GAO-10-509T	3/23/2010	Iraq and Afghanistan: Agencies Face Challenges in Tracking Contracts, Grants, Cooperative Agreements, and Associated Personnel
GAO	GAO-10-551T	3/17/2010	Warfighter Support: Continued Actions Needed by DoD to Improve and Institutionalize Contractor Support in Contingency Operations
GAO	GAO-10-274	3/9/2010	Iraq: Iraqi Refugees and Special Immigrant Visa Holders Face Challenges Resettling in the United States and Obtaining U.S. Government Employment

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Agency	Report Number	Report Date	Report Title
GAO	GAO-10-266R	3/4/2010	Warfighter Support: A Cost Comparison of Using State Department Employees verus Contractors for Security Services in Iraq
USAAA	A-2010-0077-ALC	3/25/2010	Agreed-Upon Procedure Attestation of the Joint Contracting Command-Iraq/Afghanistan Contract Closeout Task Force
USAAA	A-2010-0075-ALL	3/23/2010	Defense Base Act Insurance, Audit of Contracting Operations, U.S. Army Contracting Command Southwest Asia - Kuwait
USAAA	A-2010-0062-ALL	3/16/2010	Controls Over Vendor Payments - Southwest Asia (Phase II)
USAAA	A-2010-0060-ALA	3/3/2010	Pricing and Funding Security Assistance to Iraq and Afghanistan, U.S. Army Security Assistance Command
USAAA	A-2010-0054-ALL	2/24/2010	Agreed-Upon Procedures Attestation to Determine the Total Amount of Requisitions Under DODAAC W91JKW Processed by Soldiers From the 18th Fires Brigade, Fort Bragg, North Carolina While Deployed to Iraq
USAAA	A-2010-0057-ALL	2/24/2010	Controls Over Vendor Payments - Southwest Asia (Phase II)
USAAA	A-2010-0048-FFF	2/8/2010	Improvised Explosive Defeat Unit Training
USAAA	A-2010-0044-ALL	1/26/2010	Forward Operating Base Closures in Iraq
USAAA	A-2010-0031-ALL	1/16/2010	Contracting Operations, Joint Contracting Command-Iraq/Afghanistan, Regional Contracting Center-Victory, Camp Victory, Iraq
USAAA	A-2010-0010-ALL	1/15/2010	Housing Management Area Support Group-Kuwait
USAAA	A-2010-0026-ALC	1/7/2010	Award Fee for Task Order 139 - LOGCAP III Contract, U.S. Army Contracting Command
USAAA	A-2010-0012-ALL	1/5/2010	Controls Over Vendor Payments - Southwest Asia
USAID	E-267-10-001-P	3/31/2010	Audit of USAID's Internally Displaced Persons Activities in Iraq

Table 4.2

Ongoing Oversight Activities of Other U.S. Agencies, as of 3/31/2010

Agency	Project Number	Date Initiated	Project Title
DoD	D2009-DOOOSPO-0287.000	Not reported	Assessment of U.S. Government Efforts to Transition the Security Assistance Mission Supporting the Government of Iraq from Department of Defense Authority to Department of State Authority
DoD	D2009-DIP0E3-0260.000	8/5/2010	Evaluation of the DoD Combating Trafficking in Persons (CTIP) Program
DoD	D2010-D000CE-0190.000	3/23/2010	Material Purchases Made Through Partnership Agreements at Anniston Army Depot
DoD	D2010-D000JB-0158.000	2/17/2010	Contracting for U.S. Facilities in Iraq
DoD	D2010-D000AE-0139.000	1/29/2010	DoD Countermine and Improvised Explosive Device Defeat Systems Contracts—Interrogation Arm
DoD	D2010-D000IG-0073-000	12/7/2009	Update to the Summary Report on Challenges, Recommendations, and Initiatives Impacting OEF/OIF As Reported by Federal and Defense Oversight Organizations for FY 2003–FY 2009
DoD	D2010-D000CH-0077.000	11/18/2009	Material Purchases Made Through the Partnership Agreement with Sikorsky Aircraft Corporation at Corpus Christi Army Depot
DoD	D2010-D000CH-0077.001	11/17/2009	Material Purchases Made Through the Partnership Agreement with the Boeing Company at Corpus Christi Army Depot
DoD	D2010-D000JA-0055.000	10/27/2009	Management of Operations in the Theater Retrograde, Camp Arifjan, Kuwait
DoD	D2010-D000JA-0054.000	10/27/2009	Controls Over the Disposition of Equipment at the Defense Reutilization and Marketing Office at Camp Arifjan, Kuwait
DoD	D2010-D000AS-0031.000	10/27/2009	Logistics Civil Augmentation Program IV Support Contract
DoD	D2009-D000FH-0292.000	9/23/2009	Commercial Vendor Services Compliance with Federal Tax Reporting Requirements for Contractors Supporting Operations in Southwest Asia
DoD	Not reported	Not reported	Ministerial Capacity Development of the Iraqi Ministries of Defense and Interior Inspectors General
DoD	D2009-D000JB-0307.000	9/16/2009	Controls Over the Accountability and Disposition of Government Furnished Property in Iraq

