Special Inspector General for Iraq Reconstruction

Quarterly Report and
Semiannual Report to the
United States Congress

[July 30, 2011]

SIGIR Mission Statement

Regarding U.S. relief and reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective:
· oversight and review through comprehensive audits, inspections, and investigations
· advice and recommendations on policies to promote economy, efficiency, and effectiveness
· prevention, detection, and deterrence of fraud, waste, and abuse
· information and analysis to the Congress, the Secretary of State, the Secretary of Defense, and the American people

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

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

July 11, 2011: Secretary of Defense Leon E. Panetta and General Lloyd J. Austin III, commander of U.S. Forces-Iraq, fly by helicopter over Baghdad on their way to meetings with Iraqi Prime Minister Nuri al-Maliki and President Jalal Talabani. (DoD photo)

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

I am pleased to present this 30th Quarterly Report to the United States Congress and the Secretaries of State and Defense.

The theme of this report, "A Summer of Uncertainty," alludes to the question of whether the United States will maintain a military presence in Iraq beyond year's end. Negotiations continue on this issue, with the nearly 44,000 remaining U.S. troops still scheduled to leave by December 31. Whatever the decision, the outcome will significantly affect the ongoing U.S. reconstruction program, which is in the throes of a series of program transitions from the Department of Defense (DoD) to the Department of State (DoS).

Among those transitions, DoS reported progress this quarter toward assuming full responsibility for the continued U.S. support of Iraq's police forces. The Bureau of International Narcotics and Law Enforcement Affairs (INL) will manage this effort through the new Police Development Program (PDP). Executing the PDP will be challenging, involving fewer than 200 advisors based at 3 sites and supporting Iraqi police in 10 provinces. SIGIR's efforts to audit the PDP were stymied this quarter because DoS either did not respond to repeated requests for information or provided data that was late and of limited usefulness. (SIGIR encountered similar obstacles in a separate audit of private security contractors in Iraq.)

Iraq remains an extraordinarily dangerous place to work. It is less safe, in my judgment, than 12 months ago. Buttressing this conclusion is the fact that June was the deadliest month for U.S. troops in more than two years. Shia militias—possibly armed and trained by Iran—were responsible for some of the lethal attacks. They may have also been behind this quarter's increase in indirect fire on the International Zone. Diyala province, lying just northeast of Baghdad, also continues to be very unstable. This Quarterly Report's "Focus on Diyala" provides an in-depth review of the province, its people, and the effects of U.S. reconstruction efforts there.

On the corruption front, Iraq's Council of Representatives repealed Article 136(b) of the Iraqi Criminal Procedure Code. This provision permitted Iraqi ministers to block investigations of their subordinates. Its repeal represents an important step toward implementing an effective rule-of-law system, but much remains to be done in this regard, including securing judges from attacks and stopping the assassinations of police officials.

SIGIR published six audits this quarter, including a review of the U.S. government's oversight of Anham, LLC, and its subcontracting procedures. The audit found weak oversight in multiple areas that left the government vulnerable to improper overcharges. Notably, SIGIR's limited cost review of Anham questioned almost 40% of the costs reviewed. Particularly egregious examples of overbilling included an Anham subcontractor that charged the U.S. government:
- $900 for a control switch valued at $7.05 (a 12,666% difference)
- $80 for a small segment of drain pipe valued at $1.41 (a 5,574% difference)
- $75 for a different piece of plumbing equipment also valued at $1.41 (a 5,219% difference)
- $3,000 for a circuit breaker valued at $94.47 (a 3,076% difference)
- $4,500 for another kind of circuit breaker valued at $183.30 (a 2,355% difference)

As a result, SIGIR has formally questioned all of the contract's costs and recommended reviews of billing practices in all of Anham's U.S. government contracts in Iraq and Afghanistan, which total about $3.9 billion.

SIGIR's other audits this quarter found that:
- USF-I's management of the Iraq Commander's Emergency Response Program, which spent Iraqi funds through CERP processes, led to U.S. funds unnecessarily being used for projects.
- USF-I use of FY 2011 U.S. Commander's Emergency Response Program funds for capacity-development programs does not appear linked to DoD's counterinsurgency mission.
- The future of the reporting system for serious incidents involving private security companies is uncertain.
- Many of the U.S. government contracting officer's representatives responsible for monitoring security contracts whom SIGIR interviewed often received inadequate training, and there was insufficient information in the files to determine whether their oversight was sufficient.
- DoS had taken sufficient remedial measures to close 13 of 45 SIGIR outstanding recommendations.

SIGIR's investigative work this quarter led to 8 indictments, bringing the total number of individuals indicted to date to 64—54 of whom have been convicted. Other investigative accomplishments included:
- a settlement agreement between the U.S. government and DynCorp International and one of its subcontractors under which DynCorp and its subcontractor must pay more than $8 million to resolve allegations that they submitted false claims for reimbursement under DynCorp's police-training contract
- two guilty pleas by former U.S. Army majors in related bribery cases
- the unsealing of an 11-count indictment against a U.S. Army sergeant first class and a former U.S. Army master sergeant for their alleged roles in a bribery and money-laundering scheme
- a guilty plea by a former U.S. Army sergeant first class for conspiring to steal generators from a U.S. base in Mosul and sell them on the Iraqi black market
- the arrest of a former U.S. Army sergeant for receiving more than $12,000 in stolen cash that was intended for an Iraqi contractor

SIGIR continues to maintain a robust oversight presence in Iraq. Our 15 personnel stationed at the Embassy consistently generate a high volume of quality work under extremely onerous conditions.

Respectfully submitted,

Stuart W. Bowen, Jr.

SIGIR Summary of Performance
As of July 30, 2011

Audits	Cumulative	Last 12 Months
Reports Issued	194	23
Recommendations Issued	473	46
Savings if Agencies Implement SIGIR Recommendations to:		
Put Funds to Better Use ($ Millions)	$586.62	$12.00
Disallow Costs SIGIR Questioned ($ Millions)	$624.48	$115.25

Inspections[a]	Cumulative	Last 12 Months
Project Assessments Issued	170	-
Limited On-site Assessments Issued	96	-
Aerial Assessments	902	40

Investigations	Cumulative	Last 12 Months
Investigations Initiated	563	50
Investigations Closed or Referred	448	55
Open Investigations	104	104
Arrests	35	6
Indictments	64	21
Convictions	54	20
Monetary Results ($ Millions)	$153.9	$83.0

Hotline Contacts, as of June 30, 2011	Cumulative	Last 12 Months
Email	404	22
Fax	18	0
Mail	30	2
Referrals	26	0
SIGIR Website	184	25
Telephone	82	4
Walk-in	112	0
Total Hotline Contacts	**856**	**53**

Other Products	Cumulative	Last 12 Months
Congressional Testimony	33	3
Lessons Learned Reports Issued	5	0
Quarterly Reports	30	4

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

*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 with SIGIR's statutory reporting requirements under Section 3001 of P.L. 108-106, as amended, and the Inspector General Act of 1978, as amended.

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

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

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

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

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

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

SIGIR
OBSERVATIONS

SECTION

1

A SUMMER OF UNCERTAINTY

Five months from the issuance of this report, the U.S.-Iraq Security Agreement will expire. Unless a new agreement is reached, the U.S. military presence in Iraq will conclude by year's end. The Department of State (DoS) and Department of Defense (DoD) are vigorously preparing for the myriad effects of the impending troop withdrawal, while holding open the possibility that the Government of Iraq (GOI) will request a limited U.S. military presence beyond 2011.

On July 7, the Chairman of the Joint Chiefs of Staff, Admiral Mike Mullen, confirmed ongoing negotiations with the GOI to extend the military mission.[1] And during a July 10 press briefing, new U.S. Secretary of Defense Leon Panetta noted that it was incumbent upon the GOI to request such an extension soon, if it wants U.S. forces to stay.[2]

Forging an Iraqi political consensus for a continuing troop presence has proved challenging for Prime Minister Nuri al-Maliki. Many members of the Iraqi Council of Representatives (CoR) vociferously oppose it. Muqtada al-Sadr has gone so far as to issue ominous *diktats* threatening violence that would ensue if the extension occurs. The following events exemplify the fissures within the GOI on this explosive matter:[3]

- About 100 members of the CoR—including many of those allied with Muqtada al-Sadr—signed a petition calling for U.S. troops to depart on schedule.
- The speaker of the Kurdistan Regional Government (KRG) parliament stated that the fragile security situation warranted U.S. troops remaining after December.
- The Shia-dominated Basrah Provincial Council passed a resolution "banning" all U.S. troops from the province.

On July 9, President Jalal Talabani requested the political blocs in the CoR to submit their respective

Secretary of Defense Panetta talks to U.S. troops in Baghdad in July. (USF-I photo)

recommendations on the issue of extending the U.S. military presence, stating that the CoR would reach a decision on this matter in August.[4]

If agreement is reached to continue a U.S. troop presence beyond 2011, potential duties for the remaining forces could include:[5]

- supporting and protecting U.S. government civilians and contractor personnel
- maintaining a presence along the "Green Line" separating the Kurdistan Region from the rest of Iraq
- providing an air-defense umbrella for Iraq while the nascent Iraqi Air Force develops its capacity to conduct independent operations
- collecting, analyzing, and disseminating intelligence data on terrorist groups that would enable the Iraqi Security Forces (ISF) to conduct timely counterterrorism operations
- assisting the ISF to improve its logistics capacities

This quarter, the size, scope, and shape of the U.S. reconstruction mission changed dramatically, and the pace of that change will accelerate for the remainder of 2011. By the end of this year, the four remaining Provincial Reconstruction Teams (PRTs) will close, DoS will assume responsibility for Iraqi police training, and the new Office of Security Cooperation-Iraq (OSC-I) will take over most aspects of U.S.-Iraqi military relations. To meet its ever-expanding obligations, U.S. Embassy-Baghdad is doubling the number of personnel under the Chief of Mission (COM)—from 7,980 to approximately 16,000 U.S. government employees, contractors, and locally employed staff.[6]

> Forging an Iraqi political consensus for a continuing troop presence has proved challenging.

These manifold transitions and transfers occur against the backdrop of a security situation in Iraq that continues to deteriorate. During the month of June, 14 U.S. servicemembers were killed by hostile fire, the highest monthly total since April 2009.[7] Iranian-backed Shia militias, which have grown more active this year, were reportedly responsible for some of these deaths. Al-Qaeda also remains a lethal threat, with U.S. intelligence officials estimating that up to 1,000 al-Qaeda-affiliated militants are now in Iraq.

Other security problems this quarter include:[8]

- frequent rocket attacks against the International Zone (IZ) using more destructive and more accurate Iranian-produced munitions
- the assassination of many senior GOI officials, including judges, generals, and civil servants
- a series of suicide bombings targeting ISF personnel and inflicting mass casualties
- renewed efforts on the part of anti-government forces to target Iraq's oil infrastructure

Notwithstanding the very real fragility of Iraq's devolving security environment, which is further detailed below, the U.S. Forces-Iraq (USF-I) continues to contrast the current security status in Iraq to that of mid-2007—when the country was embroiled in a state of near-civil war—noting in late May, for example, that the security trends "are very, very positive."[9]

RECONSTRUCTION MANAGEMENT AND FUNDING

Reshaping the U.S. Reconstruction Footprint

Several developments this quarter presaged the major transitions that will characterize the rest of 2011:

- **Closing PRTs and Opening New Consulates.** Since April, DoS has closed 10 PRTs and, as

of July 15, only the PRTs in Baghdad, Diyala, Anbar, and Najaf continued to operate—and these will close by mid-September. This quarter, DoS opened two new permanent consulates in Erbil and Basrah, and also intends to have a temporary consulate in Kirkuk. The initial DoS plan for replacing the PRTs also called for a Regional Embassy Office in Mosul, but budgetary constraints forced an indefinite postponement of the plans for that post.[10]

- **Implementing the Police Development Program (PDP).** The official 90-day handover period for the PDP began on July 1. DoS's Bureau of International Narcotics and Law Enforcement Affairs (INL) is replacing the U.S. military as the lead agency responsible for mentoring the Iraqi police. INL's efforts will focus on building the managerial and investigative capacities of Iraqi police units. About 190 U.S. advisors based in three main sites (Erbil, Baghdad, and Basrah) will implement the PDP, working from more than 20 sites in 10 provinces to advise, mentor, and teach Iraqi police. Aspects of INL's plans remain in flux, including finalizing security and travel arrangements for the advisors and reaching land-use agreements with the GOI. INL will assume complete responsibility for this mission from the U.S. military on October 1, 2011.[11]

- **Establishing OSC-I.** A DoD organization falling under COM authority, OSC-I will be the conduit for all military-to-military ties between the United States and Iraq. Current plans call for six OSC-I sites (Baghdad, Besmaya, Kirkuk, Taji, Tikrit, and Umm Qasr). Describing plans for OSC-I as "significantly behind schedule," the Department of State Office of Inspector General (DoS OIG) reported in May that it is unlikely to reach full operational status by October, as originally planned.[12]

U.S. Reconstruction Funding

Since 2003, the United States has appropriated or otherwise made available $61.64 billion for Iraq reconstruction efforts, primarily through five

major funds: the Iraq Relief and Reconstruction Fund (IRRF), Iraq Security Forces Fund (ISFF), Economic Support Fund (ESF), Commander's Emergency Response Program (CERP), and International Narcotics Control and Law Enforcement (INCLE). As of June 30, 2011, $4.27 billion in available budget authority remained unexpended for the five major funds.[13]

For the ESF, $549 million is available for obligation to new projects, and an additional $348 million remains in unexpended obligations.[14] For the ISFF, $1.69 billion is available for obligation to new projects, including more than 99% of FY 2011 funds. An additional $863 million remains in unexpended ISFF obligations.[15] Table 1.1 details the status of FY 2010–FY 2011 ISFF appropriations. For more on U.S. reconstruction funding, see Section 2 of this Quarterly Report.

Obstruction of SIGIR Oversight

In response to this report's request for information, U.S. Embassy-Baghdad declined to respond to questions concerning the use of support contracts—including the Logistics Civil Augmentation Program (LOGCAP)—to provide services to DoS posts in Iraq involved in managing reconstruction programs, instead referring SIGIR to DoS OIG for this information.

U.S. Embassy-Baghdad again took an extremely circumscribed view of how many persons under COM authority are involved in the "reconstruction effort." According to its implausibly narrow approach, as of June 30, 2011, there were only 10 U.S.

government civilian employees and 57 contractors under COM authority overseeing or implementing reconstruction programs in Iraq—or just 0.08% of all personnel.[16]

2011 Iraqi Budget

In February, Iraq's CoR approved an $82.62 billion budget for 2011, a 14% increase over the previous year's $72.36 billion budget. The 2011 budget appropriates $25.70 billion for capital expenditures and $56.92 billion for operating expenses. This constitutes a 27% annual increase in the GOI capital budget and a 9% increase in its operating budget.[17]

- **Ministries receiving larger budgets.** Of the 26 GOI ministries, 15 saw their budgets increase from 2010 levels. The five ministries receiving the largest increases, as measured by percentage change from 2010 to 2011, are Labor and Social Affairs (285%), Oil (97%), Foreign Affairs (90%), Culture (61%), and Agriculture (49%).[18]
- **Ministries receiving smaller budgets.** The five ministries receiving the largest decreases in the CoR-approved budget, as measured by percentage change from 2010 to 2011, are Environment (-28%), Electricity (-28%), Planning and Development Cooperation (-18%), Human Rights (-17%), and Communications (-17%).[19]
- **Prime Minister's Office (PMO) and Secretariat.** The budget allocates a combined $484 million for the PMO ($363 million) and its Secretariat ($121 million), a 13% decrease from last year.[20]
- **Security ministries.** The 2011 Ministry of Defense (MOD) budget of $5.85 billion is 19%

U.S. Embassy-Baghdad declined to respond to questions concerning the use of support contracts to provide services to DoS posts in Iraq involved in managing reconstruction programs.

TABLE 1.1

STATUS OF FY 2010–FY 2011 ISFF, AS OF 6/30/2011
$ Millions

	APPROPRIATED	OBLIGATED	EXPENDED	UNOBLIGATED	UNEXPENDED	EXPIRES
FY 2010	$1,000	$810	$627	$190	$373	9/30/2011
FY 2011	$1,500	$1	$0	$1,499	$1,500	9/30/2012
Total	**$2,500**	**$812**	**$627**	**$1,688**	**$1,873**	

Note: Data not audited. Numbers affected by rounding.

Sources: USF-I, response to SIGIR data call, 7/15/2011; OSD, "Justification for FY 2011 Overseas Contingency Operations Request, Iraq Security Forces Fund," 2/2010, p. 4.

more than its 2010 budget, while the Ministry of Interior (MOI) budget of $6.31 billion represents a 3% annual increase. Of the combined $12.16 billion the 2011 budget allocates to these two ministries, 97% is for operating expenses, including salaries and maintenance.[21]

- **Rule-of-law institutions.** The budget for the Higher Judicial Council, which oversees Iraqi courts, increased by about 4% to $278 million. The combined 2011 budgets of Iraq's two primary anticorruption agencies, the Commission of Integrity (COI) and the Board of Supreme Audit (BSA), total $86 million—a 3% decrease from their combined 2010 budgets.[22]

For details on the GOI's 2011 budget, see Section 2 of this Quarterly Report.

The GOI finances its expenditures primarily with funds obtained from the export of oil. For 2011, oil revenue will account for about 90% of government revenue.[23] Crude oil production reached an average of 2.55 million barrels per day (MBPD) this quarter, and exports rose to 2.21 MBPD. Both increases were just enough to surpass the previous quarterly records. However, average oil production this quarter remained below the Ministry of Oil's 2011 target of 2.75 MBPD.[24] Among the factors contributing to Iraq's inability to meet what may have been unrealistic production goals are continued security concerns, antiquated pipeline and storage infrastructure, byzantine bureaucratic structures, and labor unrest. In light of these continuing difficulties, Minister of Oil Abdul Kareem al-Luaibi announced in June that the ministry is studying whether to reduce Iraq's stated goal of increasing crude oil production to more than 12 MBPD by 2017, suggesting that a target of 7–8 MBPD might be more realistic.[25]

SIGIR Oversight of the Development Fund for Iraq

The GOI took in $20.11 billion in oil-export receipts this quarter—setting a post-2003 record. Beginning on July 1, the GOI assumed control over its oil revenue. In April, it informed the United Nations Security Council that it planned to open a new account at the Federal Reserve Bank of New York (FRBNY) to replace the UN-mandated Development Fund for Iraq (DFI) account into which all Iraqi oil revenue has been deposited since 2003. The GOI Committee of Financial Experts, under the direction of the BSA president, will oversee this account and another FRBNY account holding Iraqi oil revenue.

The end of the UN-mandated arrangements that required Iraq to deposit all proceeds from petroleum export sales into DFI-linked accounts brought with it the end of the immunity from creditor claims afforded to these funds under UN Security Council Resolution 1483.[26]

SIGIR announced a third audit of the DFI this quarter, which will close out its review of U.S. management of Iraqi revenues. More than $20 billion in Iraqi funds were under Coalition Provisional Authority (CPA) supervision in 2003–2004. The CPA used them chiefly to run Iraqi government operations and execute reconstruction programs. When the CPA concluded operations in June 2004, a reported $6.6 billion remained. A 2005 SIGIR audit found that the CPA provided less-than-adequate controls for approximately $8.8 billion in DFI funds provided to Iraqi ministries. And a SIGIR 2010 audit concluded that another $8.7 billion of the DFI was not properly accounted for. SIGIR's third audit aims to provide the best accounting possible for the portion of the DFI under U.S. control after June 2004.

This quarter, media accounts mischaracterized SIGIR's position by claiming that $17 billion was stolen or simply lost. During a recent meeting of the International Advisory and Monitoring Board for Iraq, in Jordan, BSA President Dr. Abdul Bassit stated that Iraq's review of the "$17 billion issue" is an effort to address "a lack of documentation and enable the auditors to pass clear judgment" on how the DFI was spent. The GOI created a special high-level committee chaired by Deputy Prime Minister (DPM) for Economic Affairs Rowsch Shaways to review and report on this matter. Other members of the committee include the Ministers of Justice, Oil,

Foreign Affairs, and Finance, as well as the President of the Central Bank of Iraq, the BSA President, and the Legal Advisor to the Prime Minister.

SIGIR continues to work with DoD to identify remaining balances from DFI accounts that could be returned to the GOI. This quarter, the Under Secretary of Defense (Comptroller) notified the GOI of the impending return of $8.5 million. In addition, SIGIR has identified $106 million in unspent DFI funds in an account used by DoD for Iraq reconstruction efforts. Those remaining funds are now under GOI control.

SIGIR's previous findings of inadequate DFI record-keeping indicate that the fund was vulnerable to waste and fraud. To date, our investigations have led to nine convictions on charges stemming from illegal use of DFI funds. SIGIR continues to work with the GOI on accountability for these funds and will release the third and final audit next quarter.

SECURITY

Recent Violence

DoD reported that at least 248 Iraqi civilians and 193 ISF personnel were killed in acts of terrorist violence during April 1–June 19, 2011.[27] More than 100 died in mass-casualty suicide attacks, which struck nearly every major Iraqi city, including Mosul (April 30 and June 10), Tikrit (May 10 and June 3), Baghdad (May 22 and June 23) Ramadi (June 2), and Basrah (June 13).

Attacks this quarter continue to target GOI political leaders and security personnel. On May 5, a suicide bomber crashed his vehicle into an Iraqi police barracks in Hilla, killing at least 16 officers. Two weeks later, bombs were detonated in a parking facility frequented by local police in Kirkuk, killing at least 20 police. In June, insurgents carried out brazen suicide attacks against provincial government facilities in Diyala and Qadissiya, causing multiple fatalities. Figure 1.1 shows this quarter's major security incidents.

Continuing a trend that has worsened since last quarter, more than 70 senior GOI military and civilian officials were targeted for assassination this quarter. At least 44 of these attempts succeeded, including the assassination of the Chairman of the Accountability and Justice (De-Ba'athification) Commission in late May. Although precise statistics on these targeted attacks are difficult to obtain, this quarter marked the highest number of assassination attempts that SIGIR has recorded since it began tracking this information.[28]

In a grim reminder of what Chief Justice Medhat al-Mahmoud told SIGIR was the most crucial

> More than 70 senior GOI military and civilian officials were targeted for assassination this quarter.

FIGURE 1.1
SELECTED SIGNIFICANT SECURITY INCIDENTS, 4/15/2011–7/16/2011

5/19/2011 2 bombs targeting police kill more than 25 in Kirkuk

4/30/2011 Suicide attack in Mosul kills 8 and wounds 19

6/3/2011 Bombing of Tikrit hospital kills several

6/10/2011 2 bombs kill at least 5 and injure more than 50 in Mosul

5/10/2011 Car bomb targeting a police patrol in Tikrit kills at least 11

4/28/2011 Bomb attack on police convoy kills 6 in Kirkuk

5/22/2011 Multiple bombs kill at least 16 in Baghdad

6/14/2011 Attack on government buildings kills 9 in Ba'quba

6/23/2011 4 bombs kill at least 40 in Baghdad

5/3/2011 Bomb attack on Baghdad cafe kills at least 16

5/5/2011 Suicide car bomb attack on police building in Hilla kills 16

6/2/2011 3 bombs targeting GOI buildings kill at least 10 in Ramadi

7/15–16/2011 3 bombs kill 13 and injure more than 100 in Kerbala

6/21/2011 2 suicide bombers kill more than 20 and injure more than 30 near GOI compound in Qadissiya

6/13/2011 Car bomb kills 5 and injures more than 25 in Basrah

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

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

problem facing the judiciary, assassins also targeted several judges this quarter:[29]

- On April 20, an appellate judge in Salah Al-Din province survived an improvised explosive device (IED) attack.
- Ten days later, a Baghdad judge was killed when gunmen stormed his residence.
- In mid-May, police disarmed a bomb attached to Ninewa's criminal court chief's car.
- On June 6, police disarmed a bomb planted next to the residence of another Ninewa judge.
- Three days later, a civic court judge was shot and killed while driving in Baghdad.

Since 2003, at least 47 judges have been killed in Iraq.[30]

Targeting of U.S. Installations and Personnel

This quarter, Shia militant groups, including the Hezbollah Brigades, the Promised Day Brigades, and the Asaib Ahl al-Haq (League of the Righteous), stepped up their attacks on U.S. personnel.[31] Two fatal attacks in June possibly involved improvised rocket-assisted munitions (IRAMs).[32] On June 6, six U.S. servicemembers were killed at Camp Loyalty in Baghdad,[33] and three more were killed later in June in an attack on a U.S. base in the southern province of Wassit.[34] Larger and more lethal than mortar rounds, IRAMs were first seen in Iraq about four years ago and are known to be supplied by Iran to Shia militias.

On July 7, two U.S. servicemembers were killed when a probable explosively formed penetrator (EFP) detonated near an entrance to USF-I's Victory Base Camp headquarters facility.[35] EFPs are a signature weapon of Iranian-backed Shia militias.

Other attacks on U.S. personnel this quarter included:[36]

- On May 15, eleven rockets landed inside the IZ, damaging U.S. facilities. This was just one of several similar indirect-fire attacks on the IZ this quarter, including a July 12 incident that followed Defense Secretary Panetta's visit to Baghdad.

> DPM al-Shahristani described the February attack on the large refinery complex at Baiji as "the most dangerous moment since the fall of the Ba'athist regime."

- On June 23, Dr. Steven Everhart, a U.S. Agency for International Development contractor, was killed when a bomb detonated near his vehicle in Baghdad. He was leaving a meeting at Baghdad's al-Mustansiriya University when the attack occurred.
- On June 26, two U.S. servicemembers were killed by grenades and small-arms fire in Diyala province.

For more on the state of Iraqi security and U.S. assistance to the ISF, see the Security subsection of this Quarterly Report.

Attacks on Oil Infrastructure

Iraq's oil sector continues to confront myriad challenges, including insurgent attacks. In July, the head of Iraq's Oil Police stated that al-Qaeda in Iraq's main objective for 2011 is to disrupt Iraq's economic development by damaging its pipelines, storage tanks, and refineries. Echoing those concerns, DPM for Energy Affairs Hussein al-Shahristani described the February attack on the large refinery complex at Baiji as "the most dangerous moment since the fall of the Ba'athist regime." While it took three weeks to restore full production, DPM al-Shahristani told the Inspector General in May that it could have had far graver consequences, as less than one-third of the explosive devices planted by the attackers actually detonated. Underscoring the continued threat to the oil sector, in early June, insurgents attempted to bomb the Doura refinery in Baghdad and succeeded in damaging an al-Zubair oil-storage facility in southern Iraq.[37]

ECONOMY, PUBLIC SERVICES, AND THE RULE OF LAW

Although reverberations of the Arab Spring movement echoed throughout the region, Iraqis took to the streets in smaller numbers this quarter than last, with protests diminishing in size and frequency. However, the underlying issues that drove citizens into the streets this past winter—such as power shortages and public corruption—remain unresolved.

Economic Development

The International Monetary Fund projected Iraq's real gross domestic product (GDP) growth rate for 2011 at more than 12%, up from an estimated real GDP growth rate of less than 1% in 2010, making it one of the world's fastest growing economies.[38] Sustainable economic growth and tangible improvement to quality of life depends, in part, on the GOI's ability to construct a multitude of long-delayed infrastructure projects, including:[39]

- the Mansuriya natural gas field in Diyala province
- multiple pipeline projects
- a series of telecommunications projects intended to quadruple the number of fixed landlines in Iraq by 2016
- more than a dozen electricity-production plants using combustion turbines purchased from General Electric

In addition, the GOI must close, reform, privatize, or find funding for more than 170 state-owned enterprises. Although these initiatives—and many others—have been widely publicized by the GOI, it will be several years before any are fully implemented. For more information on these projects and the overall state of the Iraqi economy, see the Public Services and Economy subsections of this Quarterly Report.

Electricity

Power shortages remain a fact of life in Iraq. As temperatures rose with the onset of summer, demand averaged almost 11,500 megawatts (MW), 22% above what it was during the same quarter in 2010. July is on course to set a monthly record for demand. The supply of electricity on the national grid cannot keep pace with this growing demand, having remained relatively flat since late 2009. This quarter, the total supply of electricity on the grid averaged 6,574 MW, enough to achieve a new record high (albeit by just 0.5%), but not enough to provide noticeable improvement in the daily lives of Iraqi citizens.[40]

In an effort to avert a reprise of last summer's electricity riots, which led to several deaths and the resignation of the Minister of Electricity, DPM al-Shahristani told SIGIR in May that the ministry is taking a series of emergency measures to improve the near-term supply of electricity, including fast-tracking the construction of small diesel power plants, increasing the supply of generator fuel made available to the public, and importing more power from neighboring countries. However, DPM al-Shahristani cautioned that significant improvements will not occur before mid-2012, at which point he hopes the Ministry of Electricity (MOE) will have doubled the supply of electricity available on the national grid.[41]

Corruption

Corruption remains a significant challenge for Iraq. While the country's three main anticorruption agencies—the COI, BSA, and ministry inspectors general (IGs)—have increased their capacities to investigate criminal activity since 2004, they remain stymied by political resistance and lack of capacity and have difficulty pursuing cases involving complex crimes and high-level officials.

As COI Commissioner Judge Rahim al-Ugaili explained to SIGIR officials in May, corrupt government contracting practices lie at the heart of most major corruption cases under investigation by his office. Describing this problem as "the father of all corruption issues in Iraq," the Commissioner

The country's three main anticorruption agencies remain stymied by political resistance and lack of capacity.
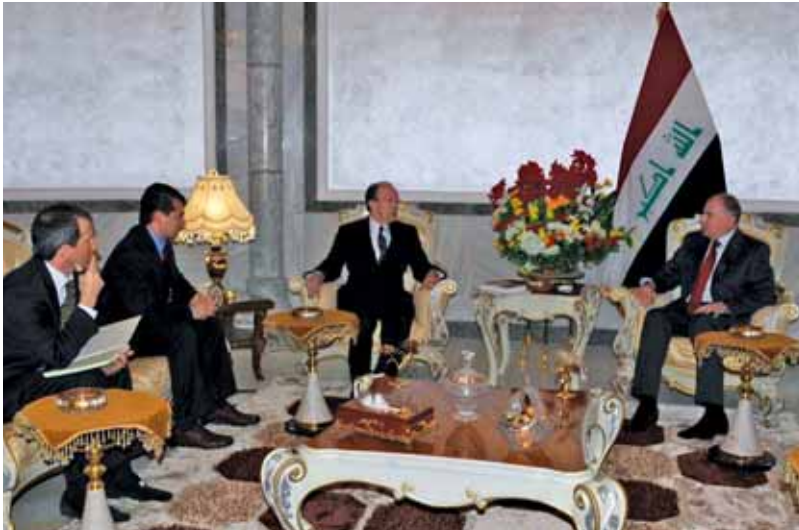
The Inspector General meets with CoR Speaker al-Nujaifi. (GOI, CoR photo)

FIGURE 1.2

THE TIES THAT BIND: RELATIONSHIPS THAT FOSTER CORRUPTION IN SOME GOI CONTRACTS
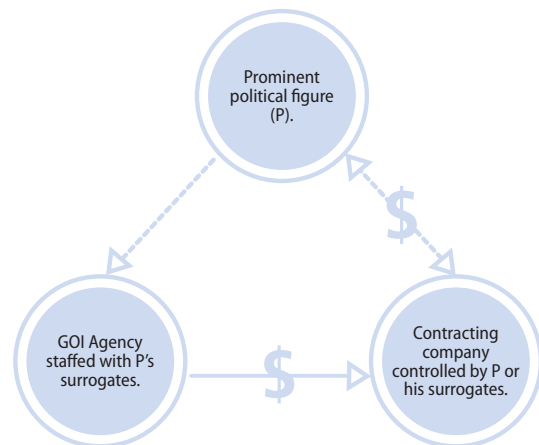
Source: GOI, COI Commissioner, meeting with SIGIR, 5/5/2011.

detailed how a significant portion of major GOI contracts are given to companies controlled by powerful Iraqi political figures or their surrogates. He stated that "many" of the major firms in Iraq are allied with a political faction, enabling them to win contracts at vastly inflated prices. Because of their close ties with the GOI, these firms receive significant down payments prior to beginning work and usually are not at risk of suffering financial penalties in the event of nonperformance or poor performance. The Commissioner also noted that the Iraqi Penal Code, much of which was written in 1969, makes it difficult to prosecute these cases, a flaw that the COI is currently trying to remedy by drafting new legislative proposals.[42] Figure 1.2 illustrates the incestuous ties among politicians, GOI officials, and contracting companies in Iraq.