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Agency	Project Number	Date Initiated	Project Title
DoD	D2009-DIPOE3-0306.000	9/11/2009	Review of Army Response to Sodium Dichromate Exposure at Qarmat Ali Iraq
DoD	D2009-D000LC-240.002	9/10/2009	Reannouncement of the Audit of Inter-Theater Transportation Planning, Capabilities, and Execution for the Drawdown from Iraq
DoD	D2009-D00SPO-0310.000	9/10/2009	Assessment of Intra-Theater Transportation Planning, Capabilities, and Execution for the Drawdown from Iraq
DoD	D2009-DIPOAI-0305	9/1/2009	Contract Audit Follow-Up Review on Incurred Cost Audits Related to Iraq Reconstruction Activities
DoD	D2009-D00SPO-0286.000	8/11/2009, amended 2/19/2010	Assessment of U.S. Government Efforts to Develop the Logistics Sustainment Capability of the Iraq Security Forces
DoD	D2009-D000JB-0280.000	8/10/2009	DoD's Plans for the Drawdown and Reset of Property in Iraq
DoD	D2009-D000AS-0266.000	7/31/2009	Contracts Supporting Base Operation in Kuwait
DoD	D2009-D000AS-0264.000	7/20/2009	Air Forces Central War Reserve Materiel Contract
DoD	D2009-D000AS-0247.000	7/10/2009	Contracts Supporting the Broad Area Maritime Surveillance Program
DoD	D2009-D000CH-0244.000	7/7/2009	International Oil Trading Company Contracts to Supply Fuel to U.S. Troops in Iraq
DoD	D2009-D000LC-0237.000	6/11/2009	Air Cargo Transportation Contracts in Support of Operation Iraqi Freedom and Operation Enduring Freedom
DoD	D2009-D00SPO-0242.00	6/11/2009	Assessment of the Defense Hotline Allegations Concerning Traumatic Brain Injury Research Integrity in Iraq
DoD	D2009-DINT01-0203.000	6/10/2009	Review of the Joint Task Force Guantanamo Inclusion of Detainee Mental Health Information in Intelligence Information Reports
DoD	D2009-D000IG-D00SPO.0226.000	5/15/2009	Assessment Research on Enlisted Administrative Separations
DoD	D2009-D000AE-0210.000	4/28/2009	Marine Corps Fulfillment of Urgent Universal Need Statements for Laser Dazzlers
DoD	D2009-D000FC-0199.000	4/17/2009	Allowances and Differentials Paid to DoD Civilian Employees Supporting the Global War on Terror
DoD	D2009-D000FG-0183.000	4/7/2009	FY 2008 Marine Corps Global War on Terror-Related Costs Processed Through the Standard Accounting, Budgeting, and Reporting System
DoD	D2009-D000JB-0181.000	4/3/2009	Multi-National Force-Iraq/Multi-National Corps-Iraq Fire Services Inspection and Training Program
DoD	D2009-D000FC-0176.000	3/19/2009	Controls Over Unliquidated Obligations for Department of the Army Contracts Supporting the Global War on Terror
DoD	D2009-D000AS-0163.000	3/2/2009	Army and Navy Small Boats Maintenance Contracts
DoD	D2009-D000JA-0136.000	1/30/2009	Controls Over the Common Access Card in Non-Department of Defense Agencies
DoD	D2009-D000LD-0110.000	1/29/2009	Air Force Depot Maintenance Public-Private Partnerships
DoD	D2009-D000FB-0112.000	1/5/2009	Deployment of the Standard Procurement System in the Joint Contracting Command-Iraq/Afghanistan
DoD	D2009-D000CK-0100.000	12/9/2008	Maintenance and Support of the Mine Resistant Ambush Protected Vehicle
DoD	D2009-D000CF-0095.000	12/1/2008	DoD's Use of Time and Materials Contracts
DoD	D2009-D000AS-0092.000	12/1/2008	Counter Radio-Controlled Improvised Explosive Device Electronic Warfare Program
DoD	D2009-D000CD-0071.000	11/12/2008	Implementation of Predator/Sky Warrior Acquisition Decision Memorandum Dated May 19, 2008
DoD	D2007-D000FD-0198.001	10/10/2008	Reannouncement of the Audit of Funds Appropriated for Afghanistan and Iraq Processed Through the Foreign Military Sales Trust Fund
DoD	D2009-D000AE-0007.000	9/29/2008	Army Acquisition Actions in Response to the Threat to Light Tactical Wheeled Vehicles
DoD	D2008-D000AB-0266.000	9/18/2008	Defense Contract Management Agency Acquisition Workforce for Southwest Asia
DoD	D2008-D000LF-0267.000	9/12/2008	Medical/Surgical Prime Vendor Contracts Supporting Coalition Forces in Iraq and Afghanistan
DoD	D2008-D000LD-0245.000	8/27/2008	Central Issues Facilities
DoD	D2008-D000CD-0256.000	8/7/2008	DoD Body Armor Contracts
DoD	D2008-D000FP-0252.000	8/1/2008	Department of the Air Force Military Pay in Support of the Global War on Terror

Agency	Project Number	Date Initiated	Project Title
DoD	D2008-D000AE-0251.000	7/21/2008	Army's Use of Award Fees on Contracts That Support the Global War on Terror
DoD	D2008-D000CE-0221.000	6/9/2008	DoD and DoD Contractor Efforts to Prevent Sexual Assault/Harassment Involving Contractor Employees Within Operations Enduring Freedom and Iraqi Freedom Areas of Operation
DoD	D2008-D000JC-0186.000	4/23/2008	Class III Fuel Procurement and Distribution in Southwest Asia
DoD	D2007-D000FL-0252.000	8/31/2007	Internal Controls and Data Reliability in the Deployable Disbursing System
DoS	10AUD3004	10/1/2009	Audit of Embassy Baghdad Overtime Procedures and Costs
DoS	10-ISP-3013	9/1/2009	De-mining Programs in Iraq
DoS	09MERO3017	6/1/2009	Property Inventory and Accountability at Embassy Baghdad
DoS	09MERO3016	6/1/2009	LOGCAP Task Order for Embassy Baghdad
GAO	320734	11/1/2009	Joint Campaign Plan for Iraq
GAO	120874	11/1/2009	Contracting in Iraq and Afghanistan
GAO	351388	9/1/2009	Review of Availability of Trained and Ready Forces for Iraq and Afghanistan
GAO	351387	9/1/2009	Review of Army and Marine Corps Training Capacity
GAO	351385	9/1/2009	Review of Combat Skills Training for Support Forces
GAO	351376	9/1/2009	Readiness of Air Force Combat and Expeditionary Combat Forces
GAO	361123	8/1/2009	U.S. Military Burns Pit Operations in Iraq and Afghanistan
GAO	351393	8/28/2009	DoD Health Care Requirements for Contingency Operations
GAO	320691	7/1/2009	U.S. Civilian Agency Planning for the Drawdown of U.S. Troops in Iraq
GAO	320654	3/1/2009	U.S., Iraqi, and International Efforts to Address Challenges in Reintegrating Displaced Iraqis
GAO	351429	2/1/2009	DoD's Planning for the Drawdown of U.S. Forces from Iraq
GAO	120812	2/1/2009	Iraq and Afghanistan Contractor Oversight
GAO	320638	10/1/2008	Iraq Cost Sharing Arrangements
GAO	351236	6/1/2008	DoD Process for Responding to Urgent Wartime Requirements
GAO	351230	6/1/2008	Joint IED Defeat Organization (JIEDDO) Strategic Management
USAAA	A-2010-ALL-0364.000	2Q/FY 2010	Excalibur Accountability Gap
USAAA	A-2010-ALL-0338.000	2Q/FY 2010	Redistribution Property Assistance Teams
USAAA	A-2010-ALL-0312.000	2Q/FY 2010	U.S. Equipment Transferred to Iraq
USAAA	A-2010-ALL-0311.001	2Q/FY 2010	Disposal of Army Equipment and Materials Into Dump Sites in Iraq
USAAA	A-2010-ALL-0311.000	2Q/FY 2010	Disposal of Army Equipment and Material in Iraq
USAAA	A-2010-ALA-0294.000	2Q/FY 2010	Follow-up Audit – Body Armor
USAAA	A-2010-ALL-0103.000	2Q/FY 2010	Controls Over Vendor Payments Phase II – Afghanistan
USAAA	A-2010-ALL-0083.000	2Q/FY 2010	Logistics Civil Augmentation Program (LOGCAP) IV Operations in Support of Operation Enduring Freedom-Afghanistan
USAAA	A-2010-ALL-0232.000	1Q/FY 2010	Forward Operating Base Closures – Property Transfers to Government of Iraq
USAAA	A-2010-ALC-0125.000	1Q/FY 2010	Army's Short-Term Human Capital Strategic Plans – Contracting
USAAA	A-2010-ALC-0122.000	1Q/FY 2010	Contracting Activities in Iraq During and After Force Drawdown
USAAA	A-2010-ALL-0106.000	1Q/FY 2010	Follow-up Audit on Sensitive Items Accountability and Control at Abu Ghraib-Iraq
USAAA	A-2010-ALL-0105.000	1Q/FY 2010	Follow-up Audit on Forward Operating Base Closures – Iraq
USAAA	A-2010-ALL-0087.000	1Q/FY 2010	Life Support Contracts for U.S. Forces at Basra-Iraq
USAAA	A-2010-ALM-0008.000	1Q/FY 2010	Contracting for Maintenance Support – Life Cycle Management Commands
USAAA	A-2009-ALL-0593.000	4Q/FY 2009	Controls over Shipping Container Accountability and Visibility - Iraq
USAAA	A-2009-ALL-0590.000	4Q/FY 2009	Camp Buehring Fuel Farm Operations – Kuwait