This quarter, however, one of the main legal obstacles to the effective enforcement of anticorruption statutes was removed with the repeal of Article 136(b) of the Iraqi Criminal Procedure Code. This provision—twice previously repealed only to be subsequently reinstated—allowed ministers to block legal action from being taken against their subordinates.

The continued economic dominance of the public sector means that governmental corruption

> One of the main legal obstacles to the effective enforcement of anticorruption statutes was removed with the repeal of Article 136(b).

adversely affects all aspects of Iraqi life. Recent developments illustrate how corruption cuts across boundaries, limiting the GOI's capacity to improve security, deliver services, and educate its citizens. Key sectors affected by corruption, or allegations thereof, include:

- **Security.** Earlier this year, the MOD Legal Consultant was sentenced to three years in jail for embezzling funds from the ministry. Moreover, in a May meeting with the Inspector General, former Prime Minister Ayad Allawi claimed that many defense contracts are awarded to relatively obscure Eastern European firms because those companies are more willing to pay bribes than Western counterparts and are not prevented from doing so by anticorruption statutes, such as the U.S. Foreign Corrupt Practices Act. Although Allawi's contentions must be viewed in light of his current estrangement from Prime Minister al-Maliki, the CoR Integrity Committee is also pursuing investigations into corrupt contracting practices at the MOD, allegations of which have plagued the ministry since its reconstitution after the 2003 overthrow of the Ba'athist regime.[43]

- **Electricity.** In June, the MOE IG issued a detailed public statement on the MOE website

describing how corrupt networks within the ministry steal diesel fuel intended for electricity plants. The stolen fuel is then sold on the black market, reducing the amount available to the plants that supply power to the national grid.[44]

- **Education.** Most mid- and senior-level GOI posts require applicants to present proof of their educational and professional accreditations. Under Iraqi law, submitting fraudulent certificates is a crime punishable by jail time. In the first five months of 2011, the COI referred 597 forgery cases to investigative judges (IJs) for adjudication, the vast majority of which involved allegedly fraudulent educational or professional certificates. Last year, COI investigators uncovered and dismantled a criminal conspiracy at the Ministry of Education involving several employees who were selling fake credentials to job applicants.[45]

On June 20, the COI issued its mid-year report, detailing its anticorruption activities through the end of May 2011. Since January 1, the COI referred 1,777 subjects to IJs, including 66 officials holding the rank of director general or higher. Figure 1.3 summarizes the COI's performance during January 1–May 31, 2011. For more details on corruption in Iraq, see the Rule of Law subsection of this Quarterly Report.

Public Perceptions about Conditions in Iraq

Recent public opinion data collected on behalf of the U.S. National Democratic Institute (NDI) shows the mixed nature of popular sentiment among Iraqis. Overall, respondents viewed the security situation as improving (62%), but felt that corruption (58%) and the electricity supply (51%) were getting worse. Further, despite positive macroeconomic trends, 56% described Iraq's economy as weak, citing lack of jobs (63%) and poor public services (47%) as their two top concerns.[46]

Almost three-quarters (71%) of respondents believe that democracy "will likely" have a positive

FIGURE 1.3
COI, KEY INDICATORS, 1/1/2011–5/31/2011

COI Cases Referred to Investigative Judges, by Alleged Crime

- Other **483** — 28%
- Forgery **597** — 34%
- Misuse of Public Funds **427** — 24%
- Embezzlement **186** — 11%
- Bribery **82** — 5%

Number of Suspects Referred to Investigative Judges, by Province

Legend:
- 500+
- 250-500
- 150-250
- 75-150
- 1-75

Number of Suspects Referred to Investigative Judge, by Office

	TOTAL	DG & ABOVE
Municipalities and Public Works	136	1
Finance	119	0
Defense	113	20
Labor	113	2
Health	105	0
Education	101	2
Justice	92	0
Interior	82	3
Industry and Minerals	78	0
Higher Education	69	1
Transportation	68	5
Diwan of Provinces	56	1
Agriculture	52	4
Oil	49	1
Trade	42	2
Electricity	39	0
Baghdad Amanat	39	0
Communications	37	2
Water Resources	29	0
Provincial Councils	28	10
Other	330	3

Source: GOI, COI, "The Most Important Indicators for 2011," 6/1/2011, www.nazaha.iq/pdf_up/300/The%20most%20important%20indicators%20for%202011.pdf, accessed 7/10/2011.

effect on their quality of life—someday. However, other data suggests that this effect has yet to be felt. Iraqis are split on whether their country is currently a "real democracy"—42% believing that it is and 39% stating that it is not. Moreover, 49% believe that the overall situation in Iraq is deteriorating (a 5% increase from the previous survey conducted in November 2010), while 42% believe the country is on the right track. The main demographic groups that feel conditions are getting worse are Sunni Arabs (71%) and young males under the age of 35 (54%)—two groups that played significant roles in the worst days of the insurgency.[47]

Overall, respondents viewed the security situation as improving, but felt that corruption and the electricity supply were getting worse.

SIGIR OVERSIGHT

Audits

This quarter, SIGIR published six audit reports:

- **DoD Management of Iraq Commander's Emergency Response Program (I-CERP).** The I-CERP was a joint U.S.-Iraqi program whereby the U.S. military implemented reconstruction projects using $270 million in GOI-provided DFI funds. SIGIR's review, however, found that USF-I's management of the I-CERP led to U.S. funds being used instead of I-CERP in some cases. At present, $24.4 million in I-CERP funds remain that could be used to pay for planned or ongoing reconstruction projects. SIGIR recommended that USF-I identify planned CERP projects that could be funded with I-CERP and, where appropriate and feasible, use I-CERP funds to pay for these projects—allowing U.S. funds to be put to better use elsewhere.

- **Plans for Monitoring Serious Incidents Involving PSCs once U.S. Military Forces Leave Iraq.** SIGIR found that the system for reporting and investigating serious incidents involving U.S. government PSCs has changed little since SIGIR's 2009 report on this issue. Moreover, DoD's system is projected to remain unchanged through the end of 2011. The system's future is less certain as responsibilities for monitoring the activities of DoD PSCs have not been fully determined and may be disestablished even though U.S.-funded PSCs will continue to support DoD and DoS organizations and the U.S. Agency for International Development. SIGIR could not determine DoS' plans for its PSCs that currently report serious security incidents using DoD's system because DoS would not provide SIGIR with that information.

- **U.S. Government Oversight of Anham, LLC, and Its Subcontracting Procedures.** This report examined subcontracts associated with a reconstruction and logistics contract awarded to Anham. The contract was funded by both the

> SIGIR's review found significant weaknesses in the government's oversight of Anham's business systems and other contract administration functions.

Anham, through a subcontractor, billed $20,000 for installation of a "plug and play" voice system.

$20,000 in labor to crank down legs, crank up tower and plug it in.

ISFF ($91.7 million) and Army Operations and Maintenance Fund ($28.5 million). At its conclusion, the contract had obligations of approximately $119.2 million, with Anham subcontractors providing at least $55 million of supplies and services. SIGIR's review found significant weaknesses in the government's oversight of Anham's business systems and other contract administration functions that left the government at significant risk of paying unreasonable costs. For example, the Defense Contract Audit Agency (DCAA) did not review Anham's estimating system and found weaknesses in its billing system. Further, the Defense Contract Management Agency (DCMA) recommended approval of Anham's purchasing system despite identifying significant gaps in documentation on the degree of price competition obtained.

SIGIR also determined that contract oversight by the contracting officer's representatives (CORs) was weak. SIGIR also conducted a limited incurred-cost review of Anham and questioned almost 39% of the costs ($4.4 million) reviewed. SIGIR questioned whether these costs were fair or reasonable because of questionable competition practices, inappropriate bundling of subcontractor items, and close working relationships—or possible ownership affiliations—between Anham and certain subcontractors. As a result of the multiple problems identified in this report, SIGIR is questioning

all of the costs on this contract, $113.4 million, and recommends that the U.S. military initiate a systematic review of billing practices on all Anham contracts in Iraq and Afghanistan. Currently, Anham holds about $3.9 billion in U.S. government contracts.

- **DoD Use of FY 2011 CERP Funds.** The CERP's purpose is to enable U.S. military commanders to respond to urgent humanitarian relief and reconstruction requirements by funding programs and projects that will immediately assist the Iraqi people. However, SIGIR's review determined that many of the capacity-development projects undertaken with FY 2011 CERP funds do not appear related to DoD's counterinsurgency mission. SIGIR also found that DoS personnel are often involved in planning and implementing CERP projects, raising questions about whether the CERP has evolved into another U.S. development program similar to those run by the U.S. Agency for International Development (USAID) and DoS. Additionally, SIGIR recommended that DoD take steps to improve CERP performance metrics. Recognizing the need for improved metrics, DoD stated that it is working on developing better metrics to assess more accurately the impact of CERP projects on a community.

- **DoD Oversight of Theater-wide Internal Security Services (TWISS) Contracts.** This audit reviewed DoD oversight of five contracts to PSCs, finding that the CORs charged with monitoring the TWISS contracts often received insufficient training to carry out their mission. Of the CORs surveyed by SIGIR, 40% said the training they received did not prepare them for their duties, and 25% said they lack sufficient time to conduct effective oversight. In addition, DCMA, which appoints and trains CORs, does not provide CORs or their rating officers with regular written feedback on their performance. SIGIR also determined that CORs are not completing, nor is DCMA maintaining, all monthly checklists that should be used to monitor contractor compliance with the terms of the task order.

- **Status of SIGIR Recommendations to DoS.** The second in a series reviewing agency actions on SIGIR recommendations, this report reviewed the status of recommendations made to DoS. In early July 2011, DoS provided SIGIR with a report stating that it has closed 38 of the 45 recommendations. SIGIR closed 13 recommendations based on this information in the report, but DoS provided insufficient information for SIGIR to close the other 25. SIGIR also found that DoS has a follow-up process and tracking system for audit reports and recommendations and has agreed to use that process for SIGIR reports.

Since 2004, SIGIR has issued 194 audits. For more on this quarter's audits, see Section 5 of this Quarterly Report.

Investigations

As of July 15, SIGIR's investigative work has resulted in 35 arrests, 64 indictments, 54 convictions, and more than $153.9 million in court-ordered monetary penalties.

On April 22, 2011, the United States settled a whistleblower lawsuit against DynCorp International LLC and its subcontractor, The Sandi Group (TSG). The suit alleged that DynCorp and TSG submitted or caused to be submitted false claims for payment under DynCorp's police-training contract with DoS. Under the terms of the settlement, DynCorp agreed to pay the United States $7.7 million to resolve allegations that it submitted inflated claims for the construction of base camps at various locations in Iraq. TSG agreed to pay just more than $1 million to resolve allegations that it sought reimbursement from the U.S. government for danger pay that it falsely claimed to have paid its employees working in Iraq.

Other notable investigative accomplishments this quarter included:

- On May 11, 2011, Charles Bowie, a retired U.S. Army major, pled guilty to one felony count for his role in a wide-ranging contract-fraud scheme involving former U.S. Army Major John

> DynCorp agreed to pay the United States $7.7 million to resolve allegations that it submitted inflated claims for the construction of base camps at various locations in Iraq.

Cockerham and several other military and civilian officials. Bowie admitted to receiving about $100,000 from a contractor in exchange for the award of a bottled-water contract. Bowie faces a maximum of 10 years in prison and has agreed to pay $400,000 in restitution.

- In a related case, Derrick Shoemake, a former U.S. Army major, pled guilty to two counts of bribery on June 13. While serving as a COR in Kuwait, Shoemake accepted approximately $250,000 from two contractors for improperly assisting them with contracts for the delivery of bottled water to U.S. troops serving in Iraq and Afghanistan. He faces up to 15 years in prison and has agreed to repay $250,000.

- On June 21, an 11-count indictment was unsealed in a West Virginia federal court charging a U.S. Army sergeant first class and his associate, a former U.S. Army master sergeant, for their alleged roles in a bribery and money-laundering scheme. The indictment alleges that the sergeant, a senior procurement specialist who served in Kuwait during 2005–2006, and two former U.S. Army majors awarded contracts and improperly disclosed information to two contracting firms. According to the indictment, as a result of the actions taken by the sergeant and the two majors,

these firms received nearly $25 million worth of business. In exchange, the sergeant and the two majors allegedly received cash, airplane tickets, and numerous other items of value.

- On June 28, Robert Nelson, a former U.S. Army sergeant first class, pled guilty to conspiring to steal U.S. Army equipment from a base in Mosul. While serving there in 2008, Nelson agreed with a U.S. Army translator to steal eight generators that the translator later sold on the black market. Nelson admitted receiving $44,830 from this scheme. At sentencing, Nelson faces up to five years in prison, a maximum fine of $250,000, and up to three years of supervised release following a prison term.

- On July 7, 2011, a former U.S. Army sergeant was arrested and charged with receiving more than $12,000 in stolen cash that was allegedly mailed to him from Iraq by another former U.S. Army sergeant. The funds were supposed to have been used to pay a local contractor who never showed up to collect his fee. The cash was then allegedly stolen, concealed inside a stuffed toy animal, and mailed back to the United States.

For additional information on SIGIR investigations, see Section 5 of this Quarterly Report. ◆

> The cash was then allegedly stolen, concealed inside a stuffed toy animal, and mailed back to the United States.

Quick Facts

$ Reconstruction Funding

Cumulative Funding
$ Billions

$61.64
U.S. Funding

$107.41
Iraqi Funding

$13.03
International
Funding
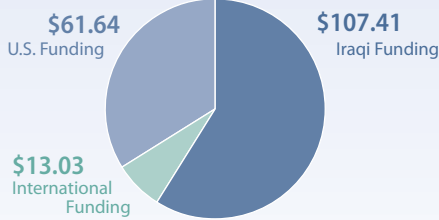
Recent Funding

FY 2011	2011	2011
$3.70 B	**$25.70 B**	**$471 M**
U.S. Funding	Iraqi Capital Budget	International Commitments

Major U.S. Funds
$ Billions
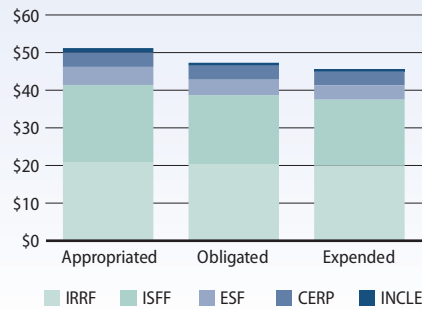
Appropriated   Obligated   Expended

IRRF   ISFF   ESF   CERP   INCLE

Oil

MBPD, by Month (1/2010–6/2011)

2.46
2.63
2.56
Production
2.25
1.92
Exports
1.79
2.28

Average Price per Barrel, by Week (1/2010–6/2011)

$120.95
$106.38
$75.66
$69.35
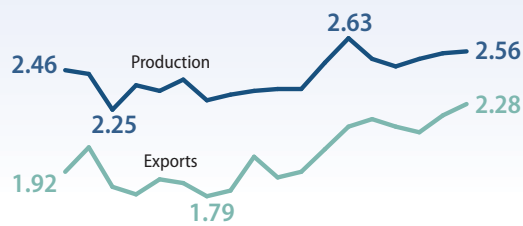
Electricity

Supply vs. Demand, by Quarter (1/1/2010–6/30/2011)
MW

	Q1	Q2	Q3	Q4	Q1	Q2
		2010			2011	

Estimated Demand

Total Supply
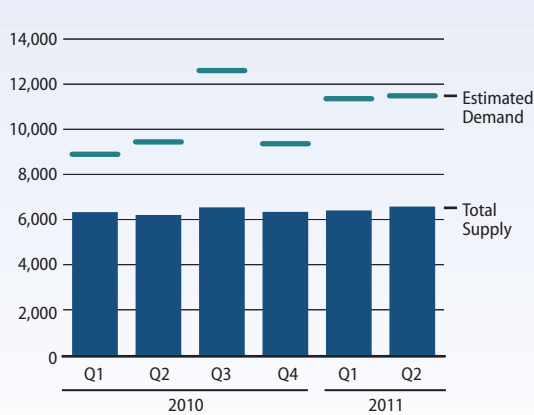
Security

Average Daily Security Incidents, by week (1/2010–6/2011)

44
21
13
20

Persons Killed (4/1/2011–6/30/2011)

U.S. Military	21
ISF	193
Iraqi Civilians	248
Contractors	4
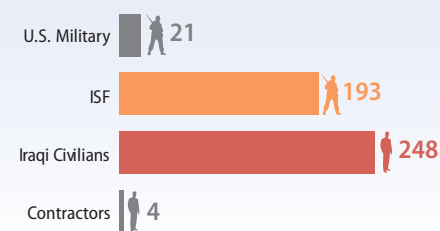
Note: ISF and Iraqi civilian data is through June 19, 2011, and U.S. military and contractor data is through June 30, 2011. Contractor number represents personnel working under contract for the U.S. government who died as a result of both combat and non-combat incidents.

FUNDING FOR IRAQ
RECONSTRUCTION

SECTION

2

FUNDING OVERVIEW

As of June 30, 2011, $182.08 billion had been made available for the relief and reconstruction of Iraq through three main sources:[48]

- U.S. appropriations—$61.64 billion
- Iraqi funds overseen by the Coalition Provisional Authority (CPA) and the Iraqi capital budget—$107.41 billion
- International commitments of assistance and loans from non-U.S. sources—$13.03 billion

See Figure 2.1 for an overview of these funding sources. See Figure 2.2 for an overview of budget execution by source. ◆

FIGURE 2.1

FUNDING SOURCES, 2003–2011
$ Billions

Total: $182.08

CPA Spending $12.07

Bilateral $8.60

Multilateral $4.44

Total Non-U.S. International Funding $13.03

Total Iraqi Funding $107.41

IRRF $20.86

ISFF $20.54

Total U.S. Funding $61.64

Iraqi Capital Budgets $95.34

ESF $4.83
CERP $3.85
INCLE $1.18

Other $10.37
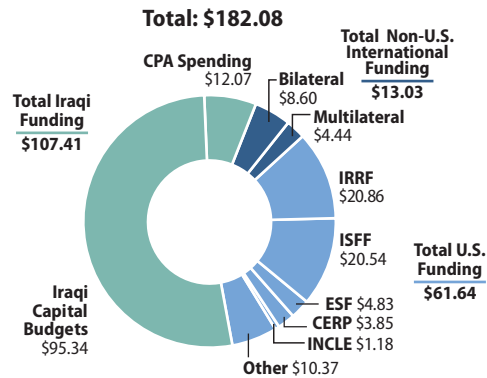
Note: Data not audited. Numbers affected by rounding.

Sources: See Figure 2.2.

FIGURE 2.2

EXECUTION OF FUNDING PROVIDED FOR IRAQ RECONSTRUCTION, BY FUNDING SOURCE

U.S. Funding

Unexpended Obligations 3%
Expired 3%
Expended 95%

Iraqi Funding

Not Executed 14%
Executed 86%

Non-U.S. International Funding

Uncommitted Pledges 28%
Committed 72%
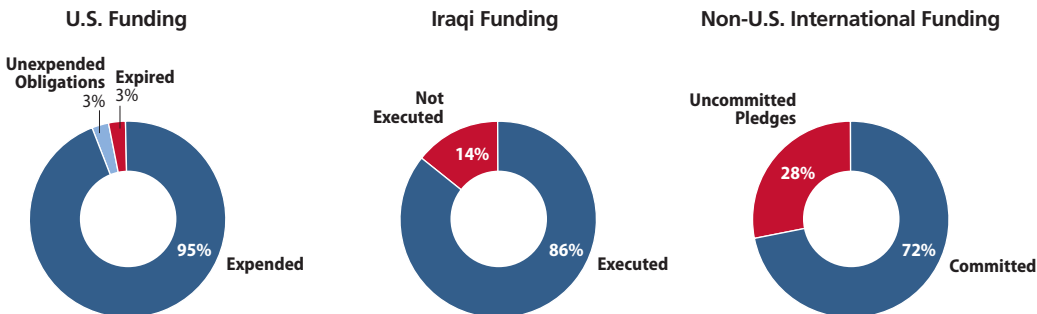
Note: Data not audited. Numbers affected by rounding. U.S. execution rate based on major appropriations (IRRF, ISFF, ESF, CERP, INCLE) that expired on or before 9/30/2010. GOI capital budget execution rate based on 2006–2010 capital budgets. International contributions based on net commitments and pledges (loans and grants) reported by NEA-I through 12/31/2010; some countries committed more than they pledged.

Sources: P.L. 108-7; P.L. 108-11; P.L. 108-106; P.L. 108-287; P.L. 109-13; P.L. 109-102; P.L. 109-148; P.L. 109-34; P.L. 109-289; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-118; P.L. 111-212; P.L. 112-10; ABO, responses to SIGIR data call, 7/14/2011 and 7/15/2011; DoS, response to SIGIR data call, 4/5/2007; INL, response to SIGIR data call, 7/15/2011; DoS, NEA-I, response to SIGIR data calls, 4/12/2011, 4/15/2011, 6/20/2011, 6/24/2011, and 6/27/2011; OUSD(C), responses to SIGIR data calls, 4/10/2009 and 7/15/2011; SIGIR Audit 11-007, "Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Cancelled Funds," 12/28/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USACE, response to SIGIR data call, 7/5/2011; USAID, responses to SIGIR data calls, 7/8/2010 and 7/7/2011; USTDA, response to SIGIR data call, 4/2/2009; USACE, response to SIGIR data call, 10/6/2008; DoS, DRL, response to SIGIR data call, 4/12/2011; TFBSO, response to SIGIR data call, 1/4/2011; USAID, "U.S. Overseas Loans and Grants [Greenbook]," 2008, gbk.eads.usaidallnet.gov/query/do?_program=/eads/gbk/countryReport&unit=N, accessed 4/15/2010; DoJ, Justice Management Division, responses to SIGIR data call, 4/5/2011 and 4/11/2011; DoS, NEA-I, responses to SIGIR data calls, 10/4/2010, 10/6/2010, 4/5/2011, 4/15/2011 and 7/7/2011; DoS, ECA, response to SIGIR data call, 4/14/2010; OUSD(C), response to SIGIR data call, 10/14/2010; U.S. Treasury, OTA, "Office of Technical Assistance Overview," 12/30/2005, ustreas.gov/offices/internationalaffairs/assistance/, accessed 10/16/2009; DoS, PM, response to SIGIR data call, 7/6/2011; BBG, response to SIGIR data call, 3/7/2011; Congressional Budget Justification, Foreign Assistance Summary Tables, FY 2009–2011; USAID, responses to SIGIR data calls, 1/12/2009 and 4/8/2009; OMB, response to SIGIR data call, 6/21/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009; GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2011," 2/23/2011, Article 2; GOI, MOF, information provided to SIGIR, 6/27/2011; U.S. Treasury, responses to SIGIR data calls, 1/4/2008 and 4/9/2009; "GOI Budget" (as approved by TNA and written into law December 2005); GOI, Presidency of the Iraqi Interim National Assembly, "The State General Budget for 2005," 2005; GOI, "Budget Revenues and Expenses 2003, July–December," 2003; DoS, NEA-I, responses to SIGIR data calls, 4/5/2011, 4/7/2011, and 7/12/2011.

U.S. FUNDING

Since 2003, the United States has appropriated or otherwise made available $61.64 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.[49]

Since 2003, $51.27 billion has been made available through five major funds:[50]

- Iraq Relief and Reconstruction Fund (IRRF)—$20.86 billion
- Iraq Security Forces Fund (ISFF)—$20.54 billion
- Economic Support Fund (ESF)—$4.83 billion
- Commander's Emergency Response Program (CERP)—$3.85 billion
- International Narcotics Control and Law Enforcement (INCLE)—$1.18 billion

As of June 30, 2011, $4.27 billion in available budget authority remained unexpended for the five major funds ($3.86 billion in unobligated funds plus $1.67 billion in unexpended obligations minus $1.27 billion in expired funds).[51]

The IRRF has expired for new obligations, and quarterly expenditures from the fund now constitute only a small fraction of overall quarterly expenditures. Consequently, SIGIR will no longer discuss the IRRF in detail in the Quarterly Report.[52]

The Congress also made $10.37 billion available through several smaller funding streams.[53]

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

FY 2011–FY 2012 Appropriations

Full-year FY 2011 appropriations were enacted on April 15, 2011, following a series of seven continuing appropriations acts that provided temporary extensions of FY 2010 budget authority.[54] As of June 30, 2011, $3.70 billion had been allocated to Iraq activities for FY 2011: $2.34 billion in foreign assistance and $1.36 billion for reconstruction-related operating expenses.[55] In the first three quarters of the fiscal year, just $2.3 million combined was obligated from the ISFF, ESF, and INCLE—approximately one-tenth of 1% of the amount appropriated for FY 2011. In contrast, more than $42 million was obligated from the CERP—64% of the amount appropriated for FY 2011.[56]

In its budget request for FY 2012, the Administration requested nearly $6.83 billion for foreign

FIGURE 2.3

STATUS OF MAJOR U.S. FUNDS, AS OF 6/30/2011
$ Billions

Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 108-7; P.L. 108-11; P.L. 108-106; P.L. 108-287; P.L. 109-13; P.L. 109-102; P.L. 109-148; P.L. 109-34; P.L. 109-289; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-118; P.L. 111-212; P.L. 112-10; ABO, responses to SIGIR data call, 7/14/2011 and 7/15/2011; DoS, response to SIGIR data call, 4/5/2007; INL, response to SIGIR data call, 7/15/2011; NEA-I, response to SIGIR data calls, 4/12/2011, 4/15/2011, 6/20/2011, 6/24/2011, and 6/27/2011; OUSD(C), responses to SIGIR data calls, 4/10/2009 and 7/15/2011; SIGIR Audit 11-007, "Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Cancelled Funds," 12/28/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USACE, response to SIGIR data call, 7/5/2011; USAID, responses to SIGIR data calls, 7/8/2010 and 7/7/2011; USTDA, response to SIGIR data call, 4/2/2009.