Agency	Project Number	Date Initiated	Project Title
USAAA	A-2009-ALL-0571.000	4Q/FY 2009	Contract for Recycling and Disposing of Waste Material at Camp Steeler, Iraq
USAAA	A-2009-ALL-0531.000	4Q/FY 2009	Commander's Emergency Response Program - Afghanistan
USAAA	A-2009-ALL-0133.000	2Q/FY 2009	Force Protection – Security Badging in Kuwait
USAAA	A-2009-ALL-0118.000	2Q/FY 2009	Controls over Vendor Payments – Southwest Asia (Phase II)
USAAA	A-2009-ALL-0110.000	2Q/FY 2009	Multi-National Security Transition Command-Iraq (MNSTC-I), Iraq Security Forces Fund (ISFF)
USAAA	A-2009-ALL-0106.000	2Q/FY 2009	Contracting Operations at the Joint Contracting Command-Iraq/Afghanistan – Jalalabad (Afghanistan)
USAAA	A-2009-FFS-0075.000	2Q/FY 2009	Reserve Component Post Mobilization Training
USAAA	A-2009-ALM-0059.000	2Q/FY 2009	Non-Standard Equipment Sustainment
USAAA	A-2009-ALC-0093.000	1Q/FY 2009	Logistics Civil Augmentation Program (LOGCAP) III, Contract Close-out
USAAA	A-2008-ALL-0401.000	4Q/FY 2008	Contracting Operations at the Joint Contracting Command-Iraq/Afghanistan – Kandahar and Salerno (Afghanistan)
USAAA	A-2008-ALL-0398.000	4Q/FY 2008	Controls over Logistics Civil Augmentation Program (LOGCAP) – White Property
USAAA	A-2008-ALL-0633.000	3Q/FY 2008	U.S. Army Corps of Engineers (USACE) Pilot Defense Base Act (DBA) Insurance Program
USAAA	A-2008-ALL-0625.000	3Q/FY 2008	Follow-up Audit of Contracting Operations, U.S. Army Contracting Command (USACC), SWA-Kuwait (Phase I)
USAAA	A-2008-ALL-0624.000	3Q/FY 2008	Commander's Emergency Response Program (CERP), Iraq Summary
USAAA	A-2008-ALA-0588.000	3Q/FY 2008	Foreign Military Sales (FMS)
USAAA	A-2008-FFF-0044.000	2Q/FY 2008	Management of the Prepositioned Fleet at Combat Training Centers
USAAA	A-2007-ALL-0858.001	4Q/FY 2007	Retrograde Operations in Southwest Asia–Kuwait (Donations and Transfers)
USAAA	A-2007-ALL-0859.000	3Q/FY 2007	Contracting Operations, U.S. Army Contracting Command (USACC), SWA-Kuwait (Phase II)
USAID	Not reported	2Q/FY 2010	Audit of USAID/Iraq's Payroll Payments to Foreign Service Nationals, Third Country Nationals, and U.S. Personal Services Contractors
USAID	Not reported	2Q/FY 2010	Audit of USAID/Iraq's Community Action Program III Activities
USAID	Not reported	1Q/FY 2010	Audit of USAID/Iraq's Agriculture Private Sector Development – Agribusiness Program
USAID	Not reported	4Q/FY 2009	Audit of USAID/Iraq's Implementation of the Iraq Financial Management Information System
USAID	Not reported	4Q/FY 2009	Survey of Incidents Reported by Private Security Contractors of USAID/Iraq's Contractors and Grantees