TABLE 2.1
U.S. APPROPRIATED FUNDS
$ Millions

	Appropriations by Fiscal Year, FY 2003–FY 2009						
	P.L. 108-7, P.L. 108-11	P.L. 108-106, P.L. 108-287	P.L. 109-13	P.L. 109-102, P.L. 109-148, P.L. 109-234	P.L. 109-289, P.L. 110-5, P.L. 110-28	P.L. 110-92, P.L. 110-116, P.L. 110-137, P.L. 110-149, P.L. 110-161, P.L. 110-252	P.L. 110-252, P.L. 111-32
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
MAJOR FUNDS							
Iraq Relief and Reconstruction Fund (IRRF 1 and IRRF 2)[a]	2,475	18,389					
Iraq Security Forces Fund (ISFF)			5,490	3,007	5,542	3,000	1,000
Economic Support Fund (ESF)[b]				1,469	1,554	562	542
Commander's Emergency Response Program (CERP)[c]		140	718	605	743	956	355
International Narcotics Control and Law Enforcement (INCLE)				91	170	85	20
Subtotal	**2,475**	**18,529**	**6,208**	**5,172**	**8,010**	**4,603**	**1,917**
OTHER ASSISTANCE PROGRAMS							
Migration and Refugee Assistance (MRA) and Emergency Refugee & Migration Assistance (ERMA)	40				78	278	260
Natural Resources Risk Remediation Fund (NRRRF)[d]	801						
Iraq Freedom Fund (Other Reconstruction Activities)[e]	700						
P.L. 480 Food Aid (Title II and Non-Title II)	368		3			24	
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	24		7		45	85	51
Democracy Fund (Democracy)					190	75	
Iraq Freedom Fund (TFBSO)					50	50	74
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)[f]					19	16	36
Department of Justice (DoJ)	37		2	11	23	25	7
Child Survival and Health Programs Fund (CSH)	90						
Education and Cultural Exchange Programs (ECA)				7	5	7	7
Overseas Humanitarian, Disaster and Civic Aid (OHDACA)	9	15	3				
International Affairs Technical Assistance				13	3		
U.S. Marshals Service		2		3	2	2	1
International Military Education and Training (IMET)					1	2	2
Alhurra-Iraq Broadcasting		5					
Subtotal	**2,069**	**22**	**15**	**33**	**416**	**563**	**438**
RECONSTRUCTION-RELATED OPERATING EXPENSES							
Diplomatic and Consular Programs[g]							
Coalition Provisional Authority (CPA)[h]		908					
Project and Contracting Office (PCO)[i]				200	630		
USAID Operating Expenses (USAID OE)	21		24	79	37	41	48
U.S. Contributions to International Organizations (CIO)						38	30
DoD OSC-I Support							
Iraq Freedom Fund (PRT Administrative Costs)					100		
Subtotal	**21**	**908**	**24**	**279**	**767**	**79**	**78**
RECONSTRUCTION OVERSIGHT							
Special Inspector General for Iraq Reconstruction (SIGIR)		75		24	35	3	44
Defense Contract Audit Agency (DCAA)					16	14	13
USAID Office of the Inspector General (USAID OIG)	4	2	3		3	7	4
DoS Office of the Inspector General (DoS OIG)				1	3	4	6
DoD Office of the Inspector General (DoD OIG)				5		21	
Subtotal	**4**	**77**	**3**	**30**	**57**	**47**	**66**
Total	**4,569**	**19,536**	**6,250**	**5,515**	**9,251**	**5,293**	**2,499**

[a] The Congress initially appropriated $18,649 million to IRRF 2, but earmarked $210 million to be transferred to other accounts for programs in Jordan, Liberia, and Sudan. In FY 2006, the Congress transferred roughly $10 million into the IRRF from the ESF. In FY 2008, P.L. 110-252 rescinded $50 million.
[b] P.L. 108-11 provided $10 million for war crimes investigations and $40 million to reimburse the ESF account for resources advanced to fund supplies, commodities, and services prior to the conflict in Iraq.
[c] Generally, the Congress does not appropriate the CERP to a specific country, but rather to a fund for both Iraq and Afghanistan. SIGIR reports DoD's allocation to the CERP for Iraq as an appropriation.
[d] Includes funds transferred from the Iraq Freedom Fund (IFF).
[e] Includes funds appropriated to the IFF by P.L. 108-11, Title I, and transferred to reconstruction activities, with the exception of funds transferred to NRRRF, which are recorded under that fund.
[f] The $20 million reported for FY 2009 was appropriated by P.L. 111-8.
[g] Diplomatic and Consular Programs includes FY 2010 supplemental funding to support U.S. Embassy-Baghdad in establishing an enduring provincial presence.
[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 2010			FY 2011		STATUS OF FUNDS		
	P.L. 111-117	P.L. 111-118	P.L. 111-212	P.L. 112-10				
	12/16/09	12/19/09	7/29/10	4/15/11	TOTAL APPROPRIATED	OBLIGATED	EXPENDED	EXPIRED
MAJOR FUNDS								
Iraq Relief and Reconstruction Fund (IRRF 1 and IRRF 2)					20,864	20,369	20,048	495
Iraq Security Forces Fund (ISFF)			1,000	1,500	20,539	18,342	17,479	509
Economic Support Fund (ESF)	383			326	4,835	4,120	3,771	166
Commander's Emergency Response Program (CERP)		263		67	3,846	3,726	3,718	96
International Narcotics Control and Law Enforcement (INCLE)	52		650	115	1,183	850	718	0
Subtotal	**435**	**263**	**1,650**	**2,007**	**51,267**	**47,407**	**45,734**	**1,265**
OTHER ASSISTANCE PROGRAMS								
Migration and Refugee Assistance (MRA) and Emergency Refugee & Migration Assistance (ERMA)	300		16	280	1,252	955	915	
Natural Resources Risk Remediation Fund (NRRRF)					801	801	801	
Iraq Freedom Fund (Other Reconstruction Activities)					700	680	654	
P.L. 480 Food Aid (Title II and Non-Title II)					395	395	395	
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	33		9	17	272	255	232	
Democracy Fund (Democracy)					265	265	245	
Iraq Freedom Fund (TFBSO)					174	86	65	
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)	30			30	131	62	62	
Department of Justice (DoJ)	13				118	111	107	
Child Survival and Health Programs Fund (CSH)					90	90	90	
Education and Cultural Exchange Programs (ECA)	7			7	40			
Overseas Humanitarian, Disaster and Civic Aid (OHDACA)					27	27	10	
International Affairs Technical Assistance					16	16	14	
U.S. Marshals Service					9	9	9	
International Military Education and Training (IMET)	2			2	9	9	6	
Alhurra-Iraq Broadcasting					5	5	5	
Subtotal	**386**		**25**	**336**	**4,304**	**3,766**	**3,610**	
RECONSTRUCTION-RELATED OPERATING EXPENSES								
Diplomatic and Consular Programs	1,122		1,030	1,119	3,271			
Coalition Provisional Authority (CPA)					908	832	799	
Project and Contracting Office (PCO)					830			
USAID Operating Expenses (USAID OE)	52			46	349			
U.S. Contributions to International Organizations (CIO)	33			31	132			
DoD OSC-I Support				129	129			
Iraq Freedom Fund (PRT Administrative Costs)					100			
Subtotal	**1,207**		**1,030**	**1,326**	**5,720**	**832**	**799**	
RECONSTRUCTION OVERSIGHT								
Special Inspector General for Iraq Reconstruction (SIGIR)	23			22	225	207	198	
Defense Contract Audit Agency (DCAA)					43			
USAID Office of the Inspector General (USAID OIG)	7				29			
DoS Office of the Inspector General (DoS OIG)	7			5	26			
DoD Office of the Inspector General (DoD OIG)					26			
Subtotal	**37**			**27**	**348**	**207**	**198**	
Total	**2,064**	**263**	**2,705**	**3,695**	**61,639**	**52,212**	**50,341**	**1,265**

TABLE 2.2
U.S. Appropriations, FY 2011–FY 2012
$ Millions

			FY 2011 Request and Appropriations		FY 2012 Request		
		Fund	Request	Appropriation	Base	Overseas Contingency Operations	Total
Foreign Assistance	Defense	ISFF	2,000.0	1,500.0			0.0
		CERP	200.0	66.5		25.0	25.0
		Subtotal	**2,200.0**	**1,566.5**		**25.0**	**25.0**
	Foreign Operations	INCLE	315.0	114.6		1,000.0	1,000.0
		FMF				1,000.0	1,000.0
		ESF	383.0	325.7	325.7		325.7
		MRA/ERMA	n/a	280.0			n/a
		NADR	29.8	29.8	32.4		32.4
		IDA	n/a	17.3			n/a
		IMET	2.0	2.0	2.0		2.0
		Subtotal	**729.8**	**769.4**	**360.1**	**2,000.0**	**2,360.1**
	Subtotal		**2,929.8**	**2,335.9**	**360.1**	**2,025.0**	**2,385.1**
Operating Expenses	DoD	OSC-I Support	245.0	129.1		524.0	524.0
		Subtotal	**245.0**	**129.1**		**524.0**	**524.0**
	DoS	D&CP	1,787.1	1,119.4	495.9	3,229.5	3,725.4
		CIO		31.0	44.3		44.3
		ECSM			37.0		37.0
		ECA		6.9	7.0		7.0
		Subtotal	**1,787.1**	**1,157.3**	**584.2**	**3,229.5**	**3,813.7**
	Other Civilian	USAID	62.8	46.3	75.4		75.4
		SIGIR	22.0	22.0		18.5	18.5
		DoS OIG		4.9	9.2		9.2
		Subtotal	**84.8**	**73.2**	**84.6**	**18.5**	**103.1**
	Subtotal		**2,116.9**	**1,359.6**	**668.8**	**3,772.0**	**4,440.8**
Total			**5,046.7**	**3,695.5**	**1,028.9**	**5,797.0**	**6,825.9**

Note: Data not audited. Numbers affected by rounding. DoD Operating Expenses include only those funds requested to support the Office of Security Cooperation-Iraq; in FY 2010–FY 2012, an additional $119 billion was appropriated or requested for Operations Iraqi Freedom and New Dawn ($62 billion in FY 2010, $46 billion in FY 2011, and $11 billion in FY 2012). DoS and USAID Operating Expenses include funds for operations (including diplomacy for DoS), security, construction, and all other purposes other than foreign assistance.

Sources: P.L. 111-212; DoS, "Congressional Budget Justification, Volume 1: Department of State Operations, FY 2012," 2/14/2011, p. 779; DoS, "Executive Budget Summary: Function 150 & Other International Programs, FY 2012," 2/14/2011, pp. 155, 162, 167, 171, 776, "Congressional Budget Justification: Foreign Assistance Summary Tables, FY 2011," p. 88, and "Congressional Budget Justification: Foreign Assistance Summary Tables, FY 2012," p. 101; DoD, "Fiscal Year 2012 Budget Request: Overview," 2/2011, Chapter 6, p. 6; DoS, NEA-I, response to SIGIR data call, 7/7/2011; USAID, response to SIGIR data call, 7/7/2011.

assistance and operating expenses for Iraq—nearly twice as much as was appropriated for FY 2011. The anticipated growth is driven primarily by a $3.73 billion request for the U.S. Embassy-Baghdad in the Diplomatic and Consular Programs account.[57]

For details on FY 2011 appropriations and the Administration's FY 2012 appropriations request, see Table 2.2.

Iraq Security Forces Fund

Since 2005, the Congress has appropriated $20.54 billion to the ISFF to enable the U.S. Forces-Iraq (USF-I)

and its predecessor, the Multi-National Force-Iraq, to support Iraq's Ministry of Defense (MOD) and Ministry of Interior (MOI) in developing the Iraqi Security Forces (ISF) and increasing ministerial capacity. This includes $1.50 billion provided by P.L. 112-10, which will remain available for obligation until September 30, 2012.[58] The Administration did not request any ISFF funding for FY 2012. Instead, the Administration requested $1.00 billion in Foreign Military Financing (FMF) and $1.00 billion in INCLE to support the ISF as part of its "Overseas Contingency Operations" request.[59]

As of June 30, 2011, $863 million of obligated ISFF funds had not been expended. An additional

The Administration requested $1.00 billion in FMF and $1.00 billion in INCLE to support the ISF as part of its "Overseas Contingency Operations" request.

TABLE 2.3

ISFF: Status of Funds, by Ministry and Sub-activity Group, as of 6/30/2011
$ Millions

Ministry	Sub-Activity Group	Status of Funds		Quarterly Change	
		Obligated	Expended	Obligated	Expended
Defense	Equipment	4,866.9	4,753.3	8.0	4.7
	Infrastructure	3,074.7	2,971.9		
	Sustainment	2,347.2	2,177.2	82.3	15.5
	Training	610.0	527.2	10.0	0.9
	Subtotal	**10,898.8**	**10,429.7**	**100.3**	**21.2**
Interior	Training	2,659.0	2,564.5	-1.3	-3.7
	Equipment	1,951.8	1,835.0	30.3	28.9
	Infrastructure	1,346.9	1,259.9		
	Sustainment	629.0	568.2	0.6	2.0
	Subtotal	**6,586.7**	**6,227.5**	**29.6**	**27.2**
Varies	Related Activities	856.6	821.5		0.5
Total		**18,342.2**	**17,478.7**	**129.9**	**48.9**

Note: Data not audited. Numbers affected by rounding.

Sources: OUSD(C), responses to SIGIR data calls, 4/18/2011 and 7/15/2011.

TABLE 2.4

FY 2011 ISFF Spend Plan through 9/30/2011
$ Millions

Ministry	Sub-Activity Group	Project Details	Allocation
Defense	Sustainment	Warfighter Sustainment	80.7
		JBW Supplemental (parts)	60.0
		Scan Eagle	5.0
		Subtotal	**145.7**
	Equipment	Corps Headquarters	95.3
		ISOF Academy	30.0
		Subtotal	**125.3**
	Subtotal		**271.0**
Interior	Sustainment	Logistics Professional Military Education & Resource Mgt Training	18.0
		Subtotal	**18.0**
	Equipment	Federal Police Equipment	95.0
		Subtotal	**95.0**
	Subtotal		**113.0**
Varies	Related Activities	Quick Response Fund	5.0
		Subtotal	**5.0**
Total Allocated			**389.0**
Unallocated Funds			1,111.0
Total Appropriated			**1,500.0**

Note: Data not audited. Numbers affected by rounding. The FY 2011 ISFF expires on 9/30/2012. Allocations current as of 3/31/2011.

Source: OUSD(C), response to SIGIR data call, 7/5/2011.

FIGURE 2.4

ISFF: Status of Funds, as of 6/30/2011
$ Millions
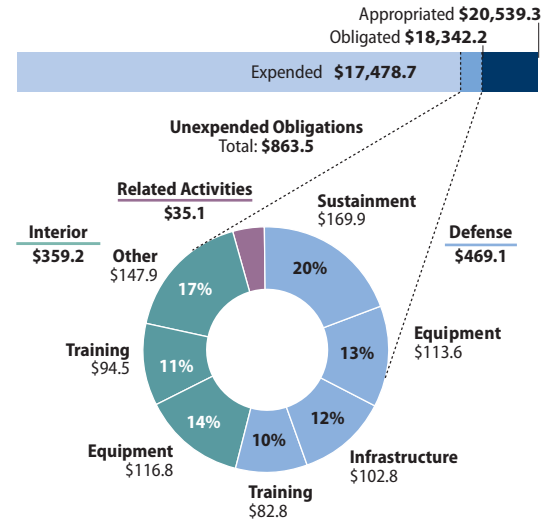
Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 109-13; P.L. 109-102; P.L. 109-234; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-212; P.L. 112-10; OUSD(C), response to SIGIR data call, 7/15/2011.

$2.20 billion had not been obligated, but $509 million of this amount has expired. This leaves $1.69 billion available for obligation to new projects: $190 million from P.L. 111-212, which expires on September 30, 2011, and nearly the full $1.50 billion from P.L. 112-10, which expires on September 30, 2012. In total, $2.55 billion in available budget authority remained unexpended for the ISFF.[60]

For the status of the ISFF, including a breakdown of unexpended obligations, see Figure 2.4. For the status and quarterly change of ISFF obligations and expenditures, by ministry and sub-activity group, see Table 2.3.

FY 2011 ISFF Spend Plan

The projects outlined in USF-I's FY 2011 ISFF spend plan are intended to "enable USF-I to continue its mission to sustain, equip, [and] train the ISF Defense and Interior Forces [to] reach Minimum Essential Capabilities (MEC) by the end of mission on 31 December 2011." The spend plan was most recently updated in February 2011 and reflects

funding available at that time through the fourth FY 2011 continuing appropriation (P.L. 111-322).[61] Since then, the Congress passed three additional continuing appropriations, as well as a full-year appropriation.[62] The full-year appropriation (P.L. 112-10), enacted on April 15, 2011, provides $1.5 billion to be obligated by September 30, 2012.[63] According to the DoD Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), the full-year spend plan is being prepared and will be provided to SIGIR when approved.[64] For available details, see Table 2.4.

Economic Support Fund

Since 2003, the Congress has appropriated more than $4.83 billion to the ESF to improve infrastructure and community security, promote democracy and civil society, and support capacity building and economic development.[65] This includes nearly $326 million provided by P.L. 112-10, which will remain available for obligation until September 30, 2012.[66] The Congress is currently considering the Administration's FY 2012 ESF request of $326 million.[67]

As of June 30, 2011, $348 million of obligated ESF funds had not been expended. An additional $715 million had not been obligated, but $166 million of this amount has expired. This leaves $549 million available for obligation to new projects. In total, $897 million in available budget authority remained unexpended for the ESF.[68]

For the status of the ESF, including a breakdown of unexpended obligations, see Figure 2.5. For the status and quarterly change of the ESF, by "track" and program, see Table 2.5.

ESF Requests and Appropriations

Since 2006, the Administration has requested $6.89 billion for the ESF in Iraq, and the Congress has appropriated $4.83 billion. The size of requests and appropriations have declined significantly since FY 2006–FY 2007, when the ESF served as follow-on funding for the Community Stabilization Program and other programs originally funded

FIGURE 2.5

ESF: STATUS OF FUNDS, AS OF 6/30/2011
$ Millions
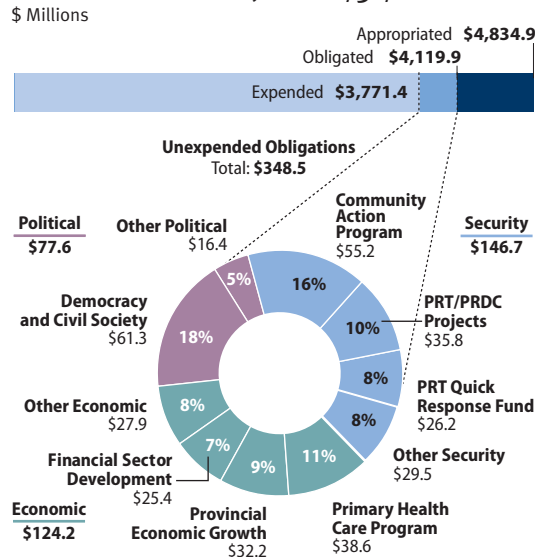
Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 109-102; P.L. 109-234; P.L. 110-28; P.L. 110-92; 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. 112-10; USAID, response to SIGIR data call, 7/7/2011; USACE, response to SIGIR data call, 7/5/2011; NEA-I, responses to SIGIR data calls, 4/12/2011, 4/15/2011, 6/24/2011, 6/27/2011, and 7/7/2011.

by the IRRF. Appropriations averaged $1.51 billion per year in FY 2006–FY 2007, $552 million per year in FY 2008–FY 2009, and $354 million in FY 2010–FY 2011. The majority of the ESF in Iraq has been requested and appropriated as supplemental funding, and the Congress has provided a much greater share of supplemental requests than regular requests.[69]

For details on requests and appropriations, see Figure 2.6 and Table 2.6.

ESF Programming, Obligations, and Expenditures

The larger supplemental appropriations in FY 2006–FY 2007 were obligated more quickly than appropriations in later years. At the peak, in the fourth quarter of FY 2007 (before the FY 2006 appropriations expired), U.S. agencies in Iraq were obligating nearly $15.7 million each day on average. Overall, obligations in the fourth quarter of any given fiscal year were significantly higher than

In the fourth quarter of FY 2007, U.S. agencies in Iraq were obligating nearly $15.7 million each day on average.

TABLE 2.5

ESF: STATUS OF FUNDS, BY TRACK AND PROGRAM, AS OF 6/30/2011
$ Millions

TRACK	PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Security	Community Stabilization Program	619.3	608.6		
	PRT/PRDC Projects	594.7	558.9	8.4	24.4
	Local Governance Program	440.5	422.2	5.0	12.7
	Community Action Program	394.3	339.1	10.0	14.6
	PRT Quick Response Fund	276.2	250.0	2.4	16.9
	Infrastructure Security Protection	194.2	193.7	-0.5	4.2
	Subtotal	**2,519.2**	**2,372.6**	**25.2**	**72.7**
Political	*Tatweer* National Capacity Development	309.4	304.1		4.7
	Democracy and Civil Society	260.6	199.3		15.8
	Iraqi Refugees	95.0	94.5		1.2
	Economic Gov. II, Policy and Reg. Reforms	85.0	83.9		
	Ministerial Capacity Development	37.6	35.5		
	Regime Crimes Liaison	28.5	28.4		
	Elections Support	13.9	13.8		
	Monitoring and Eval.	13.4	6.4	5.0	1.0
	Subtotal	**843.6**	**765.9**	**5.0**	**22.8**
Economic	O&M Sustainment	275.2	274.0		0.3
	Inma Agribusiness Development	149.8	133.9	5.0	5.0
	Tijara Provincial Economic Growth	117.8	85.5		8.6
	Targeted Development Program	60.4	50.3		4.4
	Plant-Level Capacity Dev. & Tech. Training	50.4	50.3		0.2
	Primary Health Care Program	39.1	0.5		0.5
	Izdihar Private Sector Development	32.8	32.2		
	Financial Sector Development	31.6	6.2		2.9
	Subtotal	**757.1**	**633.0**	**5.0**	**21.9**
Total		**4,119.9**	**3,771.4**	**35.2**	**117.4**

Note: Data not audited. Numbers affected by rounding.

Sources: NEA-I, responses to SIGIR data calls, 3/25/2011, 3/28/2011, 4/5/2011, 4/12/2011, 4/15/2011, 6/24/2011, and 6/27/2011; USAID, response to SIGIR data call, 7/7/2011; USACE, responses to SIGIR data calls, 4/5/2011 and 7/5/2011.

in the three preceding quarters, suggesting a "rush to obligate" before funds expired at the end of the fiscal year.[70] Expenditures peaked at an average $6.7 million per day during the fourth quarter of FY 2008, as obligations of the FY 2006–FY 2007 appropriations were liquidated. However, there was no apparent annual pattern to expenditures similar to that observed for obligations.[71]

The ESF has supported projects implemented by the U.S. Agency for International Development (USAID); the Gulf Region Division (GRD) and successor offices of the U.S. Army Corps of Engineers (USACE); the DoS Bureaus of Democracy, Human Rights, and Labor (DRL) and Population, Refugees, and Migration (PRM); and—at the U.S. Embassy-Baghdad—the Office of the Chief of Mission (COM), the Office of Provincial Affairs (OPA), the Iraq Strategic Partnership Office (ISPO) and its predecessors, and the Regime Crimes Liaison Office (RCLO).[72]

For details on obligations and expenditures, see Figure 2.6. For details on program obligations, see Table 2.7.

U.S. Agency for International Development

As of June 30, 2011, USAID had obligated $2.50 billion (61%) of the ESF in Iraq. USAID's largest ESF-funded programs were the Community Stabilization Program (CSP), the Local Governance Program, the Community Action Program, and the *Tatweer* National Capacity Development program—all of which had obligated in excess of $300 million.[73] The latter three are capacity-development programs and are detailed in the Governance section of this Quarterly Report.

CSP was a three-year "non-lethal counterinsurgency program." Launched in May 2006, it was designed to complement the U.S. military surge by reducing incentives for violence by at-risk youth, ages 17–35.[74] The program focused on generating employment, rehabilitating infrastructure, sponsoring youth programs, assisting municipal governments, and mitigating conflict in "strategic" cities affected by insurgent action. Initial activities were limited to Baghdad, but the program subsequently spread

FIGURE 2.6

ESF: APPROPRIATIONS, OBLIGATIONS, AND EXPENDITURES, 2006–2012
$ Millions

Regular and Supplemental Appropriations
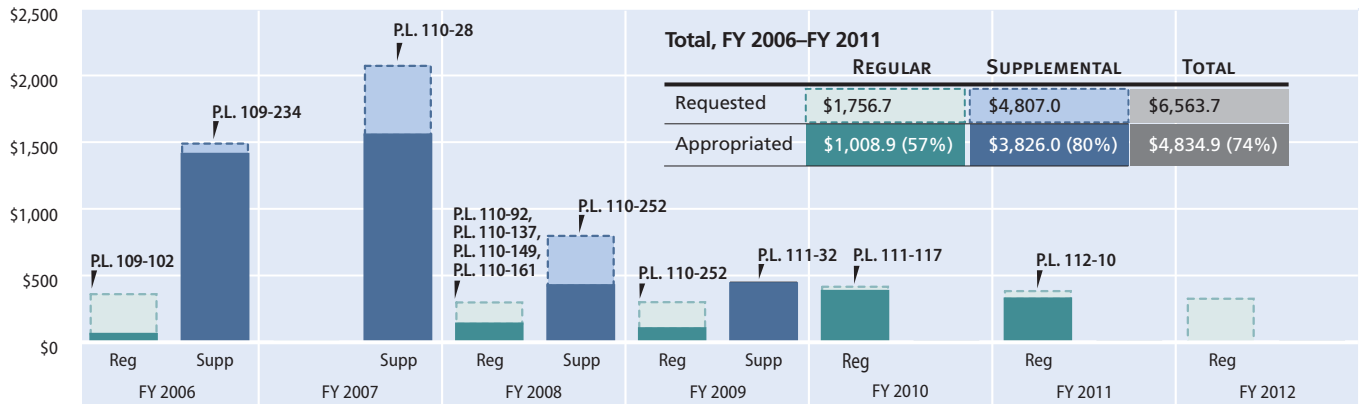
Total, FY 2006–FY 2011	REGULAR	SUPPLEMENTAL	TOTAL
Requested	$1,756.7	$4,807.0	$6,563.7
Appropriated	$1,008.9 (57%)	$3,826.0 (80%)	$4,834.9 (74%)

Unobligated Appropriations

Unobligated Appropriations
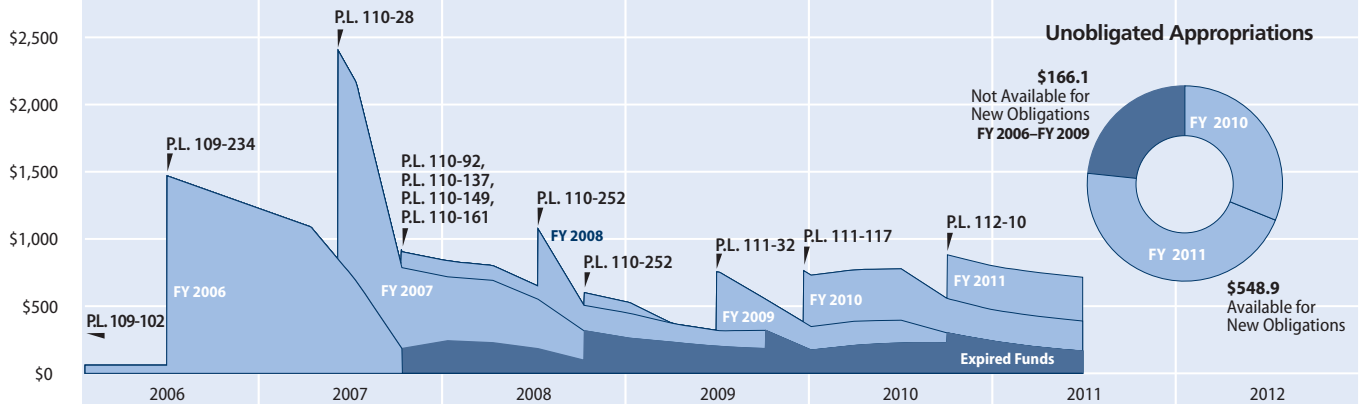
$166.1 Not Available for New Obligations FY 2006–FY 2009

$548.9 Available for New Obligations

Cumulative Obligations and Expenditures

Unexpended Obligations
Total: $348.5
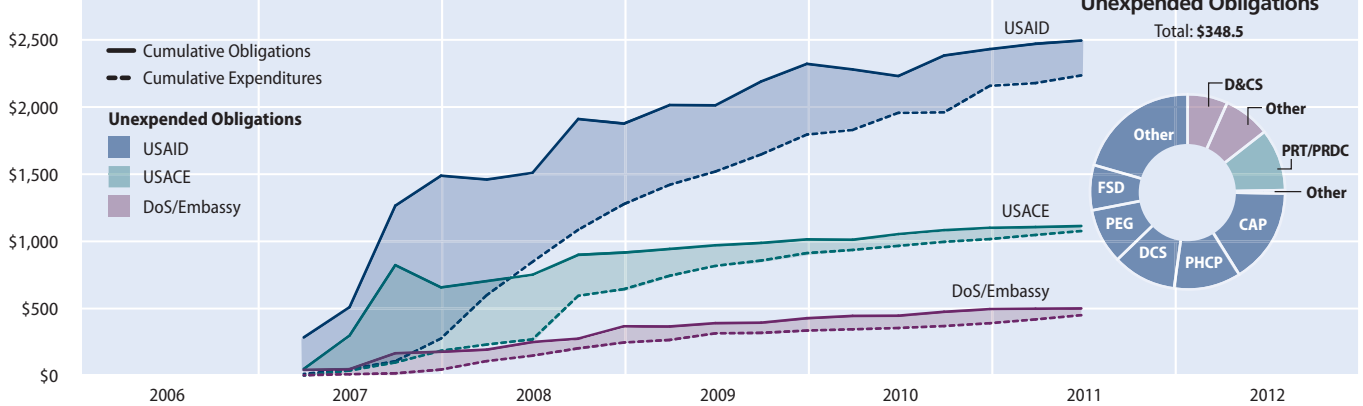
Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 109-102; House Report 109-265, to accompany H.R. 3057, 11/2/2005, p. 86; P.L. 109-234; House Report 109-494, to accompany H.R. 4939, 6/8/2006, pp. 95–96; P.L. 110-28; House Report 110-107, to accompany H.R. 1591, 4/24/2007, pp. 202–204; P.L. 110-92; P.L. 110-137; P.L. 110-149; P.L. 110-161; House Appropriations Committee, "Consolidated Appropriations Act, 2008, Committee Print: Division J—Department of State, Foreign Operations, and Related Programs Act, 2008," 1/30/2008, pp. 2177–2178, 2208; P.L. 110-252; Senate Explanatory Statement, to accompany H.R. 2642, 6/26/2008; P.L. 111-32; Conference Report 111-151, to accompany H.R. 2346, 6/12/2009, pp. 127–129; P.L. 111-117; Conference Report 111-366, to accompany H.R. 3288, 12/8/2009, pp. 1466, 1470; DoS, "Foreign Operations Congressional Budget Justification, FY 2006," p. 448; House Document 109-90, "Request for FY 2006 Budget Amendments," 2/28/2006, p. 26; DoS, "Foreign Operations Congressional Budget Justification, FY 2008," pp. 48, 128–129, 138, 490; DoS and USAID, "Supplemental Appropriations Justification, FY 2008," p. 38; DoS, "Foreign Operations Congressional Budget Justification, FY 2009," pp. 542–544; DoS and USAID, "Supplemental Justification, FY 2009," pp. 40–43; DoS "Foreign Operations Congressional Budget Justification, Annex: Regional Perspectives, FY 2010," pp. 421–426; DoS, "Foreign Operations Congressional Budget Justification, Annex: Regional Perspectives, FY 2011," pp. 471–477; DoS, "Foreign Operations Congressional Budget Justification, Annex: Regional Perspectives, FY 2012," pp. 522–528; USAID, response to SIGIR data call, 7/7/2011; USACE, response to SIGIR data call, 7/5/2011; DoS, NEA-I, responses to SIGIR data calls, 4/12/2011, 4/15/2011, 6/24/2011, 6/27/2011, 7/7/2011, and 7/8/2011; SIGIR Audit 07-005, "Fact Sheet on Sources and Uses of U.S. Funding Provided in Fiscal Year 2006 for Iraq Relief and Reconstruction," 7/27/2007, p. 13.

TABLE 2.6

ESF: REQUESTS, JUSTIFICATIONS, APPROPRIATIONS, AND EARMARKS, FY 2006–FY 2012

$ Millions

REQUEST	ADMINISTRATION'S BUDGET JUSTIFICATION	APPROPRIATION	CONGRESSIONAL EARMARKS AND RESTRICTIONS
FY 2006 Regular $360	Develop economic governance programs and new training; enhance employment centers; continue work in legal, fiscal, institutional, and regulatory frameworks for private sector; continue agriculture and water resources programs.	P.L. 109-102 $60 Exp. 9/30/2007	Not less than $56 shall be made available for democracy, governance and rule-of-law programs in Iraq; Conference Report provided $28 for IRI and $28 for NDI; $5 to be transferred to the IRRF to support the Marla Ruzicka Iraqi War Victims Fund.
FY 2006 Supplemental $1,489	$675 for PRTs to improve local government capacity, enhance security, and promote development; $287 to secure infrastructure; $355 to sustain U.S.-funded projects; $125 to increase MOF and CBI capacity, transparency, and accountability; $37 for RCLO; $10 for democracy promotion.	P.L. 109-234 $1,409 Exp. 9/30/2007	$50 for CAP (of which $5 to be transferred to the Marla Fund); $50 to promote democracy, rule of law, and reconciliation (including $10 for IRI, $10 for NDI, and $10 for the International Foundation for Electoral Systems). $1,485 was appropriated; P.L.110-161 later rescinded $76.
FY 2007 Supplemental $2,072	Reform key sectors of the economy, including agriculture; increase commercial lending and microfinance; provide business development services; help ministries execute budgets; support GOI in improving economic governance; engage political parties, civil society organizations, and national political institutions; support independent media, national reconciliation, and women's and human rights.	P.L. 110-28 $1,554 Exp. 9/30/2008	Funds conditional on certification that Iraq was meeting benchmarks, including legislation related to de-Ba'athification, hydrocarbons, and semi-autonomous regions, as well as a constitutional review, reduced sectarian violence, improved ISF, and implementation of the Baghdad Security Plan; Conference Report allocations include: PRTs ($620), CSP ($354), CAP ($95, of which $5 was for the Marla Fund), LGP ($90), and the COM fund ($57).
FY 2008 Regular $298	Stabilize strategic Iraqi cities through rehabilitation of community infrastructure, job training and vocational education, youth programs, and microloans; improve local and provincial governance through PRT projects directed, while continuing governance reforms at the national level.	P.L. 110-92, P.L. 110-137, P.L. 110-149 $123 Exp. 12/31/2007	Series of Continuing Appropriations extended FY 2007 budget authority through 11/16/2007 (P.L. 110-92), 12/14/2007 (P.L. 110-137), and ultimately 12/31/2007 (P.L. 110-149).
		P.L. 110-161 $15 Exp. 9/30/2008	Provided $10 through the Middle East Partnership Initiative to rescue scholars in Iraq and $5 to the Marla Fund.
FY 2008 Supplemental $797	Support PRTs; secure infrastructure; generate employment and finance business; improve Iraqi ability to sustain projects and execute budgets; fund democracy and governance programs ahead of elections and Kirkuk referendum; reform GOI economic policies; establish business capital fund.	P.L. 110-252 $424 Exp. 9/30/2009	Made funds for most programs conditional on GOI dollar-for-dollar matching; prohibited funds for prison construction; made PRT funding conditional on submission of a DoS report detailing plans to wind down and close out PRTs, anticipated costs for PRT programming and security, and anticipated placement and costs for future consulates. FY 2009 regular appropriations—referred to as bridge funding—became available on 10/1/2008.
FY 2009 Regular $300	Train local leaders in good governance, project implementation, and conflict resolution; build ministry capacity in financial management, budgeting, and procurement; support political parties and CoR functions; foster civil society and independent media; promote macroeconomic reforms, agriculture, and microfinance.	P.L. 110-252 $103 Exp. 9/30/2009	
FY 2009 Supplemental $449	Support elections, civil society, independent media, and political institutions ($112); fund LGP ($55) and CAP ($35) to strengthen local governments; support ministerial capacity development ($60), Marla Fund ($3.5), and Iraqi widows ($5); promote policy, legal, and regulatory reforms ($50); fund PEG ($27.5) to support business development; support agriculture ($43).	P.L. 111-32 $439 Exp. 9/30/2010	Funds conditional on GOI matching; Conference Report allocations included allocations to CAP ($50), Democracy and Civil Society ($118), Iraq Cultural Antiquities ($2), Marla Fund ($10), the COM's discretionary fund ($15), and Widows' Assistance ($5); conferees directed greater clarification of democracy and governance programs and expressed concern for women and minorities.
FY 2010 Regular $416	Support ministerial capacity (*Tatweer*) and local government capacity (PRTs and CAP); foster civil society and independent media; reintegrate Iraqi refugees and IDPs; provide anticorruption and election support; promote sustainable, diversified economic growth; pursue economic, legal, and regulatory reforms; build the capacity of economic institutions.	P.L. 111-117 $383 Exp. 9/30/2011	Conference Report allocations included: Democracy and Civil Society ($126), CSP ($50), MCD ($50), Iraqi Minorities ($10), and Marla Fund ($5); conferees expressed belief that the GOI should fund future ministerial capacity development and directed DoS and USAID to consult with the Congress on the process for assessing the benefits versus security costs of work in Iraq.
FY 2011 Regular $383	Promote conflict mitigation (QRF); assist in legislative drafting, budget analysis and execution, and constituent relations; support community groups in promoting stability, providing assistance, and generating employment; provide technical assistance to the health care, education, and social services sectors; support agriculture, microcredit, and public financial management; promote sound macroeconomic and monetary policies.	P.L. 112-10 $326 Exp. 9/30/2012	The full-year continuing appropriation for Foreign Operations was made late in the fiscal year and was not accompanied by a committee report; according to DoS, the FY 2011 allocation was the same as its FY 2012 request: $326; DoS submitted a spend plan to the Congress on 7/5/2011.
FY 2012 Regular $326	Institutionalize electoral systems that meet international standards; improve professionalism, outreach, and responsiveness of political parties, CoR, and provincial councils; clarify role of federal government; increase capacity and effectiveness of civil society, media, and anticorruption institutions; pursue community conflict prevention and reconciliation; improve rule of law and promote human rights; provide technical assistance to health and education sectors; support the Marla Fund; promote economic growth and job creation.		The Congress is currently considering the Administration's FY 2012 request.
$6,889		$4,835	

Note/Source: See Figure 2.6.

TABLE 2.7

ESF OBLIGATIONS, BY IMPLEMENTING AGENCY, PROGRAM, AND FISCAL-YEAR APPROPRIATION, AS OF 6/30/2011
$ Millions

IMPLEMENTING AGENCY	PROGRAM	OBLIGATIONS						UNEXPENDED OBLIGATIONS
		FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	TOTAL	
USAID	Community Stabilization Program	135.0	379.0	100.0	5.3	0.0	**619.3**	10.7
	Local Governance Program	160.0	99.5	101.0	55.0	25.0	**440.5**	18.3
	Community Action Program	59.3	100.0	85.0	95.0	55.0	**394.3**	55.2
	Tatweer National Capacity Development	60.0	144.5	64.8	40.1	0.0	**309.4**	5.4
	PRT Quick Response Fund	0.0	130.0	8.0	35.0	0.0	**173.0**	12.3
	Inma Agribusiness Development	0.0	97.5	0.0	52.3	0.0	**149.8**	15.9
	Tijara Provincial Economic Growth	0.0	35.8	25.0	37.0	20.0	**117.8**	32.2
	Economic Gov. II, Policy and Reg. Reforms	20.0	65.0	0.0	0.0	0.0	**85.0**	1.1
	Democracy and Civil Society	0.0	29.6	0.0	36.5	18.0	**84.1**	37.3
	Primary Health Care Program	3.7	6.0	0.0	29.5	0.0	**39.1**	38.6
	Izdihar Private Sector Development	9.0	23.8	0.0	0.0	0.0	**32.8**	0.6
	Financial Sector Development	0.0	0.0	0.0	21.6	10.0	**31.6**	25.4
	Elections Support	11.4	2.6	0.0	0.0	0.0	**13.9**	0.1
	Monitoring and Evaluation	0.0	0.0	0.2	8.0	5.3	**13.4**	7.1
	Subtotal	**458.4**	**1,113.2**	**384.0**	**415.3**	**133.3**	**2,504.1**	**260.2**
USACE/GRD	PRT/PRDC Projects	261.5	333.2	0.0	0.0	0.0	**594.7**	35.8
	O&M Sustainment	275.2	0.0	0.0	0.0	0.0	**275.2**	1.2
	Infrastructure Security Protection	194.2	0.0	0.0	0.0	0.0	**194.2**	0.6
	Plant-Level Capacity Dev. & Tech. Training	50.4	0.0	0.0	0.0	0.0	**50.4**	0.1
	Subtotal	**781.4**	**333.2**	**0.0**	**0.0**	**0.0**	**1,114.5**	**37.7**
DoS/ Embassy	DRL Democracy and Civil Society	85.0	15.0	0.0	76.5	0.0	**176.5**	23.9
	OPA PRT Quick Response Fund	0.0	36.0	25.0	16.2	26.0	**103.2**	13.9
	PRM Iraqi Refugees	50.0	0.0	45.0	0.0	0.0	**95.0**	0.5
	COM Targeted Development Program	0.0	57.4	0.0	3.0	0.0	**60.4**	10.1
	ISPO Ministerial Capacity Development	32.6	0.0	5.0	0.0	0.0	**37.6**	2.1
	RCLO Regime Crimes Liaison Office	28.5	0.0	0.0	0.0	0.0	**28.5**	0.1
	Subtotal	**196.1**	**108.4**	**75.0**	**95.7**	**26.0**	**501.2**	**50.6**
Total		**1,435.9**	**1,554.7**	**459.0**	**511.0**	**159.3**	**4,119.9**	**348.5**

▮ >150+ ▮ >75–150 ▮ >30–75 ▮ >0–30 ☐ 0   ▮ >75+ ▮ >30–75 ▮ >15–30 ▮ >0–15 ☐ 0

Note: Data not audited. Numbers affected by rounding. Iraq Strategic Partnership Office (ISPO) includes obligations made by predecessor agencies.

Sources: USAID, response to SIGIR data call, 7/7/2011; USACE, response to SIGIR data call, 7/5/2011; DoS, NEA-I, responses to SIGIR data calls, 4/12/2011, 4/15/2011, 6/24/2011, and 6/27/2011; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 4/2007–4/2011.

to 18 locations across Iraq.[75] According to a USAID evaluation released in 2009, CSP was successful when program elements were coordinated internally (for example, by matching competent vocational training with business grants) and integrated with other U.S. programs (such as the CERP). However, both coordination and integration depended more on personalities than on institutionalized procedures.[76] According to the evaluation, the program was generally considered successful by participants and observers. For example, a greater percentage of program participants than non-participants felt their community was safer in 2009 than in 2006. However, the evaluation said that confounding variables, including the effect of similar programs like the CERP, made it impossible to conclude a causative relationship between CSP and a reduction in violence.[77]

In a 2008 audit of CSP, the USAID Office of Inspector General (USAID OIG) acknowledged a positive trend in citizens' perception of local government effectiveness. However, USAID

> The evaluation said that confounding variables made it impossible to conclude a causative relationship between CSP and a reduction in violence.

OIG could not determine whether CSP achieved its intended results with regard to community infrastructure or essential services and could not substantiate claims made about employment generation. In addition, USAID OIG's audit found evidence of fraud within certain CSP projects. In Baghdad, for example, USAID OIG was presented with evidence suggesting that potentially millions of dollars in CSP funds had been diverted to insurgents.[78]

As of June 30, 2011, five USAID-administered ESF programs had greater than $25 million remaining in unexpended obligations: the Community Action Program, Primary Health Care Program, Democracy and Civil Society, Provincial Economic Growth, and Financial Sector Development.[79] For more details on most of these programs, see the Governance and Economy sections of this Quarterly Report.

U.S. Army Corps of Engineers

As of June 30, 2011, USACE had obligated $1.11 billion (27%) of the ESF in Iraq. The majority of USACE's ESF funding went to Provincial Reconstruction Team/ Provincial Reconstruction Development Council (PRT/PRDC) Projects.[80] The program enabled local development teams to identify, prioritize, and manage "small, immediate-impact projects" targeted at Iraqi priorities.[81] USACE also implemented infrastructure security, sustainment, and capacity-building projects. All ESF funding for USACE work came from the FY 2006–FY 2007 appropriations, with the agency receiving most of the FY 2006 appropriation. As of June 30, 2011, nearly $38 million in unexpended obligations remained for USACE programs, the great majority for PRT/PRDC Projects.[82]

DoS and U.S. Embassy-Baghdad

As of June 30, 2011, the six entities under the umbrella of DoS and U.S. Embassy-Baghdad had obligated $501 million (12%) of the ESF in Iraq. Together, DRL and PRM—standing bureaus in DoS—obligated more than half to promote democracy and civil society and provide humanitarian

assistance to refugees and internally displaced persons.[83] In addition, more than $103 million was obligated through the PRT Quick Response Fund, which like PRT/PRDC Projects supports small-scale local initiatives.[84] As of June 30, 2011, the largest ongoing program was DRL's portion of Democracy and Civil Society.[85]

ESF Expired Funds

The budget authority for FY 2006–FY 2009 ESF appropriations has expired. Agencies cannot obligate funds from these appropriations to new projects, but can adjust existing obligations and expend funds for a period of five years after their respective expiration dates.[86] If funds were obligated before they expired and were then subsequently deobligated, they can be obligated to new projects for a period of four years past their original expiration date—effectively extending the period of obligation for new projects.[87] Both means of repurposing ESF funds have been used extensively in Iraq. For example, the Primary Health Care Program, which was first reported to SIGIR last quarter, is funded by ESF appropriations from FY 2006, FY 2007, and FY 2009—all of which would have previously expired under normal circumstances and would have been unavailable to support the new program. As of June 30, 2011, $39.1 million had been obligated to the program and approximately $500,000 had been expended.[88]

Since FY 2006, additional obligations (positive adjustments) to ongoing ESF-funded projects in Iraq have been more common (or had larger dollar amounts) than deobligations (negative adjustments). Consequently, for any given fiscal-year appropriation, the net amount of expired funds decreased between its respective expiration date and June 30, 2011.[89]

As of June 30, 2011, nearly 3.4% of appropriated ESF had expired, more than INCLE (0.0%), IRRF (2.4%), ISFF (2.5%), and CERP (2.5%).[90] The $325.7 million FY 2011 ESF appropriation, which was only recently apportioned for use in Iraq because of delayed appropriation, will expire on September 30, 2012. As of June 30, 2011, none of the funds from the

FY 2011 appropriation had been obligated.[91] According to the Bureau of Near Eastern Affairs-Iraq, DoS submitted its FY 2011 ESF spend plan to the Congress on July 5, 2011.[92]

For details on expired funds, see Figure 2.6.

Commander's Emergency Response Program

Since 2004, the Congress has provided $3.85 billion to the CERP in Iraq for the purpose of enabling military commanders to respond to urgent humanitarian relief and urgent reconstruction requirements within their areas of responsibility.[93] Under P.L. 112-10, the Congress appropriated up to $100 million for CERP in Iraq in FY 2011. U.S. Army Central provided a partial allocation of $75 million to USF-I. USF-I subsequently determined it would not need all $75 million and returned $8.5 million. Thus, USF-I's CERP budget for FY 2011 became $66.5 million, $33.5 million less than originally authorized by the Congress.[94] These funds will remain available for obligation until September 30, 2011.[95] The Congress is currently considering the Administration's request for $25 million for FY 2012.[96]

As of June 30, 2011, $8 million of obligated CERP funds had not been expended. An additional $120 million had not been obligated, but $96 million of this amount has expired. This leaves $24 million available for obligation to new projects. In total, $33 million in available budget authority remained unexpended for the CERP.[97]

For the status of the CERP, including a breakdown of unexpended funds, see Figure 2.7. For the status and quarterly change of the CERP, by project category, as of June 30, 2011, see Table 2.8.

CERP Data Gap

USF-I does not report on CERP projects during the five-year reporting and outlay phase that follows each appropriation's period of obligation. USF-I's CERP Project Tracker—the only systemic source of CERP project descriptions and categories—is

Figure 2.7
CERP: Status of Funds, as of 6/30/2011
$ Millions

Appropriated **$3,846.1**
Obligated **$3,726.3**
Expended **$3,717.8**

Unexpended Funds
Total: **$128.4**

Unexpended Obligations $8.5

7%

93%

Unobligated $119.9
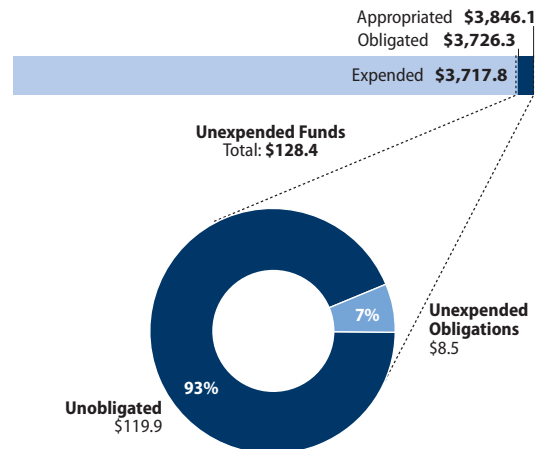
Note: Data not audited. Numbers affected by rounding.

Sources: ABO, responses to SIGIR data call, 7/14/2011 and 7/15/2011.

updated only through the end of the fiscal year in which the funds are appropriated. This lack of reporting creates a data gap on which SIGIR has reported extensively in past Quarterly Reports and which is evidenced in the difference between ABO financial data and USF-I CERP Project Tracker data shown in Table 2.8.[98]

USF-I J8 officials previously informed SIGIR that this problem had been corrected and that USF-I would track and report on FY 2010 CERP projects that continued into FY 2011.[99] For this Quarterly Report, USF-I did provide updated data on a subset of FY 2010 CERP projects, and this data answers at least some of SIGIR's questions about the status of those projects.[100]

According to the information provided for this Report, USF-I had 12 open FY 2010 CERP projects as of June 30, 2011, with combined obligations of $7.6 million. Of these 12 projects, 6 were initially valued at more than $500,000.[101]

SIGIR will continue trying to get a better understanding of the status of FY 2010 CERP projects. SIGIR is unaware if USF-I has identified a means of correcting records for FY 2004–FY 2009 CERP appropriations.

USF-I's CERP budget for FY 2011 became $66.5 million, $33.5 million less than originally authorized.

TABLE 2.8
CERP: STATUS OF FUNDS, BY PROJECT CATEGORY, AS OF 6/30/2011
$ Millions

		STATUS OF FUNDS		QUARTERLY CHANGE	
	PROJECT CATEGORY/FISCAL YEAR	OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Status of Funds, by Project Category, According to the USF-I CERP Project Tracker	Water & Sanitation	673.9	224.5	0.1	5.1
	Protective Measures	490.3	267.9	0.2	0.4
	Electricity	444.6	132.8	0.1	1.1
	Education	429.2	179.0	0.9	1.5
	Transportation	386.2	149.3	0.3	1.2
	Civic Cleanup Activities	240.9	116.9	0.4	0.4
	Other Urgent Humanitarian or Reconstruction Projects	224.2	84.1	-0.1	0.5
	Agriculture	208.4	74.9		0.6
	Economic, Financial, and Management Improvements	184.3	77.6	1.4	1.3
	Health Care	152.4	60.7	0.4	0.3
	Rule of Law & Governance	113.4	44.7	1.2	
	Civic Infrastructure Repair	67.5	23.9		
	Repair of Civic & Cultural Facilities	63.1	27.4		0.3
	Civic Support Vehicles	58.5	32.3		1.5
	Condolence Payments	50.7	35.4		
	Telecommunications	39.6	10.2		
	Temporary Contract Guards for Critical Infrastructure	35.6	35.3		
	Battle Damage Repair	23.8	18.0	0.1	0.1
	Food Production & Distribution	21.2	8.2	0.1	0.1
	Non-FMR	5.8	0.0		
	Detainee Payments	1.0	0.6		
	Iraqi Hero Payments	0.7	0.7		
	Subtotal	**3,915.2**	**1,604.1**	**4.9**	**14.4**
Difference between ABO Financial Data and USF-I CERP Project Tracker, by Fiscal Year	FY 2004	-5.8	133.6		
	FY 2005	-49.2	404.4		
	FY 2006	136.7	499.8		
	FY 2007	-181.5	324.2	-1.0	0.2
	FY 2008	-91.9	513.2	-0.5	-0.5
	FY 2009	-9.3	116.4		0.4
	FY 2010	14.4	115.3	-1.7	21.3
	FY 2011	-2.4	6.8	-2.4	6.8
	Subtotal	**-189.0**	**2,113.6**	**-5.7**	**28.1**
Total, According to ABO Financial Data		**3,726.3**	**3,717.8**	**-0.7**	**42.5**

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

Sources: ABO, responses to SIGIR data calls, 10/4/2010, 10/8/2010, 12/6/2010, 12/22/2010, 4/5/2011, 4/18/2011, 7/5/2011, and 7/14/2011.

Strategic Oversight

In response to congressional concerns about the CERP's management, approval thresholds, and interagency coordination, DoD in May 2010 established a two-tiered structure for strategic oversight, comprising the CERP Steering Committee (CSC) and the CERP Management Cell (CMC).[102] A third component—the CERP Working Group (CWG)—was subsequently added.[103] According to DoD, the "oversight structure continues the important balance between headquarters-level visibility, accountability, oversight, and strategic guidance and field-level management, flexibility, responsiveness, and tactical counterinsurgency efforts."[104]

CSC/CMC focus has shifted from Iraq to Afghanistan to reflect the shift in financial resources as the Iraq commitment draws down. However, according to DoD, CSC and CMC continue to evaluate and adjust broad CERP strategy and implementation methodology as they relate to both countries. On average, approximately 30% of the CMC workload is devoted to Iraq.[105]

CERP Steering Committee

CSC is co-chaired by the Under Secretary of Defense (Policy) (USD(P)), the Under Secretary of Defense (Comptroller) (USD(C)), and the Vice-Chairman of the Joint Chiefs of Staff. It reports directly to the Deputy Secretary of Defense.[106] CSC provides senior-level oversight of the CERP and is responsible for the integration, coordination, and resolution of all CERP issues within DoD and for engaging with the Congress, U.S. government agencies, and other relevant organizations. The full CSC has formally met once since its inception, but according to DoD, CSC leadership engages regularly on CERP issues, including through small group meetings and "frequent virtual communications."[107]

According to DoD, CSC has issued numerous recommendations since its inception related to funding allocations, project oversight, and inter-agency coordination, "all" of which "have been coordinated and implemented by the proper CERP stakeholder."[108] This quarter, CSC recommended the transfer of $33.5 million of unobligated FY 2011 CERP-Iraq funds to Afghanistan, which was submitted for congressional approval in June 2011.[109] CSC made no recommendations related to Iraq last quarter.[110] Specific examples of CSC recommendations from prior quarters were not provided.

Since CSC was established, changes to the *Money as a Weapon System (MAAWS)* standard operating procedures manual, which regulates the use of the CERP, include removing "Sons and Daughters of Iraq" as an eligible CERP project category; clarifying requirements for coordination with PRTs and USAID at all projects values;

adding a requirement to obtain approval from the Senior Contracting Official-Iraq on projects with a total cost of more than $500,000 that extended beyond May 31, 2011; changing the project management database from the Iraq Reconstruction Management System (IRMS) to the Combined Information Data Network Exchange (CIDNE); and clarifying that a brigade commander could be delegated approval authority for projects estimated to cost between $200,000 and $500,000.[111]

The DoD Financial Management Regulation (FMR) chapter related to the CERP, which is the other primary source of CERP guidance, has not been updated since January 2009—before CSC and CMC were established.[112] According to the CMC, the FMR is the responsibility of OUSD(C) and has been undergoing revision since the spring of 2010 to incorporate recommended changes from the field and CMC, congressional guidance, and new legislative provisions. The revised chapter is "in coordination."[113]

In addition, according to DoD, CSC has reviewed and recommended the approval of several high-value projects that require approval by the Secretary of Defense (or Deputy Secretary if delegated).[114] According to the *MAAWS*, the Secretary of Defense is required to approve all CERP projects with a total cost of more than $1 million.[115] In FY 2010, no CERP projects in Iraq fit this criterion.[116] CSC does not approve or make recommendations for projects with a total cost of less than $1 million "unless brought to the Committee's attention through other oversight mechanisms."[117]

In FY 2010, there were five projects with total costs in excess of $900,000—that is, just under the threshold requiring approval by the Secretary of Defense (or delegate). The largest FY 2010 CERP project in Iraq, only $1,480 shy of the review threshold, was intended to transfer raw sewage to the Habbaniya Bio Lagoon, operate and maintain the aeration system, and supply a generator and an air compressor. According to DoD, the project would mitigate part of Anbar province's inadequate sanitation and water treatment problems.

CSC/CMC focus has shifted from Iraq to Afghanistan to reflect the shift in financial resources as the Iraq commitment draws down.

This project is one of the 12 funded by the FY 2010 appropriation that had not been completed as of June 30, 2011. There have been no reported FY 2011 CERP projects in Iraq with total costs in excess of $500,000.[118]

CERP Management Cell

According to DoD, CMC provides a focal point for CERP management and "promotes a holistic, integrated approach."[119] The office is led by a full-time Director of SES rank, appointed by the USD(P) with the concurrence of the USD(C) and staffed by one civilian deputy (GS-15) and one analyst (contractor).[120] CMC is responsible for ensuring that CSC recommendations are coordinated and implemented by the proper CERP stakeholders.[121] The CMC Director reports to the CSC co-chairs and directs the activities of CWG, including convening meetings; vetting, assigning, and tracking of CERP issues and tasks across all of DoD; and promulgating CERP decisions and direction.[122]

According to DoD, specific issues considered by CMC in its management capacity include CERP requirements, planning, program controls, program coordination, review of criteria for high-value project approval, and standards for pre-deployment and in-theater training.[123] To track progress, the CMC uses numerous performance metrics, including: funding obligation rates, project approval-to-completion time, individual project merit, completeness of recorded data, the number of coordinated CERP actions, and response time to and from internal and external stakeholders.[124]

CERP Working Group

CWG comprises more than 30 representatives from DoD entities involved with the CERP.[125] According to DoD, CWG meets weekly "to ensure an integrated approach to CERP management," although CERP is a part-time duty for most of the members.[126] Among its significant outputs, DoD counts drafting pre-deployment and in-theater training standards, preparing mobile CERP training teams and additional training modules

> SIGIR did not find any guidance or directives that explain how civil capacity development supports a larger counterinsurgency strategy.

for non-acquisition personnel, reviewing and recommending approval of large-scale projects (Afghanistan-specific), responding to media and congressional inquiries, drafting quarterly reports and coordinating high-value project notifications to the Congress, improving CERP accountability and transparency through timely input to internal and external audits, and recommending revisions to the CERP section of DoD's FMR.[127] Also, according to DoD, an interim CERP data management system has been developed that will lead to an integrated interagency data management system to improve data integration for project data in Afghanistan.[128]

SIGIR Audit of the CERP

In an audit this quarter, SIGIR questioned DoD's use of FY 2011 CERP funds for primarily civil capacity-development projects given the program's goal of meeting counterinsurgency-based objectives. Many of the civil capacity-development projects undertaken do not appear related to DoD's counterinsurgency mission, and SIGIR did not find any guidance or directives that explain how civil capacity development supports a larger counterinsurgency strategy. SIGIR noted that PRTs are deeply involved in identifying, planning, and implementing CERP projects. DoS representatives at the PRTs stated that USF-I relies on them, in part, because of frequent military deployment rotations, reduced troop presence, limited subject-matter expertise, and little experience in the management of capacity development-type projects. While SIGIR supports the involvement of DoS in coordinating projects, this heavy DoS involvement raises questions about whether the projects undertaken support DoD's military objectives or whether the CERP has evolved into another U.S. development program, similar to those run by USAID and DoS. Finally, SIGIR found that some of the performance metrics used to evaluate CERP projects lack support and therefore cannot provide meaningful information to assess the program's impact.[129]

International Narcotics Control and Law Enforcement

Since 2006, the Congress has appropriated $1.18 billion to the INCLE in Iraq to support rule-of-law activities.[130] This includes roughly $115 million provided by P.L. 112-10, which expires on September 30, 2012, and $650 million that was "forward-funded" by P.L. 111-212 (the FY 2010 supplemental appropriation), which also expires on September 30, 2012.[131]

As of June 30, 2011, $132 million of obligated INCLE funds had not been expended. An additional $333 million had not been obligated, nearly all of which is available for new projects. In total, $465 million in available budget authority remained unexpended for the INCLE.[132]

For the status of the INCLE, including a breakdown of unexpended obligations, see Figure 2.8. For the status and quarterly change of the INCLE, by sector and program, see Table 2.9.

Smaller Funds

The Congress has appropriated or otherwise made available nearly $10.37 billion in smaller funding streams for Iraq reconstruction. SIGIR has classified them into three categories:[133]

- Other Assistance Programs—$4.30 billion
- Reconstruction-related Operating Expenses—$5.72 billion
- Reconstruction Oversight—$348 million

As of June 30, 2011, at least $4.80 billion (46%) of these funds had been obligated, and at least $4.61 billion (44%) had been expended.[134] However, agency reporting is inconsistent for the smaller funds, and these values likely understate actual obligations and expenditures through these funding streams. For details on the status of funds, see Table 2.1. ◆

TABLE 2.9

INCLE: STATUS OF FUNDS, BY SECTOR AND PROGRAM, AS OF 6/30/2011
$ Millions

SECTOR	PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Criminal Justice	Police Advisors	457.6	405.6	25.2	8.8
	Courts	104.5	76.9	0.1	8.6
	Public Integrity	29.7	23.7	-4.0	-3.4
	Rule of Law Advisors	26.0	17.4		1.2
	Major Crimes Task Force	13.1	10.4		1.3
	Justice Integration	6.8	6.1		0.6
	Legal Framework	2.5	2.5		
	Subtotal	**640.2**	**542.5**	**21.2**	**17.1**
Corrections	Advisors	90.6	71.7	2.6	7.2
	Construction	83.7	82.2		
	Subtotal	**174.3**	**154.0**	**2.6**	**7.2**
Program Development and Support		34.5	21.9	4.4	4.4
Counternarcotics		1.0	0.0		
Total		**850.0**	**718.4**	**28.2**	**28.7**

Note: Data not audited. Numbers affected by rounding.

Sources: INL, responses to SIGIR data calls, 4/6/2011 and 7/15/2011.

FIGURE 2.8

INCLE: STATUS OF FUNDS, AS OF 6/30/2011
$ Millions
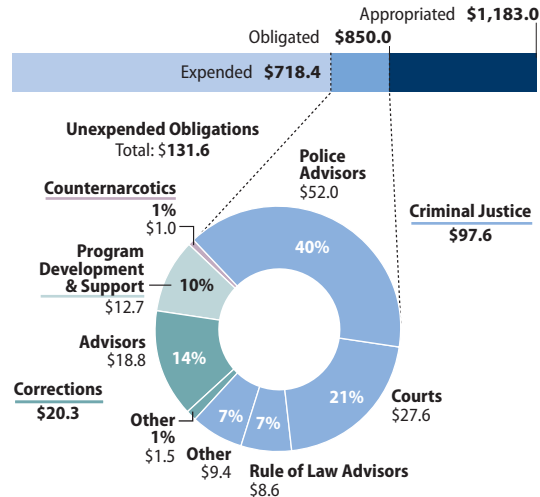
Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 109-234; P.L. 110-5; P.L. 110-28; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-212; P.L. 112-10; INL, response to SIGIR data call, 7/15/2011.

IRAQI FUNDING

As of June 30, 2011, Iraq had provided $107.41 billion for relief and reconstruction through CPA spending of Iraqi funds in 2003–2004 ($12.07 billion) and annual GOI capital budgets in 2003–2011 ($95.34 billion).[135] This total includes $25.70 billion for Iraq's fiscal year 2011 capital budget, which runs concurrently with the calendar year.[136]

CoR-approved 2011 GOI Budget Allocations

The GOI's 2011 budget projects $69.18 billion in revenue and $82.62 billion in expenditures, leaving a projected deficit of $13.44 billion.[137] The budget broadly categorizes expenditures as those related to operations ($56.92 billion) and capital investment ($25.70 billion).[138] This quarter, the GOI made available the budget allocations approved by the Council of Representatives (CoR) for government ministries and agencies.[139] For details, see Table 2.10.