OTHER AGENCY INVESTIGATIONS

SIGIR regularly coordinates with other government agencies conducting investigations in Iraq. For statistics of investigative activities from other agencies, see Table 4.3. ◆

TABLE 4.3
STATUS OF INVESTIGATIVE ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 3/31/2010

AGENCY	INVESTIGATORS IN IRAQ	INVESTIGATORS IN KUWAIT	OPEN/ONGOING CASES*
U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit	6	2	105
Defense Criminal Investigative Service	4	1	223
DoS OIG	1	0	17
FBI	5	2	92
NCIS	1	1	3
U.S. Air Force, Office of Special Investigations	2	0	7
USAID	2	0	11
Total	**21**	**6**	**458**

*Numbers include pending cases worked with other agencies within the Joint Operations Center.

ENDNOTES AND ACRONYMS AND DEFINITIONS

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ACRONYMS AND DEFINITIONS

This section contains all of the abbreviations and acronyms found in this Report.

Acronym	Definition
AAB	Advise and Assist Brigade
ABOT	Al-Basrah Oil Terminal
ACA	Army Contracting Agency
ACCO	Anti-Corruption Coordination Office
ACMAT	Assistant Chief of Mission for Assistance Transition
ACOB	Armed Contractor Oversight Branch (USF-I)
ACWG	Anticorruption Working Group
ADUSD(Program Support)	Assistant Deputy Under Secretary of Defense for Program Support
AFAA	Air Force Audit Agency
AQI	al-Qaeda in Iraq
Army	U.S. Department of the Army
Army IG	Army Inspector General
AWOL	absent without leave
BBG	Broadcasting Board of Governors
BCT	Brigade Combat Team
BEZ	Baghdad International Airport Economic Zone
BGAN	Broadband Global Area Network
BGC	Basrah Gas Company
BIA	Basrah International Airport
BIAP	Baghdad International Airport
BP	British Petroleum
BPD	barrels per day
BSA	Board of Supreme Audit
CAP	Community Action Program
CBI	Central Bank of Iraq
CBJ	Congressional Budget Justification
CBO	Congressional Budget Office
CCC-I	Central Criminal Court of Iraq
CENTCOM	U.S. Central Command
CERP	Commander's Emergency Response Program
CIA	U.S. Central Intelligence Agency

Acronym	Definition
CID	U.S. Army Criminal Investigation Command
CID-MPFU	U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit
CMC	Communications Media Commission (GOI)
COI	Commission on Integrity (previously known as Commission on Public Integrity)
CoM	Council of Ministers
COM	Chief of Mission
Compact	International Compact with Iraq
CoR	Council of Representatives (GOI)
COR	Contracting Officer's Representative
COSIT	Central Organization for Statistics and Information Technology (GOI)
CPA	Coalition Provisional Authority
CPA-IG	Coalition Provisional Authority Inspector General
CPA-SC	CPA-South Central Region
CPATT	Civilian Police Assistance Training Team
CRS	Congressional Research Service (Library of Congress)
CSH	Child Survival and Health
CSP	Community Stabilization Program
CTC	Counter-Terrorism Command
CTNET	Counter-Terrorism Network
CWC	Commission on Wartime Contracting in Iraq and Afghanistan
CY	Calendar Year
DAD	Development Assistance Database
DCAA	Defense Contract Audit Agency
DCIS	Defense Criminal Investigative Service
DCM	Deputy Chief of Mission
DFAS	Defense Finance and Accounting Service
DFI	Development Fund for Iraq
DoD	Department of Defense
DoD OIG	Department of Defense Office of Inspector General
DoJ	Department of Justice
DoL	Department of Labor
DoS	Department of State
DoS OIG	Department of State Office of Inspector General
DPL	development policy loan (World Bank)
DRL	Bureau of Democracy, Human Rights and Labor (DoS)