GOI Budget and Revenue

During the first half of 2011, the GOI received $36.42 billion in oil receipts, 50% more than the $24.35 billion received during the first half of 2010, and 19% more than the $30.71 billion projected for the first six months of 2011 in the GOI budget.[140] Iraq is on pace for record-high annual oil receipts, exceeding even the peak of $58.79 billion in 2008.[141] Overall, the 2011 GOI budget estimated that 89% of annual revenue would come from oil exports.[142]

Performance on both price and export volumes compares favorably to 2010. During the first half of 2011, Iraq has received an average of $101.08 per barrel of oil exported, well above the price of $76.50 used to project Iraqi oil revenues for 2011. The country's oil export volume was 5% less than projected, but still improved over last year.[143] For details, see Figure 2.9.

FIGURE 2.9

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

Monthly Oil Price and Exports vs. Projections

Monthly Oil Revenues and Receipts vs. Projections
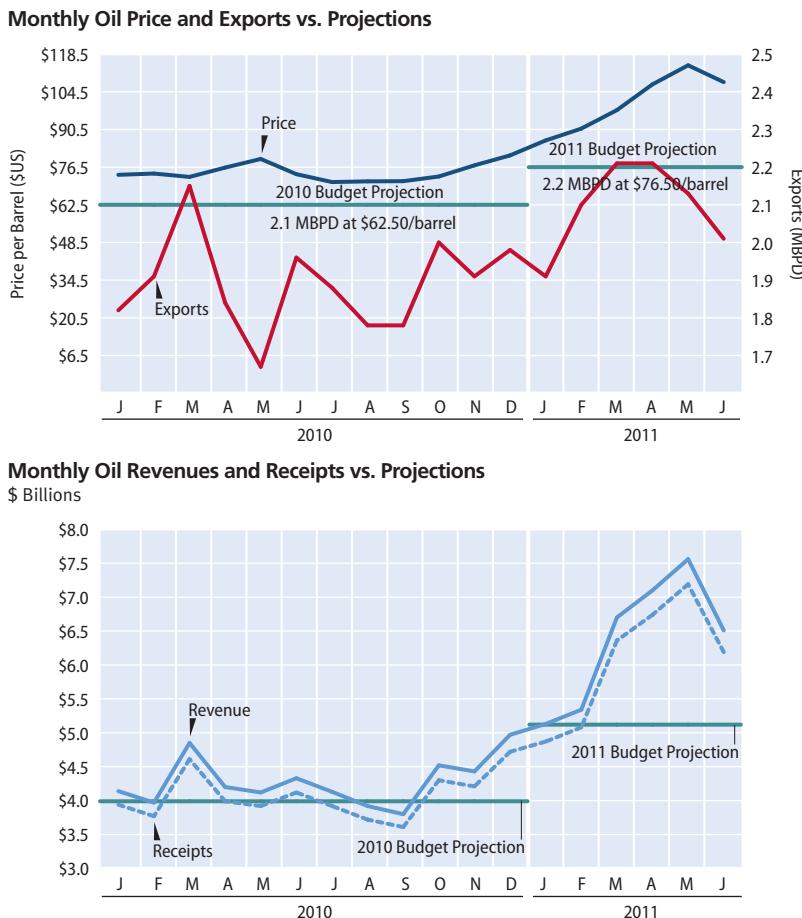
Note: Data not audited. Numbers affected by rounding. Not all oil export revenue accrues to the GOI; 5% is paid in war reparations to Kuwait, which accounts for the difference between the Receipts and Revenue lines in this chart. Monthly price per barrel is derived by dividing monthly revenue by monthly exports. Crude oil production and export figures calculated by NEA-I and U.S. Treasury frequently differ because of different methodologies.

Sources: U.S. Treasury, response to SIGIR data call, 7/5/2011; GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2010," 1/27/2010, and "Federal Public Budget Law for the Fiscal Year 2011," 2/23/2011.

TABLE 2.10

CoR-approved Allocations for the 2011 Iraqi Budget, with Changes from 2010 and 2009
$ Millions

Category	Office	2011 Budget Allocations			Total Allocation, Change From: ■ 2010 ■ 2009
		Operating	Capital	Total	
Republic Presidency	Subtotal	78.2	10.1	88.3	
Council of Representatives	Council of Representatives	247.7		247.7	
	BSA/COI	86.0	3.5	89.5	
	Other	117.4		117.4	
	Subtotal	451.0	3.5	454.5	
Council of Ministers	Prime Minister and Secretariat	425.7	57.9	483.6	
	Martyrs Foundation	276.8	196.2	472.9	108%
	Endowments	857.8	76.1	933.8	
	Iraqi National Intelligence Service	140.8	34.3	175.1	
	Joint Staff/National Security Council	66.7	1.3	68.0	447%
	Militia Disarm. and Integration	195.5		195.5	
	Other	47.5	1.8	49.4	
	Subtotal	2,010.7	367.6	2,378.3	
Ministries	Finance	12,224.4	1,018.1	13,242.5	
	Oil	2,047.4	5,940.2	7,987.6	
	Education	6,096.6	384.6	6,481.2	148%
	Interior	6,146.0	167.4	6,313.4	
	Defense	5,674.4	170.9	5,845.3	
	Health	3,993.5	897.4	4,891.0	
	Electricity	1,034.9	3,197.9	4,232.8	
	Commerce	3,928.3	34.2	3,962.5	
	Higher Education and Scientific Research	1,858.5	342.0	2,200.5	
	Municipalities and Public Works	727.3	1,058.8	1,786.1	
	Water Resources	199.9	1,163.5	1,363.5	
	Agriculture	694.1	275.0	969.1	103%
	Housing and Construction	233.8	658.1	891.9	285%
	Labor and Social Affairs	867.9	15.4	883.2	418%
	Youth and Sports	96.6	652.5	749.1	
	Foreign Affairs	309.0	408.5	717.5	143%
	Industry and Minerals	33.0	551.0	584.0	
	Transportation	189.2	285.2	474.4	
	Justice	382.5	11.5	394.0	
	Culture	157.9	119.7	277.6	123%
	Communications	11.0	213.7	224.7	
	Planning and Development Cooperation	188.6	17.5	206.1	
	Other	350.3	46.6	396.9	
	Subtotal	47,445.2	17,629.7	65,074.9	
Independent Offices	Local Councils in the Provinces	200.1		200.1	
	General Management in the Provinces	424.4	3,944.1	4,368.5	
	Independent Higher Electoral Commission	159.1	5.8	164.9	
	Other	55.4		55.4	7,007%
	Subtotal	839.0	3,949.9	4,788.9	
Higher Judicial Council	Subtotal	263.1	14.7	277.8	
Kurdistan Region	Subtotal	5,832.9	3,722.2	9,555.1	
Total		56,920.1	25,697.7	82,617.7	

Note: Data not audited. Numbers affected by rounding. Line-item data from the 2009 budget is not available for the Council of Representantives, Council of Ministers, or Independent Offices budget categories.

Sources: GOI, Ministry of Finance, "2011 Iraq Budget Schedules," 5/16/2011; GOI, Presidential Council, "Federal Public Budget Law for the Fiscal Year 2010," 2/10/2010; U.S. Treasury, response to SIGIR data call, 4/9/2009.

GOI Revenue Account

Pursuant to United Nations Security Council Resolution (UNSCR) 1956, Iraq took control over its oil wealth on July 1, 2011. In April, 2011, the GOI informed the Security Council it planned to open a new account at the Federal Reserve Bank of New York to replace the Development Fund for Iraq (DFI) account. The UN established the DFI in 2003 as a repository for Iraq's petroleum export revenues as well as balances from the UN Oil for Food Programme and other frozen Iraqi funds. Under the terms of UNSCR 1956, the package of arrangements governing the use and international oversight of the DFI ended on June 30.[144] For a comparison of international reserves to DFI assets, see Figure 2.10.

The package of arrangements governing the use and international oversight of the DFI ended on June 30.

In addition to the new account, the GOI said it would continue to operate a second account, known as the Oil Proceeds Receipts Account, held in the name of the Central Bank of Iraq (CBI), also at the Federal Reserve Bank of New York. The end of a requirement for Iraq to deposit all proceeds from petroleum export sales into accounts linked to the DFI constituted a significant step toward closing most remaining UN sanctions imposed on Iraq after Saddam Hussein's August 1990 invasion of Kuwait. However, UNSCR 1956 extends Iraq's obligation to pay 5% of its oil revenues into a compensation fund to pay victims of Saddam's aggression.[145]

The GOI's Committee of Financial Experts, headed by the President of Iraq's Board of Supreme Audit, assumed audit oversight responsibilities for the oil revenue accounts from the UN-created International Advisory and Monitoring Board (IAMB). The IAMB's mandate will end once an external auditor submits a preliminary report of the DFI through June 30, 2011.[146] UNSCR 1956 also ends the immunity protection of Iraq's oil revenues against creditor claims first afforded under an earlier UN resolution.[147] A long-standing Presidential Executive Order will provide a more limited protection to GOI accounts at the Federal Reserve Bank of New York. On May 17, 2011, President Obama extended that order for one year.[148] ◆

FIGURE 2.10

IRAQ'S INTERNATIONAL RESERVES AND TOTAL DFI ASSETS, 1/2008–4/2011
$ Billions
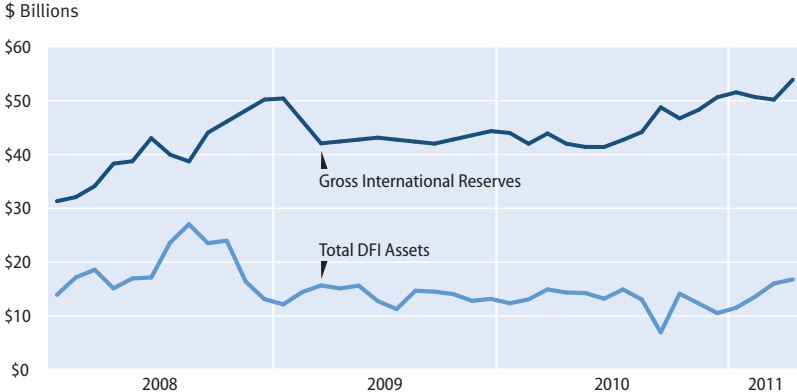
Note: Data not audited.

Source: IMF, Country Report No. 11/75, "Iraq: Second Review Under the Stand-By Arrangement, Requests for Waiver of Applicability, Extension of the Arrangement, and Rephasing of Access—Staff Report; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Iraq," 3/2011, p. 4.

INTERNATIONAL SUPPORT

According to the DoS Bureau of Near Eastern Affairs-Iraq, there was no change this quarter in the status of international support. As of June 30, 2011, international (non-U.S.) donors had committed $13.03 billion for the relief and reconstruction of Iraq: $6.51 billion in grant assistance and $6.52 billion in loans. International donors had pledged $18.02 billion: $5.26 billion in grant assistance and $12.77 billion in loans.[149]

For a breakdown of pledges and commitments, by type of assistance and donor, see Figure 2.11. ◆

FIGURE 2.11

INTERNATIONAL GRANTS AND LOANS, BY TYPE OF ASSISTANCE, STATUS, AND DONOR, AS OF 6/30/2011
$ Billions

Status, by Donor

	BILATERAL	MULTILATERAL	TOTAL
Committed	8.60	4.44	**13.03**
Pledged	10.88	7.14	**18.02**

Status, by Type

	LOANS	GRANTS	TOTAL
Committed	6.52	6.51	**13.03**
Pledged	12.77	5.26	**18.02**
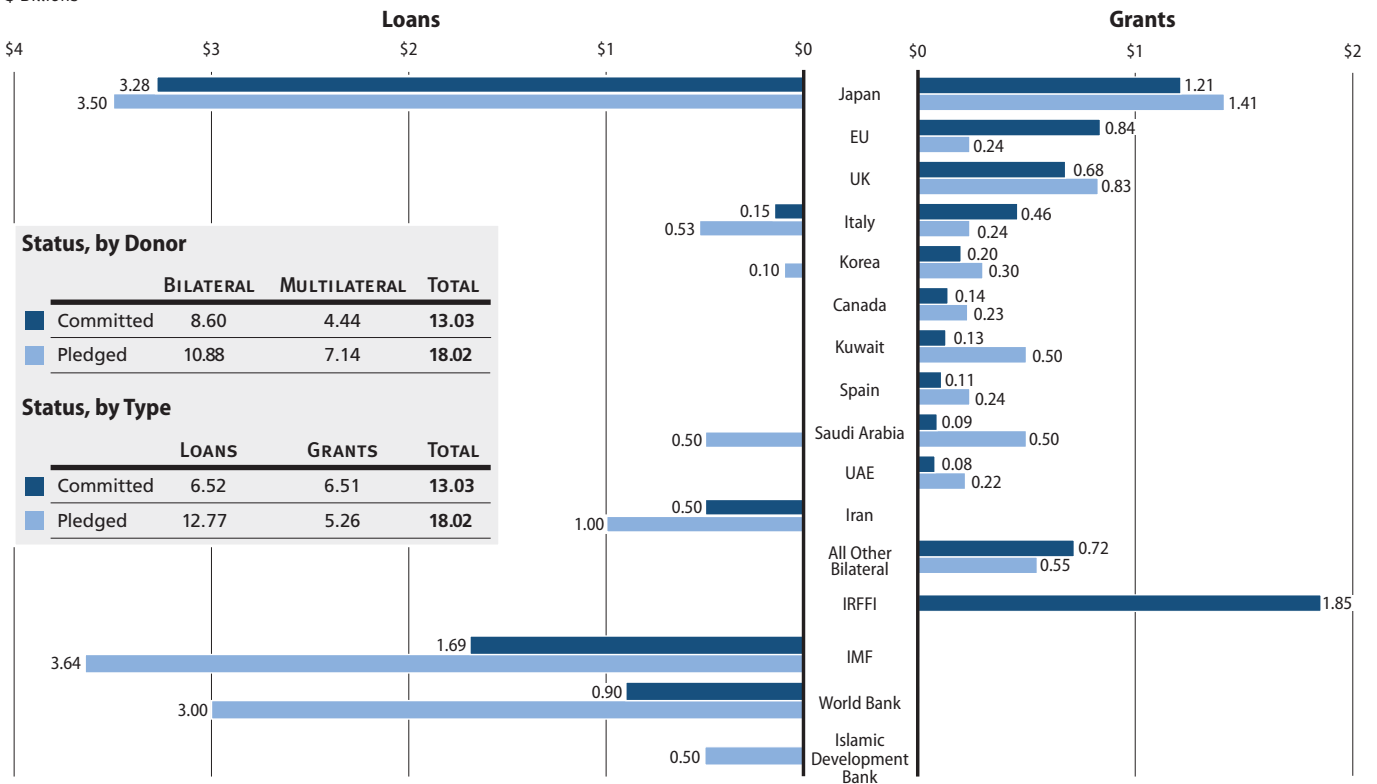
Note: Data not audited. Numbers affected by rounding. Bilateral commitments exclude IRFFI deposits. Amounts may differ from prior quarters due to changes in foreign exchange rates.

Sources: NEA-I, responses to SIGIR data calls, 4/5/2011, 4/7/2011, and 7/12/2011.

U.S. PRESENCE AND RECONSTRUCTION MANAGEMENT

SECTION

3

THE U.S. PRESENCE IN 2011

Consistent with the terms of the U.S.-Iraq Security Agreement (SA) of 2008,[150] the U.S. Forces-Iraq (USF-I) is slated to begin a rapid drawdown this summer, leading to a complete exit of U.S. troops on December 31, 2011. While the U.S. government has expressed a willingness to keep a contingent of military personnel beyond the current end-of-mission deadline,[151] as of July 20, 2011, the Government of Iraq (GOI) had not asked the United States to extend the presence of U.S. military personnel beyond the end of the year. During a recent visit to Iraq, new Secretary of Defense Leon Panetta commented that any such extension would require a formal request from the GOI.[152]

As the troops depart, U.S. Embassy-Baghdad and the Department of State (DoS) will take on a series of ever-increasing challenges. While maintaining a significant diplomatic presence, DoS over the next six months will assume primary responsibility for a planned $6.8 billion operation that includes advising and mentoring the Iraqi Security Forces (ISF), leading the Police Development Program (PDP), supporting advice and training for purchased military equipment, and building capacity and providing technical assistance to various government ministries and provinces. It will do so from 11 locations around Iraq, including three consulates and the world's largest embassy. DoS will also be responsible for working with the Department of Defense (DoD) to execute two of the largest Foreign Military Sales (FMS) and Foreign Military Financing (FMF) programs in the world and to spend the $2.55 billion in Iraq Security Forces Fund (ISFF) budgetary authority remaining as of June 30, 2011.[153]

Plans call for up to 16,000 government employees and contractors needed to do the work and to ensure adequate air and land transportation, maintenance of intelligence and security capabilities, personal protection, life support, logistics, and medical services. The challenges to negotiate and

manage the contracts for these services are greater than any previously faced by DoS and are being addressed in coordination with DoD, which is providing bridging support through contract vehicles such as the Logistics Civil Augmentation Program (LOGCAP) and staffing assistance through the Defense Contract Management Agency and Defense Contract Audit Agency.[154]

Reconstruction in Transition

U.S. Army Corps of Engineers
On June 2, the U.S. Army Corps of Engineers (USACE) closed the Gulf Region District (GRD), which was located at USF-I headquarters. USACE

Assistant Secretary of State for Near Eastern Affairs Jeffrey Feltman, Consul General Piper A. W. Campbell, U.S. Ambassador James Jeffrey, and Maj. Gen. Eddy M. Spurgin at the July 5 inauguration of the U.S. Consulate in Basrah. (USF-I photo)

> As of July 20, 2011, the GOI had not asked the United States to extend the presence of U.S. military personnel beyond the end of the year.

On June 2, 2011, Gulf Region District Commander Col. Jon Christensen (right) and Transatlantic Division Commander Maj. Gen. Kendall Cox participated in a ceremony transferring GRD's responsibilities for Iraq reconstruction to USACE's Middle East District. (USACE photo)

> With the exception of the FMS work, MED expects all remaining projects in Iraq to be completed by September 2013.

began its Iraq reconstruction efforts in 2003 and consolidated them under one command in January 2004 when it formed the Gulf Region Division. From the outset, this Division was a provisional entity, and when USACE's workload and the theater's reconstruction effort began to transition toward the Iraqis taking the lead, USACE began consolidating its various Iraq engineer districts. In October 2009, USACE disestablished the Division, and by the end of March 2010, what remained in theater was GRD and three area offices. With the closing of GRD, all remaining USACE reconstruction activity in Iraq is being executed by an area office that reports to the Middle East District (MED) in Winchester, Virginia.[155] Since 2003, USACE has completed more than 5,000 reconstruction projects, valued at $8.4 billion.[156]

MED has taken over responsibility for 48 GRD legacy projects and 8 GRD service contracts. In

addition, it has five projects funded by the Economic Support Fund (ESF) and four projects funded by the FMS program—collectively valued at $533 million—in the pre-award stage, as well as two studies, valued at $1 million, working in support of the GOI. With the exception of the FMS work, MED expects all remaining projects in Iraq to be completed by September 2013.[157]

MED's Iraq Area Office (IAO), which opened on April 2, is headquartered at Forward Operating Base (FOB) Union III. IAO's three project offices are located in Taji, Tikrit (Camp Speicher), and Basrah.[158]

Iraq Strategic Partnership Office

Embassy-supported reconstruction projects will continue well beyond the scheduled summer 2011 closing of the Embassy's Iraq Strategic Partnership Office (ISPO), at which time the responsibilities and functions of ISPO, along with its staff, will transfer to the Economic Section at the Embassy. IAO will support the Economic Section by managing the technical aspects of these projects. The remaining ISPO staff members are expected to depart the Embassy during summer 2012.[159]

A small ISPO staff currently oversees USACE efforts and provides liaison with the relevant GOI agencies for the projects. ISPO's process of winding down reconstruction projects has in a few instances required the award of assessment and repair efforts for previously completed work. The ISPO oversight efforts involve communicating with USACE on project progress and addressing the challenges that affect project completion, monitoring USACE regularly provided reports, reviewing financial management, and visiting sites on occasion. This quarter, ISPO staff visited the Wazeriya National Electric Training Center and the Supervisory Control and Data Acquisition training program at the Research Triangle Institute and also made numerous ministerial contacts and visits to discuss projects and results. According to U.S. Embassy-Baghdad, no projects were canceled this quarter.[160]

Provincial Reconstruction

In line with the schedule for downsizing the Provincial Reconstruction Team (PRT) program, the U.S. Embassy presence in Iraq's provinces is changing rapidly, On April 1, 2011, there was an Embassy presence at 17 sites in Iraq, including 14 PRTs and 3 Forward Presence Locations. By July 31, 2011, only four PRTs will remain: Baghdad, Anbar, Diyala, and Najaf. These last remaining PRTs will be closed by mid-September.[161]

The Embassy's presence in the provinces is being replaced by Iraqi Cultural Advisors, who will live and work in the provinces and advise U.S. diplomats on developments, concerns, and key issues. The Cultural Advisors will also provide direct support to the Consulates in Erbil, Basrah, and Kirkuk.[162]

Consulates are replacing PRTs in Basrah and Kirkuk and the Regional Reconstruction Team in Erbil. An initial proposal to have Embassy Branch Offices (EBOs) in Mosul and Kirkuk has been altered. The planning now calls for a temporary consulate in Kirkuk, while the EBO in Mosul has been mothballed. The Embassy held formal ribbon-cutting ceremonies in July to open the Consulates in Basrah and Erbil; on July 5, Ambassador Jeffrey hosted an American Independence Day celebration in Basrah to formally recognize the Consulate in southern Iraq.[163] Basrah is the epicenter for the development of Iraq's vast oil reserves in southern Iraq, where significant business opportunities are developing for U.S. companies.

Police Training Program

Handover from DoD to DoS

U.S. Embassy-Baghdad officially takes over the program for training the Iraqi police from the USF-I Training and Advisory Mission on October 1, 2011. The 90-day handover period began on July 1. Finalizing the PDP, which will be led by the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL), has been delayed because of funding uncertainties. DoS has requested

$1 billion in the FY 2012 budget to underwrite the first year's program expense and other criminal-justice program costs. Despite these uncertainties, the first wave of advisors who will guide the PDP have already arrived in Iraq. By the end of June, there were 18 advisors in Iraq.[164] The plan developed by INL calls for a total of 190 advisors.[165]

DoS announced in May that Ambassador Michele Sison will become the Assistant Chief of Mission for Law Enforcement and Rule of Law Assistance at U.S. Embassy-Baghdad. She is expected to arrive in Iraq this summer. Ambassador Sison's primary role will be to lead the Embassy's INL office and the PDP. In addition, Ambassador Sison will replace the Deputy Chief of Mission as Chair of the Law Enforcement Working Group, which meets biweekly, and she will coordinate with the Department of Justice on programs funded by INL.[166]

The Supplemental Appropriations bill for FY 2010 provided INL with $450 million to construct temporary locations at FOB Shield, which is adjacent to the Baghdad Police College several miles from the Embassy. The other two PDP sites are in Erbil and Basrah. A recent DoS Office of Inspector General (DoS OIG) inspection report recommends that the U.S. Consulate in Erbil be colocated near the Erbil Airport with INL's police training and air wing operations. In August 2009, DoS OIG reported that the Erbil facilities are inadequate. In May 2011, DoS OIG estimated that $12 million on security and facility upgrades could be saved if the Consulate were colocated with INL operations until a permanent facility could be constructed. INL expressed its opposition to this cost-saving recommendation, stating it would be cost-effective for the Erbil Consulate to remain at its Ankawa location until a permanent Consulate is constructed.[167]

Contract Oversight

Since 2004, contracts for police training have been challenging to manage because of their size and complexity. In 2005, INL was told it needed to beef up its staffing to strengthen its oversight both in Iraq and Afghanistan. In January 2007, SIGIR and

Finalizing the INL-led PDP has been delayed because of funding uncertainties.

DoS OIG reported that poor contract administration by INL and the DoS Office of Acquisition Management put millions of dollars at risk. In October 2007, SIGIR had to suspend its audit because INL could not identify what DynCorp International provided under the contract or how funds were spent. In January 2010, SIGIR reported that INL continued to exhibit weak oversight of DynCorp and lacked resources and controls to manage the contract, thus making $2.5 billion in U.S. funds vulnerable to waste and fraud.

Because oversight had been weak, INL had to reconcile all historical invoices for work undertaken under the contract. In October 2007, SIGIR was told it would take INL three to five years to complete the reconciliation; however, SIGIR found in January 2010 that the reconciliation effort would take longer because INL had not adequately staffed the effort.

In June 2011, DoS Under Secretary for Management Patrick Kennedy testified before the Commission on Wartime Contracting (CWC) that INL had conducted a 100% reconciliation of all INL-funded, Iraq-related invoices prior to 2006 and had collected $40.8 million related to Iraq and Afghanistan invoices. He added that INL has requested another $37.9 million from DynCorp. Ambassador Kennedy went on to testify that INL's review had led to a further reduction of more than $109 million in reduced bills for contractor support services.[168]

The State Department's decision to undertake the reconciliation of invoices follows years of SIGIR criticism of INL's weak contract administration and oversight dating back to 2005. Most recently, in January 2010, SIGIR found that INL exhibited weak oversight of the DynCorp task orders for support of the Iraqi police training program. SIGIR's audit revealed that INL could not ensure that the costs submitted by DynCorp on invoices were allowable, nor was there adequate supporting documentation for the amounts being paid under the contract.[169]

The results of the reconciliation as reported by Ambassador Kennedy are a clear demonstration of the critical importance of contemporaneous

> The State Department's decision to undertake the reconciliation of invoices follows years of SIGIR criticism of INL's weak contract administration and oversight.

invoice oversight in contract execution—particularly for the new INL-led police training effort.

In October 2010, SIGIR reported that there were weaknesses in DoD's management of the police training program. These weaknesses existed, specifically, in the areas of program planning and assessments, communications and coordination between organizations performing the training, and oversight of contract police advisors.

Office of Security Cooperation-Iraq

Effective October 1, 2011, responsibility for U.S. assistance to Iraq's Ministry of Defense will transition from the Deputy Commanding General for Advising and Training (DCG-A&T) to OSC-I. OSC-I, in conjunction with U.S. Embassy-Baghdad, the GOI, and U.S. Central Command (CENTCOM), will continue to conduct security cooperation activities to support Iraq's continued development into a stable and long-term, self-reliant strategic partner of the United States. OSC-I will be a Security Assistance Organization under Chief of Mission (COM) authority and will engage directly with the Political-Military Section at the Embassy.[170]

According to OSC-I, on January 1, 2012, the Chief of OSC-I will likely become the Senior Defense Official (SDO) in Iraq. In this role, the SDO will serve as the principal DoD official in the Embassy and as the principal military advisor on defense and national security issues for the COM. The SDO will also serve as the focal point in Iraq for U.S. defense coordination with CENTCOM. The specific relationships and responsibilities of the SDO will be defined in the SDO appointment letter.[171]

OSC-I will provide management within Iraq of the GOI security assistance programs. According to DoD officials, OSC-I personnel will include 118 military personnel, 9 civilians, and 30 locally employed staff. USF-I estimates that an additional 3,000 contractors may be needed to provide life support, security, and transportation assistance for OSC-I.[172]

OSC-I DoD staff will support the Iraqi forces by advising, training, assisting, and equipping the force, providing professional military education, and planning for joint military exercises. In addition, OSC-I staff will administer the FMS program in Iraq. To provide this level of support to the Iraqi forces, OSC-I plans to operate from 10 locations throughout Iraq—6 dedicated sites and 4 sites shared with the Embassy. The six dedicated sites are located near Iraqi military installations:[173]

- Baghdad, at the current location of DCG-A&T at FOB Union III
- Tikrit, at the home of the Iraqi Air Academy
- Umm Qasr, at the primary location of the Iraqi Navy
- Taji, at the Iraqi Army headquarters and site of the Iraqi National Logistics Center
- Kirkuk, home of the Kirkuk Regional Air Wing
- Besmaya, at the site of the Iraqi Army Training Center

The four shared sites are Joint Security Stations Shield and Sather, and the Consulate locations in Erbil and Basrah. FMS case implementation may require OSC-I personnel, particularly Security Assistance Teams, to operate at additional locations.[174]

SIGIR Deputy Inspector General visits future OSC-I site in Taji on July 13, 2011.

Funding Issues

Funding for OSC-I has not yet been approved by the Congress. The FMF budget request for FY 2012 includes $1 billion to allow the United States to continue to advise, train, and equip Iraqi military forces.

Although the full scope of the USF-I advising and training mission will terminate with the USF-I withdrawal, significant balances of the ISFF will be available to continue support for the ISF after that date. USF-I reported that OSC-I will likely be responsible for executing any unobligated or unexpended ISFF monies.[175] The ISFF had been intended to provide for the ISF to attain a minimum essential capability (MEC) standard prior to the withdrawal of U.S. troops in December 2011.[176] It now appears that the readiness of the ISF to manage the security environment at the time of U.S. forces' end of mission will likely fall short of the MEC that the ISFF funds were intended to realize.[177] For information on the ISFF spend plan, see Section 2 of this Quarterly Report. ◆

OSC-I plans to operate from 10 locations throughout Iraq— 6 dedicated sites and 4 sites shared with the Embassy.

CONTRACTING

Of the 16,000 personnel who are expected to serve under COM authority after the U.S. military drawdown, most will be contractors. They will provide life support, security, and transportation, as well as help meet the medical requirements of personnel serving under the COM.[178]

Contract oversight and management will play a significant role as new contracts are awarded and contract execution commences. Testimony presented in June 2011 before the CWC reinforced the important role of contract management. In describing the State Department's strategy in Iraq, Ambassador Kennedy said that DoS's primary contracting team is located in Washington, D.C. To support its growing contracting demands, Ambassador Kennedy testified that DoS started a skills-based class for contracting officer's representatives (CORs) and adopted the Federal Acquisition Certification Contracting Officer Representative Requirements for contract administration training.[179]

DoS reached an agreement with DoD to allow the use of LOGCAP IV as a contract vehicle to obtain life support services at the primary Embassy location in Baghdad and its additional 11 locations throughout Iraq. The LOGCAP IV contract for Iraq is expected to be awarded by the end of July. This is a temporary step designed to allow DoS time to solicit its own life support contract. DoD, which has considerable experience in oversight of LOGCAP III and now LOGCAP IV, has recommended that DoS provide 20 CORs to manage the contract in Iraq. However, DoS apparently believes that only six CORs will be needed to manage the contract.[180]

> Al-Khuza'ie also noted what he perceived as the U.S. overreliance on layers of subcontractors.

U.S.-funded Contractors and Grantees in Iraq

As of June 30, 2011, 69,457 U.S.-funded contractors and grantees supported DoD, DoS, USAID, and other U.S. agencies in Iraq, according to data available in the Synchronized Predeployment and Operation Tracker (SPOT). The number of U.S.-funded contractors declined significantly this quarter, dropping by 14,797 (18%) from the 84,254 contractors registered in Iraq as of March 31, 2011.[181] For information on contractors and grantees, by agency and national origin, see Table 3.1.

DoD officials expect the number of PSC personnel in Iraq supporting DoD activities to continue to decline along with the number of U.S. troops. This decline will be partially offset by an increase in the number of PSC personnel supporting DoS activities.[182] For information on contractors and grantees, by agency and type of service, see Table 3.2.

In discussing the U.S. reconstruction effort with SIGIR, Vice President Khudayer al-Khuza'ie acknowledged the work done by the United States to help Iraq. However, al-Khuza'ie also noted what he perceived as the U.S. overreliance on layers of subcontractors, stating that "by the time you got to the contractor doing the actual work, there was only enough money for one coat of paint that melted away as soon as it rained."[183]

Contracting Actions and Grants

As of June 30, 2011, DoD, DoS, and USAID had reported 34,728 contracting actions or grants, totaling $35.94 billion in cumulative obligations.[184] This accounts for 84% of the $42.83 billion in reported financial obligations from the Iraq Relief and Reconstruction Fund (IRRF), ESF, and ISFF.[185] Comprehensive contract data was not available for

TABLE 3.1

CONTRACTORS AND GRANTEES IN IRAQ, BY AGENCY AND NATIONAL ORIGIN, AS OF 7/1/2011

	AGENCY	THIRD-COUNTRY NATIONAL	U.S. CITIZEN	IRAQI NATIONAL	TOTAL	QUARTERLY CHANGE
Department of Defense	Department of the Army (Army)	24,646	14,807	1,761	**41,214**	-3,578 (-8%)
	CENTCOM Contracting Command (C3)	10,722	2,110	2,681	**15,513**	-8,176 (-35%)
	Department of the Air Force (Air Force)	1,242	849	7	**2,098**	-310 (-13%)
	U.S. Transportation Command (USTRANSCOM)	256	10	580	**846**	148 (21%)
	Army and Air Force Exchange Service (AAFES)	720	19	3	**742**	-325 (-30%)
	Department of the Navy (Navy)		563		**563**	-234 (-29%)
	Defense Contract Management Agency (DCMA)	4	528	16	**548**	-118 (-18%)
	U.S. Special Operations Command (USSOCOM)		250		**250**	45 (22%)
	DoD Joint Program Office MRAP		192		**192**	
	Department of Defense (DoD)	49	63	4	**116**	8 (7%)
	Defense Intelligence Agency (DIA)		83		**83**	-35 (-30%)
	Space and Missile Defense Command (SMDC)		64		**64**	-7 (-10%)
	Defense Logistics Agency (DLA)	40	17		**57**	1 (2%)
	Defense Information Systems Agency (DISA)	4	49		**53**	-10 (-16%)
	Washington Headquarters Service (WHS)	35		4	**39**	-17 (-30%)
	National Geospatial-Intelligence Agency (NGA)		32		**32**	-31 (-49%)
	Defense Contract Agency (DCA)		20		**20**	-2 (-9%)
	Air Force Center for Engineering and the Environment (AFCEE)		14		**14**	13 (1300%)
	Defense Advanced Research Projects Agency (DARPA)		10		**10**	-7 (-41%)
	Missile Defense Agency (MDA)		10		**10**	-11 (-52%)
	Office of the Secretary of Defense (OSD)		8		**8**	-3 (-27%)
	Business Transformation Agency (BTA)		7		**7**	
	Army Materiel Command (AMC)		3		**3**	-2 (-40%)
	Defense Contract Audit Agency (DCAA)		1		**1**	-4 (-80%)
	Defense Finance and Accounting Service (DFAS)			1	**1**	-15 (-94%)
	Subtotal	**37,718**	**19,709**	**5,057**	**62,484**	**-12,670 (-17%)**
Other	Department of State (DoS)	1,734	3,034	35	**4,803**	-1,172 (-20%)
	U.S. Agency for International Development (USAID)	92	65	1,908	**2,065**	-98 (-5%)
	General Services Administration (GSA)		54		**54**	-35 (-39%)
	Department of Justice (DoJ)		29		**29**	-20 (-41%)
	Department of Energy (DoE)		21		**21**	
	Society of Environmental Toxicology and Chemistry (SETAC)	1			**1**	-25 (-96%)
	Department of Health and Human Services (DHHS)					-3 (-100%)
	Department of Interior (DoI)					-1 (-100%)
	Not Specified					-773 (-100%)
	Subtotal	**1,827**	**3,203**	**1,943**	**6,973**	**-2,127 (-23%)**
Total		**39,545**	**22,912**	**7,000**	**69,457**	**-14,797 (-18%)**

Note: Data not audited.

Sources: USD(AT&L), SPOT Program Support, responses to SIGIR data calls, 4/25/2011 and 7/5/2011.

TABLE 3.2

CONTRACTORS AND GRANTEES IN IRAQ, BY TYPE OF SERVICE PROVIDED AND AGENCY, AS OF 7/1/2011

| CATEGORY | SERVICE PROVIDED | AGENCY | | | | | TOTAL | QUARTERLY CHANGE |
		ARMY	C3	STATE	USAID	OTHER		
Support Services	Security Guards and Patrol Services	120	10,598	2,540			**13,258**	-4,708 (-26%)
	Facilities Support Services	738	203	403		761	**2,105**	103 (5%)
	Security Systems Services (except Locksmiths)	325	60	5			**390**	- 444 (-53%)
	Other	33,370	475	98		506	**34,449**	-1,666 (-5%)
	Subtotal	**34,553**	**11,336**	**3,046**		**1,267**	**50,202**	**-6,715 (-12%)**
Professional, Scientific, and Technical Services	Translation and Interpretation Services	2,969	137	73		94	**3,273**	-1,123 (-26%)
	Administrative Management and General Management Consulting Services	93	27	21	1,722	44	**1,907**	-70 (-4%)
	Engineering Services	702		28		968	**1,698**	-133 (-7%)
	Other	424	78	29		503	**1,034**	-109 (-10%)
	Subtotal	**4,188**	**242**	**151**	**1,722**	**1,609**	**7,912**	**-1,435 (-15%)**
Miscellaneous	Sewage Treatment Facilities; Finish Carpentry; Facilities Support; Appliance Repair and Maintenance		1,000				**1,000**	-613 (-38%)
	Support Activities for Air Transportation	176	30	473		221	**900**	100 (13%)
	Specialty Trade Contractors	17	761	1			**779**	-83 (-10%)
	Police Protection			716			**716**	-589 (-45%)
	Satellite Telecommunications	334					**334**	-80 (-19%)
	Other	1,933	1,684	412	343	2,250	**6,622**	-2,704 (-29%)
	Subtotal	**2,460**	**3,475**	**1,602**	**343**	**2,471**	**10,351**	**-3,969 (-28%)**
Not Specified		13	460	4		515	**992**	-2,678 (-73%)
Total		**41,214**	**15,513**	**4,803**	**2,065**	**5,862**	**69,457**	**-14,797 (-18%)**

Note: Data not audited.

Sources: USD(AT&L), SPOT Program Support, responses to SIGIR data calls, 4/25/2011 and 7/5/2011.

TABLE 3.3

CONTRACTING ACTIONS AND GRANTS

$ Millions

| FUND | CURRENT STATUS | | | CHANGE OVER QUARTER | | |
	COUNT	OBLIGATED	EXPENDED	COUNT	OBLIGATED	EXPENDED
ISFF	18,598	$17,830.4	$17,202.1	245 (1%)	$77.4 (0%)	$213.0 (1%)
IRRF	8,494	$14,417.4	$14,300.3	5 (0%)	-$1.2 (0%)	$10.2 (0%)
ESF	7,636	$3,694.3	$3,341.6	-56 (-1%)	$71.3 (2%)	$75.0 (2%)
Total	**34,728**	**$35,942.0**	**$34,844.1**	**194 (1%)**	**$147.4 (0%)**	**$298.3 (1%)**

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

Sources: CEFMS, *ESF*, *IRRF: Construction*, *IRRF: Non-construction*, *ISFF*, 4/1/2011 and 7/9/2011; USAID, responses to SIGIR data calls, 1/22/2010, 4/16/2011, and 7/7/2011.

the Commander's Emergency Response Program and the International Narcotics Control and Law Enforcement account.

This quarter, DoD, DoS, and USAID reported 194 new contracting actions or grants from the IRRF, ESF, and ISFF, resulting in $147 million in new obligations and $298 million in new expenditures.[186]

For an overview of the status and quarterly change of contracting actions and grants, see Table 3.3. For a list of the top contractors and grantees in Iraq, see Table 3.4. For a complete list of contracting actions and grants, as reported to SIGIR, visit: www.sigir.mil. ◆

TABLE 3.4
TOP CONTRACTORS IN IRAQ, AS OF 6/30/2011
$ Millions

CONTRACTOR	OBLIGATED				EXPENDED			
	IRRF	ISFF	ESF	TOTAL	IRRF	ISFF	ESF	TOTAL
Bechtel National, Inc.	1,186.6			**1,186.6**	1,180.2			**1,180.2**
Environmental Chemical Corporation	352.3	766.6		**1,118.9**	351.2	755.8		**1,107.0**
Fluor/AMEC, LLC	943.6			**943.6**	942.2			**942.2**
AECOM Government Services, Inc.	11.5	953.8		**965.3**	11.5	905.1		**916.6**
Washington Group International	509.5	164.7		**674.2**	508.4	163.6		**672.0**
Parsons Global Services, Inc.	687.7	3.6		**691.3**	665.8	3.6		**669.4**
International Relief and Development			686.7	**686.7**			656.0	**656.0**
Parsons Iraq Joint Venture	631.7			**631.7**	630.4			**630.4**
Kellogg Brown & Root Services, Inc.	626.5	7.9		**634.4**	620.2	6.4		**626.6**
Navistar	68.7	560.7		**629.4**	68.7	543.8		**612.4**
American Equipment Company (AMERCO)	0.2	516.9		**517.1**	0.2	513.3		**513.4**
Research Triangle Institute			446.5	**446.5**			428.2	**428.2**
Iraqi Contractor - 5300	16.6	347.8	10.5	**374.9**	16.6	330.1	10.5	**357.2**
TolTest, Inc.	86.1	266.8		**352.9**	82.4	263.8		**346.2**
Tetra International, LLC	67.4	276.2	0.4	**344.0**	67.4	274.8	0.4	**342.6**
Laguna Construction Company, Inc.	156.7	180.3		**337.0**	155.8	165.7		**321.5**
AMEC Earth & Environmental, Inc.	134.6	183.3		**317.8**	134.4	182.8		**317.3**
Innovative Technical Solutions, Inc.	25.6	283.9		**309.6**	25.6	279.4		**305.0**
Management Systems International, Inc.			354.8	**354.8**			301.1	**301.1**
MAC International FZE	177.3	118.6		**295.9**	177.2	117.9		**295.1**
Research Triangle Institute (RTI)	287.7			**287.7**	287.4			**287.4**
Weston Solutions, Inc.	114.1	170.3		**284.4**	114.1	170.0		**284.1**
Anham Joint Venture	258.5	6.3		**264.8**	258.5	6.3		**264.8**
CHF International	51.4		210.9	**262.3**	51.3		201.2	**252.5**
Louis Berger International, Inc.			300.4	**300.4**			251.6	**251.6**
BearingPoint, Inc.	154.4		93.6	**248.0**	153.3		92.5	**245.9**
Symbion Power, LLC	240.0			**240.0**	239.6			**239.6**
Siemens	217.9		6.4	**224.3**	217.9		6.4	**224.3**
Raytheon Company	2.5	227.3	0.9	**230.7**	2.5	216.4	0.9	**219.8**
URS Group, Inc.		225.8		**225.8**		219.7		**219.7**

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

Sources: CEFMS, *ESF, IRRF: Construction, IRRF: Non-construction*, ISFF, 4/1/2011 and 7/9/2011; USAID, responses to SIGIR data calls, 1/22/2010, 4/16/2011, and 7/7/2011.

FOCUS ON DIYALA

FIGURE D.1
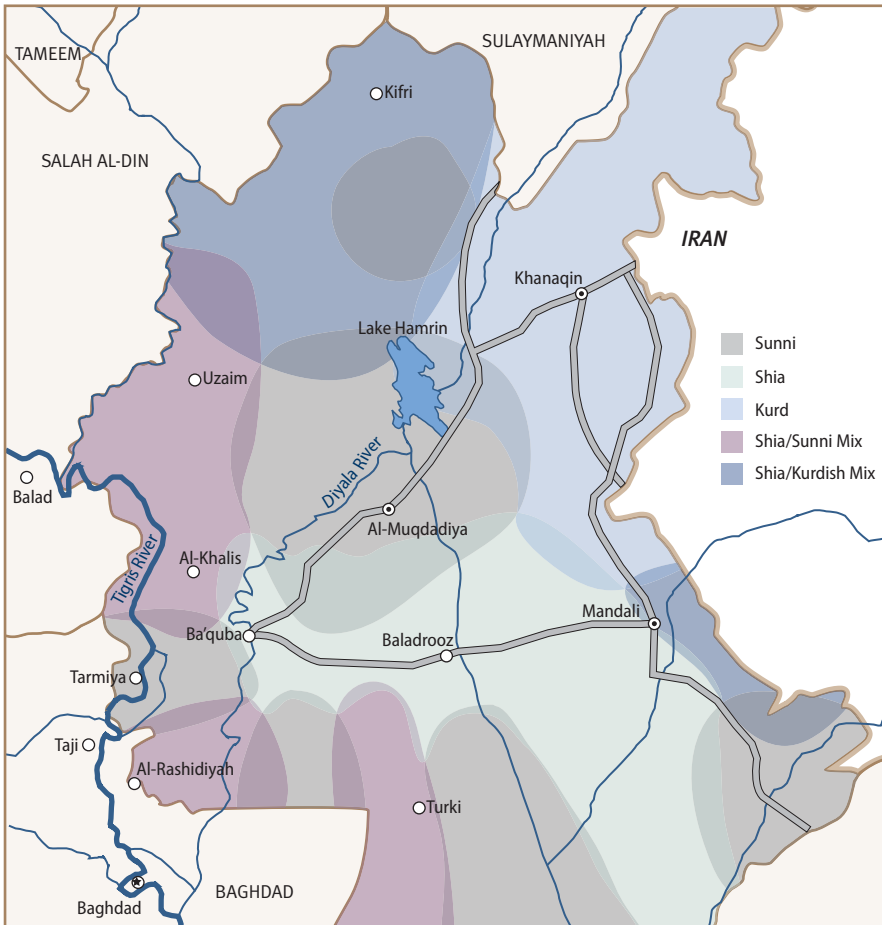
Note: The map above shows the diverse ethnic and religious composition of Diyala province. The shapes are rough indicators and should not be viewed as exact.

Source: 3rd HBCT, 1st Cavalry Division, "Diyala Province," 10/2006–12/2007, as sourced in Claire Russo, "Diyala Provincial Election: Maliki and the IIP," The Institute for Understanding War, 1/30/2011, p. 12.

Geography
Provincial Capital: Ba'quba
Area: 6,828 square miles (17,685 square kilometers), 4.1% of national territory
Major Cities: Ba'quba, Baladrooz, al-Khalis, Kifri, and Khanaqin

Demography
Population: 1.65 million (2009 GOI est.)
Rural vs. Urban: 59% vs. 41%
Major ethnosectarian groups: Sunni (55%); Shia (25%); Kurds (10%); others, including Turkmen, Christians, and Yazidis (10%)

Political Economy
Governor: Abdul-Nasser al-Mahdawi (Iraqi Accordance Front)
Provincial Council Chairman: Talib Mohamad Hasan (Kurdistani Alliance)
Main Industry: Agriculture

U.S. Presence
Diyala PRT Closure Date: September 2011
Total U.S. Reconstruction Funds Committed: $1.06 billion
Ongoing U.S. Capital Investment: $54.9 million
Planned U.S. Capital Investment: $5.18 million

Note: Population estimates based on data call responses from U.S. Embassy-Baghdad, 3/29/2009, 7/6/2009, and 7/16/2009, and information from the Diyala Investment Commission. Funding information from PRT Diyala.

Background

Bordered by Iran, the Kurdistan Region, Baghdad, the mostly Sunni province of Salah Al-Din, and the overwhelmingly Shia province of Wassit, Diyala is a microcosm of Iraq. With its contentious intercommunal relationships, mixed economy, and varied geography, the major issues in Diyala reflect, albeit on a smaller scale, the foremost challenges facing Iraq. As one U.S. brigade commander said about Diyala in 2007, "basically, all the issues and conflicts that exist through all Iraq . . . exist here."[187]

With no national census since 1987 and large-scale population displacements having occurred both before and after 2003, measuring the size and composition of Iraqi provincial populations with precision is impossible. The situation is particularly difficult in Diyala because of the Ba'athist regime's mass resettlement of Arabs there and related expulsions of Kurds in the period after the Iran-Iraq War. Most estimates, however, show that a majority of Diyala's residents are Sunni Arabs, but as Figure D.1 shows, they share the province with several different groups. Intertwined

amidst this ethnic mosaic is an even more complex web of tribes. According to the U.S. military, in 2007 there were at least 25 major tribes and almost 100 sub-tribes in Diyala, some of which encompassed both Sunni and Shia branches. As a former Diyala Provincial Council member told SIGIR in July, ethnic tensions were minimized prior to 2003 because, "Saddam ruled with an iron fist."[188]

Because its oil and natural gas resources have yet to be extensively developed, Diyala's economy remains heavily dependent on agriculture. Once known as the "City of Oranges" for its bountiful citrus groves, the provincial capital of Ba'quba lies at the heart of the fertile Diyala River valley, which bisects the province from the northeast to the southwest. But a plurality of the province's population (40%) resides in the province's largest, and mostly desert, district of Baladrooz.[189]

Arab-Kurdish Dispute

North of Baladrooz lies the district of Khanaqin—the central focus of Arab-Kurdish tensions in Diyala province. In the aftermath of the Iran-Iraq War, Saddam Hussein attempted to "Arabize" much of Khanaqin by expelling large numbers of Feyli (Shia) Kurds from Iraq, accusing them of actively sympathizing with their Shia co-religionists across the border. In their place, the Ba'athists relocated Sunni Arab families—thought to be more sympathetic to Saddam—to take ownership of the vacated homes. After 2003, many displaced Kurds resettled in the district, and the Kurdistan Regional Government (KRG) asserted claims to parts of Khanaqin and neighboring Kifri districts—claims contested by the Government of Iraq (GOI).[190]

These tensions led to a stand-off between Kurdish *Peshmerga* forces and the Iraqi Army (IA) in August 2008, when elements of the IA's 1st Division entered Khanaqin—a movement that the IA's Chief of Staff, a Kurd, claims not to have known of in advance.[191] Like the disputes between the GOI and KRG over Kirkuk, the conflicting claims over northern Diyala are meant to be settled as part of the process set forth in Article 140 of the Iraqi Constitution. But, to date, the GOI has made little progress in moving forward with the Article 140 process, which requires it to conduct both a census and referendum. Underscoring

the unresolved nature of this dispute, in late May 2011, the Khanaqin municipal government raised the KRG flag over an official border crossing with Iran for the first time.[192]

Since 2010, the U.S. military has been engaged in joint patrols with the Iraqi Security Forces (ISF) and Kurdish *Peshmerga* along the Kurdistan Region's southern border. As of June 30, no firm plans exist regarding what force, if any, will replace them if the U.S. military withdraws from Iraq as scheduled by the end of the year. This led former U.S. Forces-Iraq (USF-I) Commanding General Raymond Odierno to publicly raise last year the possibility of an international peacekeeping force eventually patrolling territories claimed by both the KRG and GOI.[193]

Security

The Insurgency Intensifies: 2003–2006

Between 2003 and 2006, the insurgency gradually intensified in Diyala, as armed groups streamed into the province from cities where there was a larger Coalition military presence, such as Baghdad.[194] By June 2007, the number of monthly incidents had reached 1,023:[195]

1,023
6/2007

96
1/2004

46
12/2010

Figure D.2 shows major security events in Diyala during peak violence in 2006–2008.

By April 2006, Abu Musab al-Zarqawi, then-head of al-Qaeda in Iraq (AQI), felt secure enough to declare Diyala as the capital of the caliphate he intended to establish in Iraq. That same month, AQI launched a large-scale offensive in the province, striking targets across Diyala from their rural bastions in the farmlands near Ba'quba.

U.S. artillery round detonates during operations against insurgents in Diyala in January 2007. (USF-I photo)

Although Coalition forces killed al-Zarqawi in a June airstrike on his hideout near Ba'quba, the security situation in the province continued to deteriorate as the year wore on. Sectarian tensions in Diyala were also exacerbated by the Sunni perception that the Shia-dominated police force acted in a partisan manner. In one incident, a police sweep netted about 900 detainees—all but 2 of whom were Sunnis.[196]

As the security situation grew worse, Diyala's government ceased to function. In September 2006, Diyala officials stopped distributing regular food rations and fuel to residents. In October, the provincial government recessed because of the deteriorating security situation. By December, the insurgency effectively controlled Ba'quba and much of the Diyala valley.[197]

Securing Diyala: 2007

Beginning in January 2007, Coalition forces, led by the U.S. 1st Cavalry Division, slowly reasserted control over Diyala. After clearing AQI fighters from the village of Turki southeast of Ba'quba in Operation Turki Bowl, U.S. forces gradually pushed toward the provincial capital. In an attempt to counter the increased tempo of U.S. operations, AQI launched several attacks in March and April, using suicide bombers against civilian targets in towns and villages and kidnapping and killing many GOI officials. Shia militias also constituted a serious security threat. In late February, U.S. troops uncovered a cache of more than 150

FIGURE D.2

SIGNIFICANT SECURITY EVENTS IN DIYALA, 2006–2008

2006

2007

2008

April
Abu Musab al-Zarqawi declares Diyala the capital of his caliphate

June 7
Al-Zarqawi killed in U.S. airstrike

September
Diyala government stops PDS food and fuel deliveries

January–February
U.S. army sweeps rural areas east and south of Ba'quba

April
U.S. forces establish 7 combat operating posts in and around Ba'quba

Mid-May
Commander of 5th Iraqi Army Division relieved of command for sectarian bias

September
AQI launches a series of attacks on Diyala Concerned Local Citizen groups

September 24
Suicide bomber kills 28 at a reconciliation meeting in Ba'quba

January
Coalition forces clear AQI elements from farming communities northeast of Ba'quba

October
Series of major reconciliation meetings held by pro-GOI sheiks

March–June
ISF and SOI increase presence northeast of Ba'quba

August–September
ISF arrests several Diyala SOI leaders

October
Diyala government recesses

December
Insurgents take effective control of Ba'quba

March
AQI launches large-scale attacks in southern Diyala

Mid-March
U.S. forces reinforce Diyala

June 19
Operation Arrowhead Ripper targets insurgents in Ba'quba

July
Operations Ithaca and Olympus drive AQI from smaller Diyala town

July 23
First large reconciliation meeting held by anti-AQI tribal sheiks and Diyala officials

August 19
More than 100 Diyala tribal leaders sign pact pledging to oppose AQI and other insurgents

August 27
U.S. and ISF forces launch Operation Church north of Ba'quba

November–December
Operation Raider Reaper targets AQI elements operating in rural areas outside Ba'quba

July 15
Suicide bombers attack IA recruiting station in Diyala, killing 35

August 11
Diyala Provincial Council removes Provincial Police Commander Qureshi on grounds of sectarian bias

Mid-August
Special GOI counterterrorism unit raids provincial government buildings, arresting several Sunni officials on charges of supporting AQI

Mid-August
Iraqi Army enters Khanaqin district; standoff with Kurdish *Peshmerga* ensues

Note: This timeline highlights selected major events during 2006–2008.

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

Munitions seized from insurgents in Diyala. (USF-I photo)

Iraqi Army soldier on patrol outside Ba'quba. (USF-I photo)

SOI checkpoint in Diyala. (USF-I photo)

Iranian-made weapons, suggesting that Iraq's eastern neighbor was supplying Shia militia operating in Diyala.[198]

On June 19, 2007, U.S. and ISF units began Operation Arrowhead Ripper to clear Ba'quba city and its environs. Although fighting continued throughout the summer, Ba'quba was mostly secure by August, as U.S. forces pushed AQI out of the city and into the hinterlands. By mid-year, AQI's religious extremism and brutal tactics, along with an increasingly assertive Coalition military presence, contributed to many of AQI's secular

Sunni allies abandoning them and beginning to provide intelligence and other assistance to the U.S. military. These collections of concerned local citizens included the Ba'quba Guardians, a U.S.-backed group formed in July 2007 to provide security in the provincial capital. Eventually, many of these groups would be financially supported by the U.S. military via the Sons of Iraq (SOI) initiative.[199]

Precarious Stability: 2008–2011

In 2008, Coalition military operations in Diyala emphasized clearing AQI

remnants from farming communities and small towns in the Diyala valley. In contrast to previous operations, which swept through these areas without leaving behind a permanent security presence, U.S. and ISF units began establishing outposts in several outlying communities.[200] Figure D.3 compares AQI's presence in Diyala in December 2006 to its presence in March 2008.

In 2007 and 2008, tensions grew between Diyala's Shia provincial police chief, Ghanem al-Qurishi, and the mostly Sunni SOI. This conflict came to

FIGURE D.3
AL-QAEDA IN DIYALA PROVINCE, 2006 VS. 2008

December 2006

Kirkuk
Tikrit
Samarra
Ba'quba
Ramadi
Falluja
Baghdad
Diyala Province

KEY Isolated Pockets — Heavy Concentration

March 2008

Kirkuk
Tikrit
Samarra
Ba'quba
Ramadi
Falluja
Baghdad
Diyala Province

KEY Isolated Pockets — Heavy Concentration
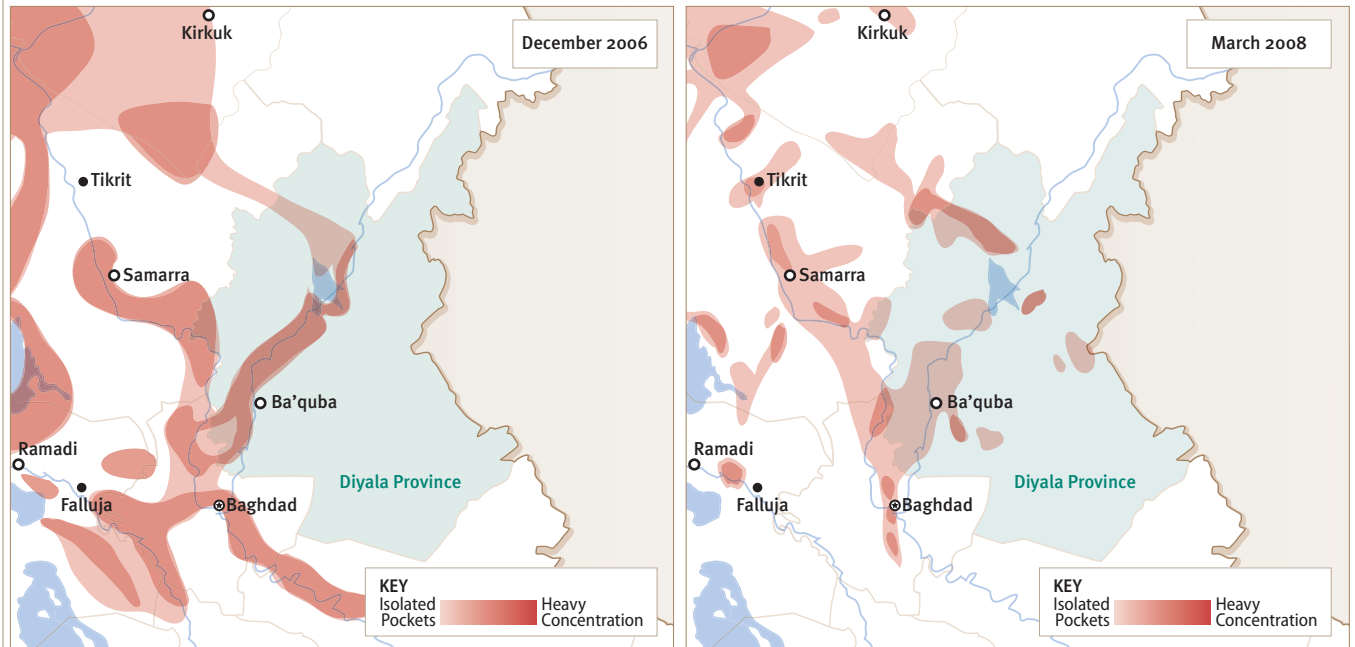
Source: MNF-I, Charts to accompany the testimony of General David H. Petraeus, before the Senate Armed Services Committee hearing, "On the Situation in Iraq and Progress Made by the Government of Iraq in Meeting Benchmarks and Achieving Reconciliation," 4/8/2008, slide 8.

FIGURE D.4
SONS OF IRAQ IN DIYALA PROVINCE

Beginning in October 2008, the Government of Iraq (GOI) progressively assumed full management responsibility for the Sons of Iraq (SOI) program from Coalition military forces, taking control of more than 8,600 Diyala personnel on January 1, 2009. Under the terms of an agreement with the Multi-National Force-Iraq, the GOI promised to provide government employment for all 95,120 SOI members, either in the security ministries (Interior and Defense) or elsewhere. A SIGIR audit released in January 2011, however, reported that meeting this goal has been challenging. As of December 2010, about 42% of all SOI personnel had been transferred to GOI jobs—but only 463 (5.3% of all SOI transferred) were from Diyala province.

Breakdown of SOI Personnel

9.1%

● Total SOI force strength
● Diyala personnel, as of 4/2009
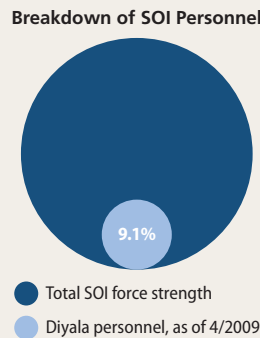
Source: SIGIR Audit 11-010, "Sons of Iraq Program: Results are Uncertain and Financial Controls Were Weak," 1/28/2011.

a head in August, when special security units from Baghdad raided the Ba'quba government center, arresting pro-SOI/anti-Qureshi officials after a firefight with the center's guards. The ISF remains reluctant to integrate Diyala SOI into its units (see Figure D.4 for information on the SOI program in Diyala).[201]

Although the security situation in Diyala has improved since 2008, the province remains one of Iraq's most volatile. On June 14, 2011, multiple suicide bombers and gunmen targeted

a provincial government building. At least 9 people died in the attack and about 17 were wounded. Two weeks later, Ba'quba's mayor was injured when an improvised-explosive device detonated near his convoy. In the wake of these attacks, several Diyala officials announced their intention to avoid provincial government facilities and conduct their work elsewhere until the security situation had improved.[202] Figure D.5 lists significant recent security events in Diyala province.