Acronym	Definition
DTM	Directive-Type Memorandum
ECA	Bureau of Educational and Cultural Affairs (DoS)
EIA	Energy Information Administration (DoE)
EITI	Extractive Industries Transparency Initiative
EPC	Engineering, Procurement, and Construction Contractor (MOE)
ePRT	Embedded Provincial Reconstruction Team
ERMA	Emergency Refugee and Migration Assistance
ESF	Economic Support Fund
EU	European Union
FBI	Federal Bureau of Investigation
FinCEN	Financial Crimes Enforcement Network
FMS	Foreign Military Sales
FPS	Facilities Protection Service (GOI)
FY	fiscal year
GAO	U.S. Government Accountability Office
GDP	gross domestic product
GEO	Governorate Electoral Office
GOI	Government of Iraq
GRD	Gulf Region District
GRC	Gulf Region Central
GRN	Gulf Region North
GRS	Gulf Region South
GSM	Global System for Mobile
HAO	Health Attaché Office (U.S. Embassy-Baghdad)
HJC	Higher Judicial Council
IA	Iraqi Army
IAMB	International Advisory and Monitoring Board
ICAA	Iraq Civil Aviation Authority
ICBG	Iraqi Company for Bank Guarantees
ICE	Immigration and Customs Enforcement
I-CERP	Iraq-Commander's Emergency Response Program
ICI	International Compact for Iraq (GOI and UN)
ICITAP	International Criminal Investigative Training Assistance Program
IDA	International Development Association (World Bank)
IDA	International Disaster Assistance (USAID humanitarian assistance fund)

Acronym	Definition
IDFA	International Disaster and Famine Assistance
IDP	internally displaced person
IED	improvised explosive device
IFES	International Foundation for Electoral Systems
IFF	Iraq Freedom Fund
IG	Inspector General
IHAP	Iraq Humanitarian Action Plan
IHCHR	Independent High Commission for Human Rights
IHEC	Independent High Electoral Commission
IIGC	Iraq Inspectors General Council
IMET	International Military and Education Training
IMF	International Monetary Fund
INCLE	International Narcotics Control and Law Enforcement Fund (INL)
INCTF	Iraqi National Counter-Terrorism Force
INCTF-TT	Iraqi National Counter-Terrorism Force-Transition Team (MNSTC-I)
INL	Bureau of International Narcotics and Law Enforcement Affairs (DoS)
IOM	International Organization for Migration
IP	Iraqi Police
IPA	International Police Advisor
IPS	Iraqi Police Service
IPTP	Iraqi Police Training Program
IRAP	Iraq Rapid Assistance Program
IRFFI	International Reconstruction Fund Facility for Iraq
IRI	International Republican Institute
IRMS	Iraq Reconstruction Management System
IRR	Iraqi Republic Railway Company
IRRF	Iraq Relief and Reconstruction Fund
IRS	Internal Revenue Service
ISAM	Iraq Security Assistance Mission
ISF	Iraqi Security Forces
ISFF	Iraq Security Forces Fund
ITAM	Iraq Training and Advisory Mission
ITAO	Iraq Transition Assistance Office
ITF	Iraq Trust Fund
IZ	International Zone

Acronym	Definition
JCC-I/A	Joint Contracting Command-Iraq/Afghanistan
KBR	Kellogg Brown and Root Services, Inc.
km	kilometer
KRG	Kurdistan Regional Government
kV	kilovolt
LGP	Local Governance Program
LOGCAP	Logistics Civil Augmentation Program
LPG	liquefied petroleum gas
MAAWS	*Money as a Weapon System*
MBPD	million barrels per day
MCTF	Major Crimes Task Force
MEES	Middle East Economic Survey
MMQA	Maturity Model Quarterly Assessment
MNC-I	Multi-National Corps-Iraq
MND	Multi-National Division
MND-B	Multi-National Division-Baghdad
MND-NE	Multi-National Division-Northeast
MNF-I	Multi-National Force-Iraq
MNSTC-I	Multi-National Security Transition Command-Iraq
MOC	Ministry of Communications
MOD	Ministry of Defense
MoDM	Ministry of Displacement and Migration
MOE	Ministry of Electricity
MOF	Ministry of Finance
MOH	Ministry of Health
MOI	Ministry of Interior
MOJ	Ministry of Justice
MoPDC	Ministry of Planning and Development Cooperation
MOT	Ministry of Transportation
MOU	memorandum of understanding
MoWR	Ministry of Water Resources
MRA	Migration and Refugee Assistance
MW	megawatt
MWh	megawatt-hour
NADR	Nonproliferation, Anti-Terrorism, Demining, and Related Programs
NCD	National Capacity Development Program (USAID) (also referred to as *Tatweer*)
NCIS	Naval Criminal Investigative Service
NCO	non-commissioned officer

Acronym	Definition
NDAA	National Defense Authorization Act
NDI	National Democratic Institute
NDS	National Development Strategy (GOI and World Bank)
NEA-I	Bureau of Near Eastern Affairs-Iraq (DoS)
NGO	non-governmental organization
NIC	National Investment Commission
NRRRF	National Resources Risk Remediation Fund
O&M	operations and maintenance
OFDA	Office of Foreign Disaster Assistance (USAID)
OHCHR	Office of the High Commissioner for Human Rights (UN)
OHDACA	Overseas Humanitarian, Disaster, and Civic Aid
OMB	Office of Management and Budget
OPA	Office of Provincial Affairs (U.S. Embassy-Baghdad)
ORHA	Office of Reconstruction and Humanitarian Assistance
OSC-I	Office of Security Cooperation-Iraq
OSD	Office of the Secretary of Defense
OTA	Office of Technical Assistance
OTI	Office of Transition Initiatives
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)
P.L.	Public Law
PCO	Project and Contracting Office
PDS	Public Distribution System
PEG	Provincial Economic Growth
PEZ	Pipeline Exclusion Zone
PFB	Procurement Fraud Branch
PFMAG	Public Financial Management Action Group
PHC	Primary Healthcare Center
PIC	Provincial Investment Commission
PIC	Provincial Iraqi Control
PM	Prime Minister
PRDC	Provincial Reconstruction Development Council
PRM	Bureau of Population, Refugees and Migration
PRT	Provincial Reconstruction Team
PSC	private security contractor
PSD	protective security detail

ACRONYMS AND DEFINITIONS

ACRONYM	DEFINITION
PST	Provincial Support Team
QA	Quality Assurance
QC	Quality Control
QRF	Quick Response Fund
RAC	Return Assistance Center (GOI)
RoL	Rule of Law
RoLA	Rule of Law Advisor
ROLC	Rule of Law Complex
RoLC	Rule of Law Coordinator
RRT	Regional Reconstruction Team
RSO	Regional Security Office
SA	Security Agreement
Sadrist	Independent Liberals Trend
SBA	Stand-By Arrangement (IMF)
SFA	Strategic Framework Agreement
SIGAR	Special Inspector General for Afghanistan Reconstruction
SIGIR	Special Inspector General for Iraq Reconstruction
SIV	special immigrant visa
SOF	Iraqi Special Operations Forces
SOI	Sons of Iraq
SOW	statement of work
Tatweer	National Capacity Development Program (USAID)
TCA	Trade and Cooperation Agreement

ACRONYM	DEFINITION
Tijara	Provincial Economic Growth Program (USAID)
Treasury	U.S. Department of Treasury
TWG	Transitional Working Group (CoM)
UK	United Kingdom
UN	United Nations
UNAMI	UN Assistance Mission for Iraq
UNCAC	United Nations Convention Against Corruption
UNDG	United Nations Development Group
UNDG ITF	United Nations Development Group Iraq Trust Fund
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNOPS	United Nations Office of Project Services
UNSCR	United Nations Security Council Resolution
USAAA	U.S. Army Audit Agency
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USAID OIG	U.S. Agency for International Development Office of Inspector General
USCENTCOM AOR	U.S. Central Command Areas of Responsibility
USDA	U.S. Department of Agriculture
USF-I	U.S. Forces-Iraq
USTDA	U.S. Trade and Development Agency
WFP	World Food Programme
WTO	World Trade Organization