Diyala officials expressed grave concerns to SIGIR in July meetings about the security situation. The province's chief prosecutor remarked that every time he steps outside his house, it "is a walk into the unknown:"[203]

> There isn't anything that makes me hopeful. If anything, I'm cynical. As long as sectarianism still exists it will kill all hope and optimism, and fear will reign. As a country, we need security. We've gone back 100 years. The other countries of the region—once having only sand—are thriving today . . . and look like European cities. All we want in Iraq is to be stable enough to start catching up.[204]

Future of U.S. Presence

While the provincial officials who spoke to SIGIR expressed mixed feelings about the planned departure of the U.S. troops currently stationed in Ba'quba, they were unanimous in their wish for the United States to maintain some presence in the province after December 2011. One Diyala official told SIGIR that, "if the United States pulls out all its [civilian and military] personnel from the province,

FIGURE D.5

SELECTED INCIDENTS OF VIOLENCE IN DIYALA, 4/10/2011–7/10/2011

April
Wednesday, April 13: Local government official wounded by IED in Ba'quba
Thursday, April14: Police spokesman survived bomb attack on his residence in Ba'quba
Thursday, April 28: Suicide bomber attacked Shia mosque in Baladrooz, killing **8** and wounding about **18**
Friday, April 29: Imam of a mosque in Khanaqin killed with his family by gunmen; **4** Awakening members killed in armed attack on a house south of Ba'quba

May
Friday, May 6: Bodyguard of Awakening sheik stabbed to death south of Ba'quba
Saturday, May 7: **10** police officers wounded in car bomb attack in Ba'quba; **5** killed and **3** wounded in attack on money exchange in Ba'quba
Wednesday, May 25: Ministry of Oil official killed by gunmen in Khanaqin
Saturday, May 28: **2** attacks (IED and grenade) killed **1** civilian and wounded **3** police officers in Ba'quba

June
Tuesday, June 7: Police chief of Hibhib, a small town west of Ba'quba, killed by sticky bomb detonation
Saturday, June 11: Retired IA officer and his son killed by sticky bomb detonation in Khanaqin
Tuesday, June 14: Suicide bombers and gunmen attacked Diyala provincial government complex in Ba'quba, killing **2** police officer and wounding more than **20** others
Saturday, June 18: Bomb killed **3** in Ba'quba
Sunday, June 19: Sticky bomb explosion in Ba'quba killed **1** and injured **3**
Monday, June 20: Mayor of Judeidat al-Shat, a small town north of Ba'quba, killed by gunmen who attacked his residence
Sunday, June 26: Suicide bomber kills police chief near Ba'quba
Tuesday, June 28: Mayor of Ba'quba survived IED attack on his vehicle

July
Monday, July 4: Official from the Patriotic Union of Kurdistan party shot and killed northeast of Ba'quba
Wednesday, July 6: VBIED attack in Ba'quba killed **2** police officers and wounded **19** other people
Thursday, July 7: IED exploded near a butcher shop west of Ba'quba, wounding **3**
Saturday, July 9: Booby-trapped motorcycle exploded in Ba'quba, wounding **15**

Note: The security incidents cited above are intended to provide a sense of the types of violence occurring in Diyala province. This is not intended to be a comprehensive list of all security incidents.

Source: SIGIR analysis of open-source Arabic- and English-language documents, 4/2011–7/2011.

ISF and SOI officials confer at a U.S. base in Diyala. (USF-I photo)

it will be a very big mistake." Diyala officials cited the simmering religious and ethnic tensions—between Sunni and Shia, and Arabs and Kurds—and its strategic location on the Iranian border as two reasons weighing in favor of a continued U.S. presence in the province.[205]

Camp Ashraf: A Lingering Issue
Located northeast of the town of al-Khalis, Camp Ashraf has housed members of the Iranian Mujaheddin e-Khalq (MeK) (also known as the People's Mujaheddin Organization of Iran) for more than two decades. The MeK fought as allies of Saddam Hussein in his wars against Iran and the U.S.-led Coalition and were placed on the U.S. Department of State (DoS) list of Foreign Terrorist Organizations. In mid-2004, Coalition forces granted the camp's residents protection under international law, on the condition that they relinquish their arms.

On January 1, 2009, the U.S. military transferred control of Camp Ashraf and its approximately 3,400 residents to the GOI on the understanding that these protections would continue. However, ISF units have entered the camp on at least two occasions since January 2009, and each encounter resulted in multiple deaths. Most recently, an ISF incursion in early April resulted in the deaths of more than 30 camp residents. A U.S. congressional delegation attempted to visit Camp Ashraf during a June 2011 trip to Iraq, but was not granted GOI permission to travel there. Current GOI plans call for shutting down Camp Ashraf by the end of the year and relocating the MeK elsewhere, either in Iraq or another country.[206]

SIGIR Deputy Inspector General meets with Diyala officials.

Governance
Relations between the provincial government and Baghdad remain somewhat contentious. This quarter, Diyala's governor threatened to resign if the GOI failed to release certain detainees and accede to his demands on other security matters.[207] As of July 10, however, he had not followed through with his threat.

Provincial Elections, 2005 and 2009
In 2005, a widespread boycott by most Sunni Arab political parties of Iraq's first post-2003 provincial elections resulted in a coalition of Shia parties winning almost 50% of the 41 seats on Diyala's Provincial Council, despite Shia numbering only about one-fourth of the province's population. The only major Sunni Arab party participating in the 2005 provincial elections in Diyala, the Iraqi Islamic Party, won 14 seats. A Kurdish-led bloc won the remaining 7 seats. Thus, Sunni Arabs, who comprise more than one-half of the province's population, held only about one-third of the seats on the Provincial Council. After the 2005 elections, council members chose as governor Ra'ad Hameed al-Mula Jowad al-Tamimi, a Shia Arab affiliated with the party now known as the Islamic Supreme Council of Iraq.[208]

Four years later, Sunni Arab turnout increased dramatically, resulting in two Sunni Arab-led parties finishing first and second in Diyala's 2009 provincial elections. The United Accord and Reform Front in Diyala and the National

Iraqi Project combined to win 15 of the 29 seats on the newly reduced-in-size Provincial Council. The council subsequently elected as governor Abdul-Nasser al-Mahdawi, a Sunni.[209] Figure D.6 compares the approximate Shia, Sunni, and Kurdish populations in 2005 and 2009 with the percentage of council seats won by each community.

FIGURE D.6

COUNCIL SEATS WON IN DIYALA, 2005 VS. 2009
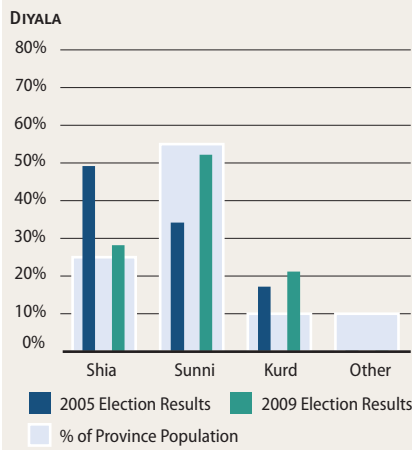
Sources: UNAMI, Elections Results, Issue No. 30, 2/2009; GOI, IHEC, www.ihec.iq/arabic, SIGIR translation, accessed 2/22/2009; U.S. Embassy-Baghdad, response to SIGIR data call, 4/2/2009.

Residents of al-Khalis confer with ISF officials about insurgent attacks. (USF-I photo)

Council of Representatives

In the March 2010 national parliamentary elections, former Prime Minister Ayad Allawi's al-Iraqiya bloc won 8 of Diyala's 13 seats, with about 60% of eligible voters casting ballots. The Shia-dominated Iraqi National Alliance finished second, winning 3 seats. The Kurdistani Alliance and Prime Minister Nuri al-Maliki's State of Law coalition each won one seat.[210]

Economic Development

According to Diyala officials and community leaders with whom SIGIR met in early July 2011, the provincial economy is one of the worst-performing in Iraq. Diyala officials estimated unemployment at about two-thirds of the working-age population.

The provincial economy runs a deficit, producing little that contributes to the national coffers while drawing about $120 million annually from Baghdad for payroll and stipends. Diyala officials have chiefly ascribed the poor performance of the economy to the near anarchy that characterized the province before 2008.

Officials added that although some progress has been made in the past three years, security in the province has deteriorated in recent months, placing even that fragile progress at substantial risk.[211] The uncertain security environment in Diyala has dissuaded foreign companies from committing resources to the province. One study concluded that less than 1% of all foreign commercial activity in Iraq last year occurred in Diyala.[212]

Provincial Investment Promotion

Diyala has two main investment-promotion organizations operating to improve its economy:[213]

- **Diyala Chamber of Commerce.** With a membership of about 5,000, the Chamber is the largest economic development organization in the province, assisting businesses in obtaining loans, monitoring inflation, and promoting exports. However, the Chamber reported that its operations have been somewhat impeded by the Ministry of Interior's seizure of half of its headquarters building.

- **Provincial Investment Commission (PIC).** Beset by political infighting from its inception more than two years ago, the PIC is struggling to gain a foothold in the province and has not received any funds from the Ministry of Finance. The nine commissioners who lead the PIC have not been paid, and they currently operate out of a rented house. The U.S. Provincial Reconstruction Team (PRT) in Diyala is helping the PIC find a permanent headquarters.

Agriculture

Diyala contains about 10% of all arable land in Iraq, and its agricultural sector is the main source of employment in the province, providing roughly 70% of all nongovernment jobs. Primary crops include dates (of which there are more than 72 local varieties), citrus fruits, seasonal vegetables (such as eggplants and peppers), wheat, barley, grapes, and figs.[214]

Under the Ottoman Empire, most farmland in Diyala was registered to tribal collectives. Today, farms are held under a variety of different types of deeds, including private, tribal, government-owned and -operated, and government-owned but provided to businesses or citizens for commercial exploitation. This complicated system of land ownership is just one factor affecting the development of Diyala's farming sector. Other challenges include low rainfall, which averages about four inches per year; poorly maintained irrigation canals; lack of fertilizer; limited refrigerated-storage facilities; and poor road networks.[215]

Most of the water used for farming comes from the Diyala River, which flows from Iran, through the Kurdistan Region, into the province. According to

Diyala officials open the annual date festival in Ba'quba. (USF-I photo)

Joint U.S.-ISF patrols near the Diyala River. (USF-I photo)

U.S. patrol encounters cattle in rural Diyala. (USF-I photo)

the provincial Director General (DG) of Water Resources, "amounts released from Iran are totally arbitrary because there are no agreements between the two governments." The KRG also dams the water, further limiting the province's supply. "As a result, we can't plan anything," the DG said.

Studies on underground water sources have found that water tables are between 60 and 360 feet deep, but their high salinity and sulfur levels render them unusable. As a consequence, many people unable to sustain their farms are migrating to the cities and joining the ranks of the unemployed. The DG said his office is trying to adopt new irrigation technologies such as drip irrigation with assistance from PRT Diyala, but stated that the challenges are still vast.[216]

On July 9, residents of Khanaqin conducted a protest march against the Iranian government's decision to interrupt the downstream flow of water in one of the Diyala River's tributaries. According to the chairman of Diyala's Provincial Council, local officials lodged a formal complaint with Baghdad about this matter in May, but did not receive a response.[217]

Banking

The banking sector is a major component of the provincial economy, but it, too, is struggling to address multiple challenges. There are only 11 branches of the government-owned Rafidain and Rashid banks for a province of more than 1.6 million people. The Diyala Supervisor of Banking stressed the need for private banks to

open in the province because they would have better technical infrastructure and more experienced staff.[218]

Banks do make loans available to Diyala residents, albeit in limited fashion. The GOI Real Estate Bank offers 20-year loans for homes at 2%, while Rafidain offers 15-year loans at 8%. For those who follow Islamic law, which prohibits the payment of interest, the GOI is exploring the establishment of Islamic banks. Prime Minister al-Maliki also recently set up a fund that provides five types of no-interest loans to farmers. But Diyala officials noted that there is no oversight of these loans after the money is lent.[219]

Natural Gas and Oil

On June 5, 2011, the Ministry of Oil finalized a 20-year contract with a Turkish-led consortium to develop the Mansuriya natural gas field, located about 50 kilometers northeast of Ba'quba, near the Iranian border. The field is estimated to be capable of producing about 320 million cubic feet of gas per day. As part of the deal, Turkey's state-owned oil and gas company (TPAO) will contribute 50% of the investment needed to exploit this field, the Kuwait Energy Company will contribute 30%, and the Korean Gas Corporation will provide the remaining 20%. Production is not estimated to come on line until 2015.[220]

The Ministry of Oil announced plans to conduct its fourth hydrocarbon licensing round in early 2012, which would include a large natural-gas exploration site that runs from southern Diyala under the inter-provincial border into northern Wassit.[221]

Diyala lacks the large oil fields found in provinces to its north and south, further contributing to its relative impoverishment. Most of Diyala's modest oil deposits are located in the northern area of the province. Naft Kana, the largest field, produces about 16,000 barrels per day, much of which is shipped to Baghdad by truck for refining. According to PRT Diyala, the oil sector provides about 32,000 jobs in Diyala.[222]

Industrial Activity

According to PRT Diyala, large businesses operating in the province (those with more than 100 employees) provide jobs for more than 11,000 individuals.[223] Many of Diyala's largest firms, however, are not operational. Cheap imports have caused several food-processing plants to cease operations, as their products were priced out of the market. Politics also plays a role. For example, al-Khalis Medicinal Alcohol Plant lies idle because the GOI has denied the owners financing, citing their close association with the former Ba'athist government. Table D.1 summarizes the current state of Diyala's large businesses.[224]

State-owned Enterprises: A Case Study

The largest state-owned enterprise (SOE) operating in the province is the Diyala State Company for Electrical Industries (DEI). Established in 1977, the company began producing a variety of small consumer and industrial goods in the early 1980s. Employing more than 3,500

TABLE D.1

STATUS OF MAJOR COMPANIES IN DIYALA, 7/2011

STATUS	BUSINESS NAME	TOTAL EMPLOYEES
Currently Operating		
	Diyala State Company for Electrical Industries (51% private, 49% public)	3,500
	Baladrooz Brick Plant (100% public)	2,000
	Khan Bani Sa'ad Silo (100% private)	270
	New Baghdad Brick Factory (100% private)	240
Not Operating		
	Dehliki Food Processing Plant (100% private)	1,500
	Al-Oury Food Process Plant (Ba'quba) (100% private)	1,500
	Nassim al-Baradi Date Processing Plant (privately owned by Jordanian interest)	1,000
	Al-Muqdadiya Milk Factory (100% private)	300
	Al-Khalis Medicinal Alcohol (51% public, 49% private)	210
	Khan Bani Sa'ad Water Bottling Plant (n/a)	200
	Baladrooz Water Bottling Plant (n/a)	200
	Al-Muqdadiya Chicken Factory (n/a)	100

Source: PRT Diyala, "Diyala Provincial Business and Investment Organizations" (draft), 7/2011.

Worker moves sheet metal at the Diyala State Electrical Company. (USF-I photo)

FIGURE D.7

SMALL AND MEDIUM-SIZED BUSINESSES IN DIYALA AND NATIONWIDE, BY SECTOR
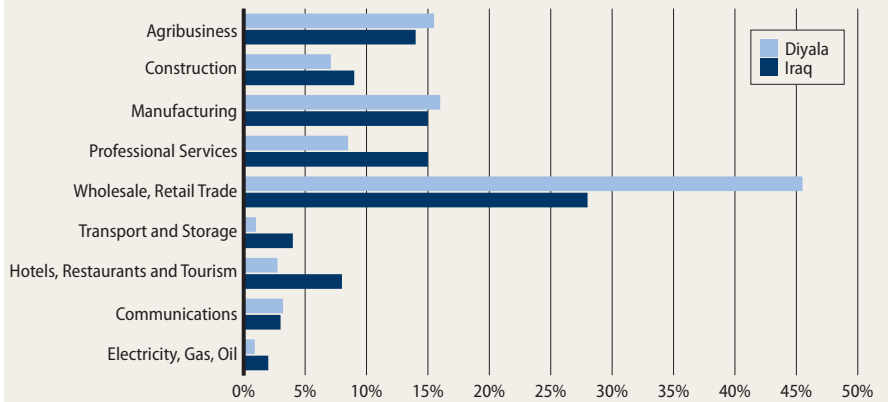
Source: USAID, *Tijara*, "Market Assessment: Business Constraints and Opportunities at the Business Enabling Environment and Firm Levels for the Province of Diyala, Iraq," 3/2010, p. 33.

workers, the company makes spark plugs, water heaters, electrical transformers, ovens, and ceiling fans, which it sells primarily to various GOI ministries.[225]

Although the security situation caused it to cease operations for a time in 2007, its major problems are now more mundane and more persistent. Irregular power supplies often disrupt production lines, and modern management methods remain largely unknown. Moreover, the global economic downturn of 2008 stymied efforts to attract foreign investors, causing an Egyptian-Jordanian consortium to back out of its initial commitment to purchase 51% ownership in the company.[226] Notwithstanding these challenges, PRT Diyala reports that the GOI recently ordered more than $20 million of electrical transformers from DEI.[227]

Small and Medium-sized Businesses

While large SOEs dominated much of Iraq's pre-war command economy, the past eight years have witnessed the rise of smaller, independent businesses. More than 70% of small and medium-sized businesses in Diyala have been established since 2003. Of these, 45% operate in the trade sector, selling consumer goods or other products out of *suqs* (Arabic for markets) or small shops. Figure D.7 shows a sector breakout of these

Ba'quba business district.

businesses, comparing them with the rest of Iraq.[228]

Although they pre-date American malls by millennia, *suqs* serve much the same function, bringing together a wide variety of commercial enterprises and service providers in one location. In Diyala, about 50% of all small businesses are housed in *suqs*, as are the offices of many doctors, lawyers, and other professionals. Cognizant of their importance to the local economy, AQI conducted operations out of bases located inside the *suqs*, which consequently suffered significant damage when U.S. and Iraqi forces conducted clearing operations aimed at eliminating these terrorist nests. The Aruba Suq in al-Muqdadiya, Diyala's largest market, suffered extensive damage as a result of such operations.[229] Table D.2 summarizes U.S.-funded efforts to refurbish Diyala *suqs*.[230]

TABLE D.2

U.S.-FUNDED SUPPORT FOR DIYALA *SUQS*

NAME	% OF PROVINCIAL BUSINESS	NUMBER OF SHOPS	ASSISTANCE
Aruba (al-Muqdadiya)	16	2,500 (200 open)	Former headquarters of AQI in Diyala and a major Coalition rehabilitation project
West Ba'quba	10	1,500	Several Coalition projects have focused on rehabilitating this market
Khan Bani Sa'ad	10	1,500	CSP is rehabilitating this market and coalition forces have provided roughly $400,000 in microloans
Baladrooz	7	75	Rehabilitated by Coalition forces
Old Ba'quba	3	600	n/a
Al-Khalis	2	500	I-CERP funds are currently being used to rehabilitate this market
Abu Sayda	2	500	CSP project submitted
Buhritz (Ba'quba)	1	250	Received some Coalition funding
Al-Mulameen (al-Muqdadiya)	1	250	n/a
Hibhib	0.5	150	CSP project submitted
Udain (1)	0.5	150	CSP project submitted
Udain (2)	0.3	75	Rehabilitated by Coalition forces
Khanaqin	0.3	75	n/a
Mandali	0.25	65	n/a

Source: PRT Diyala, "Overview of Major *Suqs* in Diyala," 7/2011, pp. 35–36.

SIGIR officials meet with Diyala Chief Justice.

Rule of Law

Citing recent increases in the overall number of convictions, the province's chief judge and chief prosecutor told SIGIR that the Diyala judiciary, though facing profound challenges, is improving its performance. The chief prosecutor noted that the magnitude and complexity of cases is the main problem facing Diyala judges. He stated that about 70% of recent convictions involved terrorism matters. He said that, "before 2003, the worst case we had was a homicide case," adding that, "back then, we handled about 175 cases per year.… Last year we handled 880 cases." In looking ahead to the rest of 2011, he said that the court is on track to handle even more cases than in 2010, having opened more than 500 new cases between January and June of this year.[231]

Police

According to the chief judge and chief prosecutor, the Iraqi police in Diyala are improving. They cited a decrease in the number of pre-trial detainees from 2,500 in November 2010 to around 1,200 in May 2011, suggesting that the police are now less likely to round up suspects and detain them without conducting a proper investigation.[232] However, the chief prosecutor voiced concern over the quality of some police. He said that these officers, drawn from army backgrounds, have less respect for court orders. The chief prosecutor added that sometimes these problematic officers will not release a prisoner despite a judge's ruling, while other times they will not arrest someone even though the court issued a valid warrant for that person's detention. He also noted that there continue to be some illiterate police officers who cannot perform basic job functions.[233]

Corruption

Diyala provincial government officials described corruption in the province as rampant, noting that positions that should be occupied by skilled technocrats are instead filled with patronage appointees whose loyalties lie with politicians in Baghdad. Since government jobs are often the only employment to be had, corruption in the public sector affects the entire provincial economy. Several officials mentioned sectarianism as one factor contributing to corruption, as unqualified government officials use their positions to advance the financial and political interests of themselves and their particular affiliations.[234]

According to Commission of Integrity (COI) officials, GOI anticorruption agencies in Diyala focus their efforts on the capital, and they often lack the will and the means to carry their oversight to the provinces. They cited inadequate resources—such as cars, personnel, office equipment, and funding—and pressure from local officials and religious leaders as factors inhibiting their efforts.[235]

From January 1 to May 31, 2011, the COI reportedly referred 186 suspects from Diyala to investigative judges (IJs) for further action: 139 (75%) were accused of violating Article 240, which criminalizes the disobeying of directions given by a public official, and 36 (19%) were alleged to have used forged educational or professional certificates to obtain employment or promotion. Thus, 94% of the COI cases sent to IJs during that period involved relatively minor allegations, and no cases involving senior Diyala officials had been forwarded for adjudication.[236]

Living Conditions

In meetings with SIGIR, Diyala officials expressed a pervasive sense of pessimism about the future of the province. As one government official said, "Our fathers lived better than we did, and the lives we

POVERTY IN DIYALA, BY DISTRICT, 6/2011

- 0–15%
- 15–25%
- 25–35%
- 35%+

Kifri

Khanaqin

Al-Khalis

Al-Muqdadiya

Ba'quba

Baladrooz
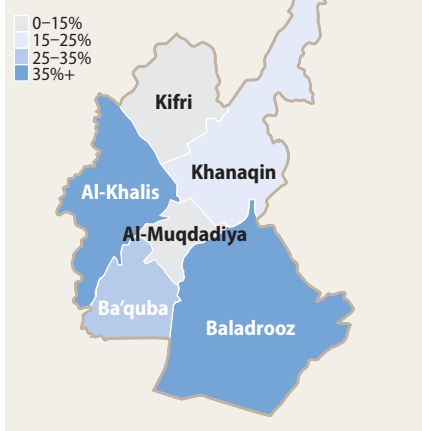
Note: Data reflects the percentage of households reporting average expenditures in the lowest quintile, as measured nationally by the UN.

Source: IAU, "Diyala Governorate Profile," 6/2011, www.iauiraq.org/gp/print/GP-Diyala.asp, accessed 6/27/2011.

have lived, as difficult as they have been, they are better than the lives our children will lead." These officials noted that Diyala remains dependent on Baghdad for jobs, subsidies, and other assistance, and remarked that even the agricultural sector—once the driving force behind the provincial economy—is stagnant and underperforming.[237]

Poverty

A 2009 GOI study listed Diyala as one of Iraq's five least-developed provinces, along with Muthanna, Thi-Qar, Missan, and Qadissiya. An estimated 33% of Diyala residents have incomes below the national poverty line of about $2.20 per day, compared with a national average of 23%.[238] As Figure D.8 shows, the poverty level is greatest in the western parts of the province and in the rural southern district of Baladrooz.

Electricity

Like most of Iraq, the estimated demand for electricity in Diyala province outstrips the available supply, leading to persistent power shortages, especially in the hot summer months. From mid-2008 through the end of 2009, the province's

power situation improved significantly, with the load served by the national grid increasing from 62% of estimated demand to 98%. But the situation began deteriorating in 2010, and this quarter, only about 65% of estimated demand was served:[239]

98% 2009 Q4

59% 2007 Q2

65% 2011 Q2
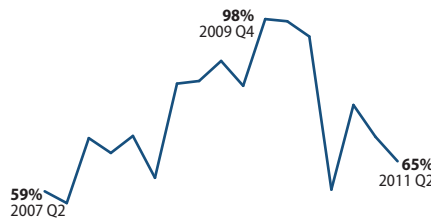
While some of this decrease is attributable to increased demand during the summer months and the proliferation of electronic devices, the percentage of demand met is the lowest it has been for this period since 2007.[240]

Diyala's only indigenous power-generation capacity is at the Himreen Dam, with production this quarter averaging a modest 12 megawatts (MW). The bulk of the power consumed in Diyala is imported from Iran.[241] The GOI's Ministry of Electricity currently is in talks with the French company, Alstom, about building a 720 MW combustion-turbine plant in Mansuriya.[242]

Drinking Water

Diyala's main water sources do not meet the province's needs. Downstream flows from the Tigris River and smaller rivers originating in Iran and the Kurdistan Region are insufficient supplements to the province's main drinking-water source, the reservoir formed by the Himreen Dam. The UN reports that more than 40% of all Diyala residents suffer from the irregular availability of drinking water, a figure that rises to 74% in al-Muqdadiya district. Moreover, approximately half of all households in al-Muqdadiya (47%), Kifri (53%), and Baladrooz (40%) districts drink water directly from a stream, river, or lake, although bottled water is readily available in most cities and towns.[243]

Popular Dissatisfaction with Services

A recent survey of 3,223 Diyala residents conducted by Al-Noor Universal Foundation found widespread dissatisfaction with the provision of government services. Only about 11% of respondents characterized services as either good or very good, while 48% chose the lowest possible descriptive category—bad—to describe the state of public services in the province. Respondents cited five main reasons for poor services:[244]

- unstable security situation
- lack of government oversight
- low levels of civic pride
- inadequate transparency and accountability
- sectarianism among government officials

When asked whether services had improved over the past year, 14% said that they had, while 79% said they had remained the same or deteriorated. Dissatisfaction over cleanliness, health care, education, public works, and availability of fuel was voiced by 65%–80% of all respondents; lack of power was cited as a problem by more than 82%.[245]

Displaced Persons

According to PRT Diyala, more than 60,000 former residents of Diyala are still displaced, living mostly in Baghdad, Najaf, Kerbala, and Sulymaniyah provinces. In June 2011, the UN reported that 8% of Iraq's internally displaced persons (IDPs) reside in Diyala, making it one of the provinces most affected by the intercommunal violence that

U.S. troops confer with local citizens in Diyala. (USF-I photo)

WHERE IDPs TAKE REFUGE, BY DISTRICT
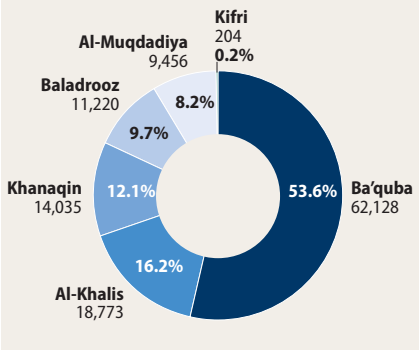
Kifri
204
0.2%

Al-Muqdadiya
9,456

Baladrooz
11,220

8.2%

9.7%

Khanaqin
14,035

12.1%

53.6% Ba'quba
62,128

16.2%

Al-Khalis
18,773

Source: IAU, "Diyala Governorate Profile," 6/2011, www.iauiraq.org/gp/print/GP-Diyala.asp, accessed 6/28/2011.

followed the bombing of the Samarra mosque in February 2006. Of all Diyala IDPs, 83% originally resided within the province. As Figure D.9 shows, more than half of Diyala IDPs have taken refuge in Ba'quba district.[246]

During August–September 2008, more than 40,000 IDPs and refugees returned to Diyala province. The rate of return dropped sharply after that, and in April 2011, the UN reported only 1,810 returns:[247]

20,740
8/2008

13,840
7/2008

1,810
4/2011
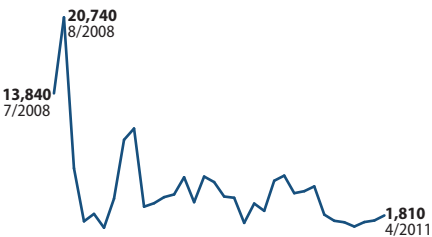
In 2009, the GOI created a Higher Committee to assist Diyala in establishing the conditions to entice displaced persons to return to their homes. The Diyala Initiative focuses on improving public access to water, electricity, food, shelter, and infrastructure. The initiative is supported by the UN and the U.S. government, with the U.S. Agency for International Development (USAID) and PRT Diyala assisting in the implementation of governance and agricultural programs. As of January 2011, the GOI had paid almost $30 million to compensate Diyala residents for damage caused by violence.[248]

U.S.-FUNDED INFRASTRUCTURE PROJECTS IN DIYALA PROVINCE, BY CATEGORY AND FUND, AS OF 9/2010

% of $954.17 Million

Security & Justice ($280.54)
ISFF Defense Forces ($161.80)
Public Works & Water ($152.79)
ISFF Interior Forces ($94.61)
Electrical ($94.57)
Peacekeeping ($54.83)
Health ($28.90)
Education ($28.59)
Transportation ($23.05)
Buildings ($12.66)
Private-sector Development ($10.55)
Communication ($4.28)
Oil ($3.75)
International Development ($3.24)

0%   5%   10%   15%   20%   25%   30%

ESF
$20.93

ISFF
$256.41

IRRF
$409.92

CERP
$266.91
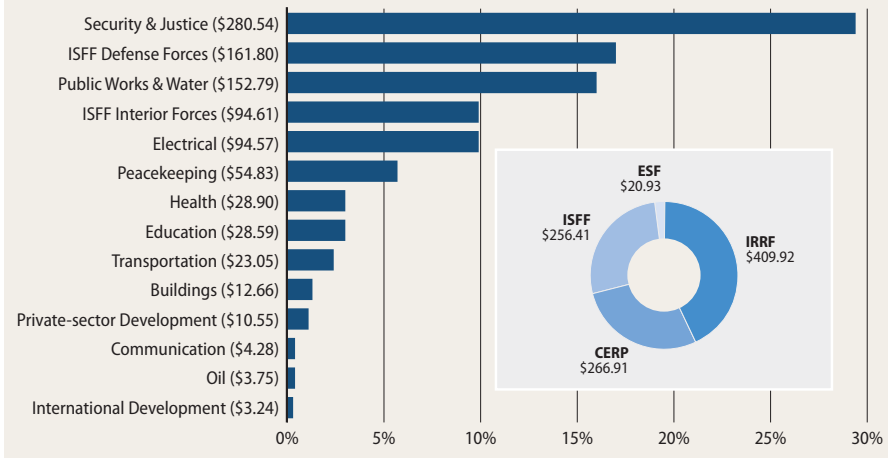
Note: Numbers affected by rounding.

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

U.S. Reconstruction Program

According to PRT Diyala, since 2003, the U.S. government has spent more than $1.05 billion on infrastructure projects in Diyala province, or about $642 per resident.[249] Figure D.10 shows U.S. expenditures in Diyala by project category and fund, based on information provided in September 2010, by the Iraq Reconstruction Management System (IRMS).

USAID Operations in Diyala

USAID reports that its *Inma* agribusiness program has supported a number of initiatives in Diyala province, including:[250]

- importing commercially tested fruit trees and grape vines to enhance the quality of local orchards and vineyards
- supporting a microfinance lending institution that, to date, has disbursed more than 300 loans valued at $976,200 in the province
- providing training in a variety of specialized areas, including irrigation, livestock husbandry, financial management, and strategic planning
- supporting two microfinance institutions in Diyala province—al-Thiqa and al-Amman.[251]

- providing an $80,000 procurement grant to fund start-up costs associated with the establishment of the Diyala Economic Development Center in December 2009.[252]

USAID is also working with PRT Diyala to establish the Diyala Small Business Development Center (SBDC). Plans for this new organization are in the early stages, and while USAID has obtained a building for the SBDC, it has not received any funding to support it.[253]

Other U.S. Reconstruction Efforts

In October 2010, the U.S. Army Corps of Engineers (USACE) completed work on a $10.7 million regional commando base in Ba'quba for the Iraqi Special Operations Forces. This Iraq Security Forces Fund (ISFF) project was USACE's largest reconstruction initiative in Diyala. Other significant USACE reconstruction projects completed in Diyala include:[254]

- a $6.8 million, ISFF-funded location-command facility to support a reinforced Iraqi Army battalion stationed in Baladrooz
- a $1.7 million, IRRF-funded primary healthcare center in al-Atheem

The DoS Iraq Strategic Partnership Office reported the completion of two projects in Diyala since July 2010:[255]

- **Ba'quba General Hospital Surgical Health Center.** Financed by the Iraq Relief and Reconstruction Fund (IRRF) and executed by USACE, this $8.7 million project expanded the Ba'quba General Hospital's surgical health center. This three-story facility center includes a 50-bed intensive-care unit, 20 emergency-room beds, and surgical and trauma operating rooms.
- **Baghdad-Kirkuk Carriageway South.** This roadway-improvement project running through Diyala was executed by the Ministry of Construction and Housing using an $11.3 million IRRF grant.

ISPO reported that the only remaining project it oversees in Diyala is an assessment of the Khan Bani Sa'ad prison site.[256]

War-damaged Diyala *suq*.

Diyala *suq* refurbished with U.S. assistance.

Khan Bani Sa'ad is still lying unused and incomplete. There is some discussion among local Iraqi officials that the MOJ may turn it into a working facility someday. However, as of July 2011, the MOJ has only posted a few security guards at the site, most of whom rarely report to work. (USACE photo)

SIGIR Oversight

In 2004, the Coalition Provisional Authority issued a task order to Parsons Delaware, Inc. (Parsons), to design and construct the 3,600-bed Khan Bani Sa'ad Correctional Facility in Diyala province. In June 2006, the U.S. government terminated the contract for default on the part of Parsons, leaving the facility partially completed. Subsequently, the U.S. government awarded three successor contracts to complete the work. In June 2007, the U.S. government, citing security reasons, terminated all remaining work on the project after investing approximately $40 million of the IRRF. Two months later, USACE unilaterally transferred the prison to the GOI, although the Ministry of Justice had informed USACE representatives that it would not "complete, occupy, or provide security" for the facility.[257]

In June 2008, SIGIR inspected the prison, finding construction deficiencies, generally poor workmanship, and potentially dangerous conditions. SIGIR also determined that most of the $1.2 million in materials that the contractor reported as "abandoned" when the contract was terminated were missing from the site. In July 2011, GOI officials in Diyala province informed SIGIR that the correctional facility, which locals refer to as "the whale," remained idle.[258]

This quarter, ISPO reported that it is studying the current status of the prison site to confirm previous assessment results and assist in preparing an estimate of how much it would cost to render the facility useable. The study will also explore GOI interest, if any, in using the site.[259] ◆

DEVELOPMENTS IN IRAQ

SECTION

4

GOVERNANCE

The 100-day deadline for improved ministerial performance set by Prime Minister Nuri al-Maliki in February passed on June 7 without any ministers being replaced for poor performance. Stating that it was unrealistic for officials to effect drastic changes in performance within such a short period, Prime Minister al-Maliki provided his ministers another 100 days to outline their performance-improvement plans. Meanwhile, he continued to hold the portfolios of Minister of Defense and Minister of Interior, as the major political blocs have yet to agree on mutually acceptable candidates.[260]

Ministerial Accountability

Last winter's protests—which prompted the 100-day review—were fueled largely by public anger over poor services and the widespread perception that corruption is rampant in most ministries. In an effort to defuse public discontent over these problems, Prime Minister al-Maliki ordered his ministers to appear on national television this quarter to detail their plans for reforming their ministries. Beginning with Deputy Prime Minister (DPM) for Energy Affairs Hussein al-Shahristani, several senior Government of Iraq (GOI) officials delivered nationally televised addresses in early June, promising improved delivery of public services and stricter adherence to the rule of law.[261]

This gesture—the first of its kind in post-2003 Iraq—concluded sooner than originally planned but was in keeping with a series of other recent measures apparently designed to increase governmental transparency and accountability. For example, many GOI agencies are updating their websites more frequently with information about ministerial plans and issuing more detailed reports on government activities. For instance, some provincial investment commissions (including Anbar)

The Inspector General has met with COI Commissioner Judge Raheem al-Ugaili twice in 2011.

now post on their Arabic-language websites information about contracts and development plans.[262] In addition, the Ministry of Electricity (MOE) announced in early July that it was forming a new office that would be open seven days per week to answer citizen inquiries.[263] Moreover, many GOI agencies required by law to issue annual reports are publishing more detailed accounts of their activities. The Commission of Integrity (COI), Iraq's chief anticorruption agency, released its annual report this summer. It provides a comprehensive look at anticorruption activities in Iraq. For a summary of the report's findings, see the Rule of Law subsection in this Quarterly Report.[264]

Structuring the Government of Iraq

Security Portfolios

In early June, Prime Minister al-Maliki appointed his close advisor, Falih al-Fayiad, as Acting Minister of National Security. But as of July 20, al-Maliki continued to serve as acting head of both the Ministry of Defense (MOD) and Ministry of Interior (MOI). The U.S. Forces-Iraq (USF-I) Deputy Commanding General for Operations stated to SIGIR in May that the continued lack of permanent

> The Ministry of Electricity announced in early July that it was forming a new office that would be open seven days per week to answer citizen inquiries.

ministers at MOD and MOI was having an adverse effect on the ability of these ministries to create and implement long-term strategic plans.[265]

Vice Presidents

This quarter, one of Iraq's three vice presidents (VPs), Adel Abdul al-Mahdi, of the Shia Islamic Supreme Council of Iraq (ISCI) party, resigned. According to a statement released by ISCI, his resignation was an expression of the will of the Shia community and a statement against excessive state spending on politicians with purely symbolic or superficial duties.[266] As part of the compromise agreement reached late last year among the main Iraqi political blocs, the GOI added one more VP and one more DPM, bringing to three the total number of each. The two remaining VPs—Tariq al-Hashimi, of the Iraqi National Movement (a Sunni party allied with al-Iraqiya bloc) and Khudayer al-Khuza'ie, of the Dawa Tanzim party (a part of Prime Minister al-Maliki's State of Law coalition) continue to serve.[267]

On July 10, SIGIR officials met with VP al-Khuza'ie in Baghdad. He stated that the current corruption and security problems facing Iraq result from myriad factors, including post-2003 violence, the lasting legacy of the Ba'athist dictatorship, and the Iraqi people slowly coming to grips with their rights and obligations as citizens of a democratic republic. He added that he believes Iraq is heading in the right direction—remarking that the "winds of change that blew into the region this year emanated from Iraq"—but noted that supporters of the former dictatorship, as well as some regional powers, continue to threaten the sustainability of Iraqi democracy.[268]

Downsizing the GOI

In July, Prime Minister al-Maliki approved a plan to reduce the number of cabinet-level officials from 42 to 30 (29 ministers and the prime minister). Described as an effort to reduce public expenditures, this plan would eliminate some of the at-large ministers of state whose responsibilities

are more advisory than executory in nature. As of July 17, the CoR was considering the prime minister's initiative.[269]

National Council for Higher Policies

In a May 5 meeting with SIGIR, former Prime Minister Allawi, whose bloc won the most seats in the CoR in the March 2010 elections, indicated that formation of the new National Council for Higher Policies (NCHP) might still be possible. Proposed by U.S. diplomats as an Allawi-led forum for strategic decision making, the prospect of the NCHP was an integral part of the government-formation compromise that was brokered by Kurdistan Regional Government (KRG) President Massoud Barzani in late 2010. Allawi stated that he is currently engaged in discussions with Barzani and other prominent political figures about the NCHP's fate. As of mid-July, however, the NCHP remained unformed, and questions about its constitutionality remain.[270]

Issues of Regionalism

Some of this past winter's most violent protests took place in the Kurdistan Region. In discussions with SIGIR this quarter, GOI officials identified the rising Kurdish middle class's growing dissatisfaction with the political duopoly that controls the region as one of the prime factors driving instability there. Although the region's standard of living has improved over the past decade, many Kurds have become dissatisfied with the dominance of the Patriotic Union of Kurdistan (PUK) and the Kurdistan Democratic Party (KDP)—both led by groups whose formative experiences came during the armed struggle against the Saddam regime.[271]

Legislative Update

Status of Legislation

To pass the CoR, a bill must undergo three readings, at which time members may propose changes

Many Kurds have become dissatisfied with the dominance of the Patriotic Union of Kurdistan and the Kurdistan Democratic Party.

to the text. Legislation passed by the CoR becomes law only after it is sent to the president and published in the *Official Gazette* (similar to the U.S. *Federal Register*). As of the end of June, 176 bills had been proposed, 44 had undergone one reading, 22 had been through a second reading, and 16 had become law. Table 4.1 lists legislation that has passed the CoR and been published in the *Gazette* as of June 30, 2011.[272]

For several years, the CoR has been unable to pass a package of hydrocarbon laws that would regulate Iraq's oil and gas sectors. One of the main obstacles to passage of these laws is the longstanding difference of opinion between the national government and the KRG over how to allocate oil revenues. In May, DPM for Energy Affairs al-Shahristani told SIGIR that he was skeptical about the prospects of passage, stating that he doubted the hydrocarbon laws would pass in the near future.[273]

CoR Committees

CoR committees continued to exercise their oversight function this quarter. Significant committee activities included:[274]

- The Integrity Committee pressed forward with its investigation into corruption at the MOD, focusing on allegations of improperly purchased aircraft from Eastern European countries.
- The Security and Defense Committee responded to the wave of assassinations of senior GOI military and civilian officials by demanding changes in personnel at the Baghdad Operations Center, the GOI interagency entity responsible for security in the capital.
- The Oil and Energy Committee attempted to forge a compromise between the Ministry of Oil and KRG over the issue of oil contracts with foreign companies.

Census Delayed

The GOI has repeatedly postponed holding a national census because of concerns that it would upset the fragile stability that has prevailed between the Arab and Kurdish populations along

TABLE 4.1

CoR LEGISLATIVE ACTIVITY, 1/1/2011–6/30/2011

PASSED LEGISLATION

Vice Presidents law
Budget law for 2011
Cancellation of the ratification of al-Ahdab oil field development and production contract
Modification of the crude-oil pipeline agreement signed in August 1973
Cancellation of Revolutionary Command Council (RCC) decree 349 of 1991
Cancellation of RCC decree 100 of 1995
Repeal of Article 136(b) of the Iraqi Criminal Procedure Code
First amendment to the Private Investment Law regarding the refinement of crude oil
Claims Settlement Agreement with the United States
Ratification of memoranda concerning Japanese loan of 2010
Association of administrative organizations
Consultative committees
Cancellation of RCC decree 133 of 1985
Law of the Mukhtars
Law of the Service and Retirement for the Internal Security Forces
Ratification of nomination of two judges to the special cassation committee examining appeals filed against decisions of the Accountability and Justice (De-Ba'athification) Commission

Source: CoR, information provided to SIGIR, 7/1/2011.

the disputed internal boundary in the north. According to the Deputy Minister of Planning, the main obstacle to conducting the census is Kurdish leaders' opposition to a question on the proposed census form which would ask respondents to classify themselves by ethnic group. When held, the census would be Iraq's first complete national census since 1987.[275]

Government Capacity-development Programs

As of June 30, 2011, the United States had obligated $5.59 billion and expended $5.24 billion for governance programs in Iraq, mainly through the Economic Support Fund (ESF).[276]

Two programs were reported near completion this quarter: the Local Governance Program (LGP), an initiative designed to strengthen Iraq's provincial governments; and the long-running National Capacity Development Program (called

> DPM for Energy Affairs al-Shahristani told SIGIR that he was skeptical the hydrocarbon laws would pass in the near future.

Tatweer, or "development," in Arabic), which has trained government employees at the national level. *Tatweer* is slated to end on July 31, 2011, while LGP, originally scheduled to end this quarter, was extended until September 2011. Both programs are administered by the U.S. Agency for International Development (USAID).[277]

Three additional capacity-building programs administered either by USAID or the U.S. Department of State (DoS) remained ongoing this quarter: the Community Action Program (CAP), which is scheduled for completion by September 2012; the Ministerial Capacity Development (MCD) program; and the Democracy and Civil

> *Tatweer* is slated to end on July 31, 2011, while LGP, originally scheduled to end this quarter, was extended until September 2011.

Society programs.[278] The latter two are scheduled for completion in 2013.[279]

For the status of funding for these five ESF-funded capacity-development programs, see Figure 4.1.

National Capacity Development

From its inception in 2006 through June 30, 2011, the *Tatweer* program expended a total of $304.1 million of the ESF, including $4.7 million this quarter, to train Iraqi government civil servants in core public administration functions and to improve internal functions of key ministries.[280] This quarter, *Tatweer* graduated its first group of 70 master trainers equipped to develop curricula, assess training needs, and prepare annual training plans. As part of its sustainability plan, the program turned over essential training materials to some GOI universities.[281]

Although *Tatweer* is scheduled to end on July 31, 2011, a final evaluation of the program, which was commissioned by USAID and carried about by the QED Group, was released in April 2011. The report praised *Tatweer's* program for training about 76,000 of roughly one million government employees. Originally, *Tatweer* set out to create a national training center that would develop the Iraqi Civil Service, but this goal was abandoned after U.S. officials determined that the GOI lacked the capacity to create a national service. *Tatweer* re-focused its efforts on training GOI employees and, in 2008, shifted its emphasis from individual employee training to a "train the trainers" program. It also formed the *Tatweer* Energy Group to provide technical assistance to the Ministry of Oil, its 16 operating companies, and the Ministry of Electricity. *Tatweer* created a national employee database, a Geographic Information System (GIS), and a digitized social security system, among other initiatives. It also helped Iraqi officials create the *National Development Plan (2010–2014)*.[282]

However, the report noted that "soft impacts" such as organizational culture changes and the embrace of modern techniques were not achieved. The

FIGURE 4.1

Ongoing U.S.-funded Capacity-development Programs
$ Millions

National Capacity Development (*Tatweer*)
Assisted Iraq's national government by training government employees in budget execution, personnel management, and other areas; created national employee database and a digitized social security system, among other initiatives.

Total Allocation: **$309.43**

Unexpended $5.36
Expended $304.07

Local Governance Program
Strengthens Iraq's provincial governments through legislative support, developing government plans and budgets, and monitoring efforts to provide essential services to constituents.

Total Allocation: **$440.50**

Unexpended $18.28
Expended $422.22

Community Action Program
Strengthens Iraq's government at the district and sub-district levels through community action groups that support small economic initiatives, small business ventures, and agriculture, among other areas.

Total Allocation: **$394.30**

Unexpended $55.21
Expended $339.09

Democracy and Civil Society
Focuses on grassroots empowerment by supporting widows, rule-of-law projects, democracy-building projects, media, and other areas to support the institutionalizing of democracy and strengthening of civil society.

Total Allocation: **$263.26**

Unexpended $63.91
Expended $199.35

Ministerial Capacity Development
Aids development of projects in Iraq's executive branch, including ministries and the Prime Minister's Office.

Total Allocation: **$50.03**

Unexpended $14.50
Expended $35.53

Sources: NEA-I, responses to SIGIR data calls, 4/12/2011 and 6/27/2011; USAID, response to SIGIR data call, 7/7/2011.

report also noted that systems improvements were not fully realized because top-level managers in some ministries failed to implement reforms. For instance, several ministries simply renamed their personnel departments instead of adopting the substantive changes to their human resources approach that had been recommended by *Tatweer*.[283]

Local Governance Program

As of June 30, 2011, the LGP had expended a total of $422.2 million of the ESF, including $12.7 million this quarter.[284] The program was set to end on June 30, 2011, but was extended for 90 days at no additional cost to continue support for Iraq's provincial governments as the U.S. military prepares to draw down and as Provincial Reconstruction Teams (PRTs) phase out.[285]

According to program officials, the LGP has sought to help Iraqis implement the Provincial Powers Act by providing legislative support, developing provincial government plans and budgets, organizing staff and information, and monitoring efforts to provide essential services to constituents. The LGP also works with Baghdad's local government to improve financial management of capital projects, as well as oversight and physical inspection of municipal projects in an effort to improve public services.[286]

USAID reported that during the program's extension, special emphasis will be placed on ministerial development critical to the long-term stability of provincial governments.[287] The independence and viability of Iraq's provincial governments has been an issue of concern. A 2010 midterm report commissioned by USAID to evaluate the LGP found that the future of local government in Iraq was "uncertain," and stated in particular that efforts to strengthen provincial governments often clashed with national-level institutions, such as the Council of Ministers (CoM), which the report found often worked against local governments. While the report noted that efforts to aid members of the Provincial Councils (PCs) had been well received by the members themselves, the report

noted an absence of political will to decentralize government, noting that Prime Minister al-Maliki had opposed the Provincial Powers Act. Moreover, the report noted that the CoR had plans to pass new legislation, called Law 25, that would end traditional, informal levels of local government that have been active in Iraq since the 1970s.[288]

When the LGP ends in September, USAID plans to begin a new ESF-funded Governance Strengthening Project that will continue to support decentralization in Iraq through 2016.[289]

Community Action Program

As of June 30, 2011, USAID had expended a total of $339.1 million of the ESF on CAP projects since its inception in 2003, including $14.6 million this quarter for the third phase of the program, which seeks to strengthen government at the district and sub-district levels.[290] USAID reported that four implementing partners continued to administer CAP programs, such as supplying nets to fishermen, supporting women's embroidery cooperatives, paving rural roads, and building playgrounds. CAP also oversees the Marla Ruzicka War Victims Fund, set up in 2003 to aid Iraqis and the families of Iraqis killed or injured by U.S. or Coalition military operations.[291]

Democracy and Civil Society

Since 2003, DoS has expended a total of $199.3 million, including $15.8 million this quarter, to fund Iraqi programs through its Bureau of Democracy, Human Rights, and Labor (DRL).[292] DRL reported that 51 democracy and civil society projects, valued at $202 million, were ongoing or started this quarter. Thirteen of these are human rights grants, totaling $36.3 million, and 26 are democracy and governance programs, totaling $154 million. DRL also manages 12 grants totaling $11.2 million that address women's issues. These activities are designed to assist the CoR and the KRG to perform core functions and increase transparency, provide advanced training for political parties and candidates, support political campaign management,

> The independence and viability of Iraq's provincial governments has been an issue of concern.

strengthen the media, and increase the participation of women, youth, and minorities in government.[293] This quarter, the highest-value ongoing project was a $27.5 million effort to increase accountability and representation in Iraqi elections.[294] All ongoing projects are scheduled to end by December 2013.[295]

Ministerial Capacity Development

The DoS-administered MCD program is the smallest of the U.S. governance capacity-development programs, with $50 million in ESF funds set to expire by December 30, 2013. This quarter, the Iraq Strategic Partnership Office (ISPO) expended approximately $2.8 million to administer five projects that were completed this quarter, including $181,000 to provide technical assistance to the Deputy Prime Minister, $20,000 to develop plans for water sharing, $1.6 million to support investment programs, $406,000 to assist with the MOE's master plan, and $592,000 for programs to improve the rule of law. An additional $2 million has been granted to extend support for investment programs through 2012. A $2 million effort to provide a subject matter expert for the GOI Ministry of Transportation is ongoing, with $61,000 expended this quarter.[296]

Provincial Development

By July 31, 2011, only four PRTs will remain active in Iraq. They will continue to draw on the ESF Quick Response Fund (QRF) and Provincial Reconstruction Development Council (PRDC) programs to support a variety of ongoing DoS-administered projects in Iraq's provinces.[297] DoS reported that 200 QRF projects were completed this quarter at a cost of $6.4 million, and 38 new QRF projects were approved at a collective cost of $2.3 million.[298] The highest-value ongoing projects were the My Arabic Library project, valued at $1.8 million, and a $1.5 million project to develop primary schools for the Chaldean Archdiocese of Erbil in the Kurdistan Region.[299]

As of June 30, 2011, DoS had completed 382 PRDC projects, valued at $457.7 million, including several that addressed water and sanitation needs, school rehabilitation, and electricity needs. The highest-value completed PRDC project this quarter was the $11.5 million al-Kibla sewer and storm network in Basrah province.[300] This quarter, 46 projects, valued at $122 million, remained ongoing. For an overview of funding for the QRF and PRDC funds, see Figure 4.2.

Internally Displaced Persons and Refugees

The United Nations High Commissioner for Refugees (UNHCR) reported that more than 838,000 internally displaced persons (IDPs) and more than 460,000 refugees displaced since 2003 had returned to their places of origin in Iraq by the end of 2010. From January through May 2011, an additional 37,210 IDPs and 19,170 refugees had returned to their homes.[301] For a breakdown of IDP and refugee returns by year since 2003, see Figure 4.3.

Despite those returns, UNHCR noted that there were still more than 1.3 million Iraqis displaced inside Iraq as of January 2011. UNHCR also

FIGURE 4.2

U.S.-FUNDED QRF AND PRDC PROGRAMS
$ Millions

PRT Quick Response Fund
Used by Provincial Reconstruction Teams to bolster local government by funding smaller projects in the provinces.

Total Allocation: **$276.00**

Unexpended $25.97

Expended $250.03

PRT/PRDC Projects
DoS committee of PRT members, Iraqi engineers, and ministry personnel; designed to undertake small-scale projects, such as schools and roads.

Total Allocation: **$632.14**

Unexpended $73.22

Expended $558.92

Sources: NEA-I, response to SIGIR data call, 6/24/2011; USACE, response to SIGIR data call, 7/5/2011; USAID, response to SIGIR data call, 7/7/2011.

emphasized that occasional reports of new internal displacements continued to occur, particularly among Iraq's minority communities.[302] Similarly, UNHCR reported that there were still 188,599 Iraqi refugees, asylum seekers, and others registered with UNHCR in neighboring countries—including Egypt, Iran, Jordan, Lebanon, Syria, Turkey, and Persian Gulf countries—as of May 31, 2011.[303] The actual number of Iraqi refugees is thought to be much higher, but determining that number remains challenging partly because not all refugees register with the UNHCR and many live dispersed in urban areas.[304]

Regionally, Syria and Jordan remain top destinations for Iraqi refugees. As of May 31, 2011, the UNHCR reported it had registered a total of 126,183 Iraqi refugees in Syria and 31,676 refugees in Jordan.[305] Syria was the largest recipient in the region for refugees, not counting Palestinians, despite ongoing violence in parts of that country. The country's borders remain open to Iraqi refugees, and schools continue to receive refugee children.[306] Iraqi refugees may account for as much as 9% of Jordan's population, according to a UNESCO report. Jordan, however, does not recognize Iraqis as refugees; instead, it refers to them as "guests." In 2007, Jordan begin to allow Iraqi refugee children access to education.[307]

While Iraqi refugees residing in certain Arab countries faced additional obstacles because of civil unrest in those countries, UNHCR reported that protection for refugees has not been "substantially degraded" by political violence.[308] Many refugees who returned to Iraq because of regional unrest said that they planned to leave Iraq again as soon as the regional unrest subsided.[309] Nevertheless, Iraq's Ministry of Displacement and Migration announced last quarter it would provide free airplane tickets home for Iraqis who sought to flee the unrest; DoS reported this quarter that the ministry had provided 420 Iraqi families with free flights home from Egypt. All refugees who returned to Iraq with the intention to stay permanently were eligible to receive a grant of about $1,285.[310]

FIGURE 4.3

RETURN OF IRAQI IDPS AND REFUGEES, 2003–2011
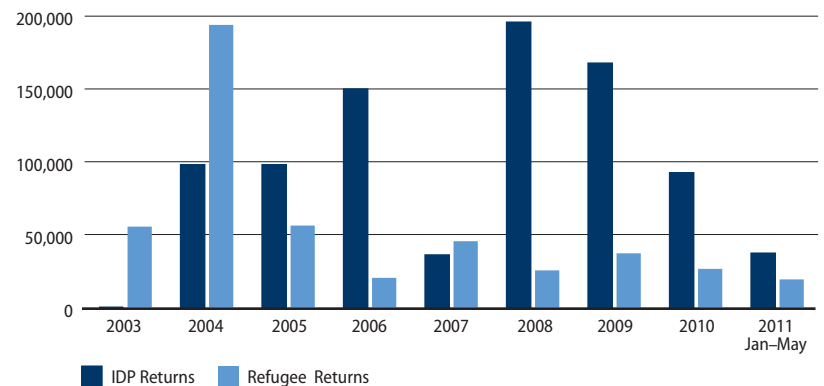
Source: UNHCR, "Monthly Statistical Update on Return–May 2011," 6/2011, p. 1.

U.S. Support for Refugees and IDPs

DoS and USAID continued this quarter to administer support programs for IDPs and refugees through several U.S. and international programs.

DoS Programs

As of mid-July, DoS has provided $201.8 million in humanitarian assistance for Iraqi refugees, IDPs, and conflict victims.[311] This quarter, DoS reported working with UNHCR, the GOI, and the UN's International Organization for Migration (IOM) and World Food Programme (WFP) to support the reintegration of IDPs and refugees who wished to return to their places of origin. The DoS Bureau of Population, Refugees, and Migration (PRM) reported that programs included in-kind grants, assistance in developing business plans, and small-scale infrastructure projects designed to have quick impact on the economy. Projects were concentrated in eight provinces, including Baghdad, Diyala, Ninewa, Anbar, Babylon, Basrah, Erbil, and Sulaymaniyah. Outside Iraq, PRM reported supporting UNHCR and other organizations in Syria, Jordan, Lebanon, Turkey, and Egypt to assist Iraqi refugees with psychosocial support, education, vocational training, and cash, among other aid.[312] In addition, PRM supports the construction of shelters and the provision of rehabilitation and protection services for returnees and those who integrate locally.[313]

Iraqi refugees may account for as much as 9% of Jordan's population.

FIGURE 4.4

RESETTLEMENT OF IRAQI REFUGEES AND SPECIAL IMMIGRANT VISA HOLDERS, BY STATE
10/2007–6/2011

Combined Refugees and SIV Holders

- 0-99
- 100-999
- 1,000-4,999
- 5,000-15,000
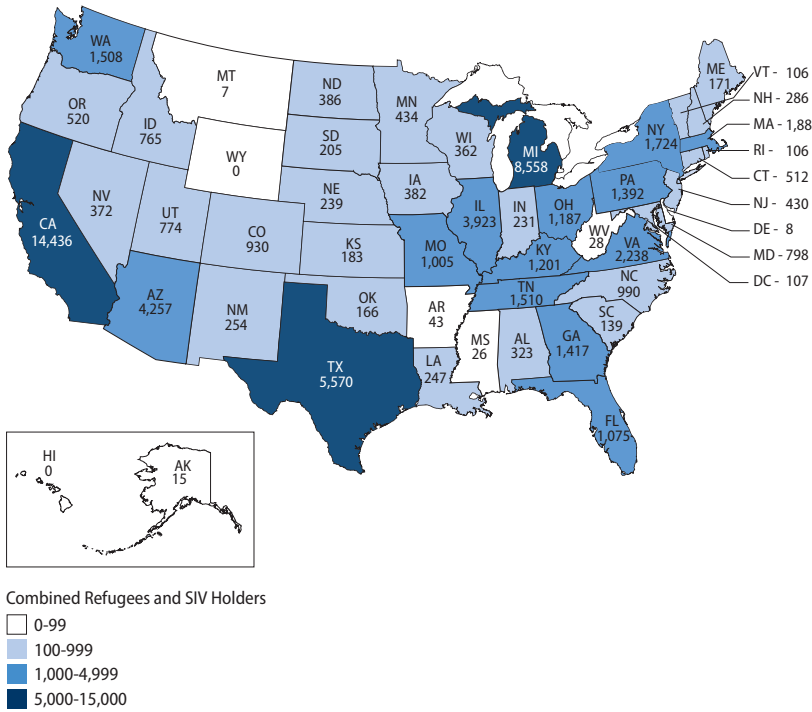
Source: DoS, PRM, response to SIGIR data call, 7/1/2011.

PRM also continued its program to resettle Iraqi refugees and Special Immigrant Visa (SIV) holders who qualified to relocate to the United States. As of June 10, 2011, more than 63,400 Iraqi refugees and SIV holders had resettled in the United States since October 2007 through two separate programs, including 58,925 resettled as refugees and at least 4,509 resettled with SIVs (DoS only tracks SIV holders who elect to resettle and seek benefits through PRM). This quarter, 662 Iraqis resettled as refugees, and 28 resettled with SIVs. The majority of refugees have resettled in California, Michigan, Texas, Arizona, and Illinois, while most SIV holders have resettled in Texas, California, Virginia, Arizona, and Michigan.[314] For an overview of refugee resettlement in the United States, see Figure 4.4.

> PRM reported supporting UNHCR and other organizations in Syria, Jordan, Lebanon, Turkey, and Egypt to assist Iraqi refugees.

USAID/OFDA Programs

As of June 30, 2011, USAID's Office of Foreign Disaster Assistance (OFDA) has provided more than $22 million in humanitarian assistance to vulnerable populations in Iraq, including IDPs. This quarter, OFDA reported providing life-saving support through programs to distribute essential emergency relief supplies, provide emergency shelters, expand access to water and sanitation, generate income opportunities, and support agriculture and food security.[315] In addition to supporting programs for IDPs, OFDA has provided approximately $1.25 million to support activities specifically in Diyala and Baghdad provinces, from which large numbers of people fled sectarian violence. According to PRM, the support benefited almost 170,000 vulnerable people, including IDPs.[316]

GOI Support for Refugees and IDPs

The GOI continues to aid IDPs throughout Iraq with particular emphasis on the provinces of Diyala and Baghdad, which were hard hit by sectarian violence and rank highest in the number of families displaced since 2007. Through a program called the Diyala Initiative (discussed further in the special section on Diyala in this Quarterly Report), the GOI began in July 2009 to aid IDPs and refugees who wished to return to that province.[317] Recently, discussions began to expand the initiative to Baghdad.[318] The GOI also has formulated a National Policy on Displacement that emphasizes, among other things, the right of IDP children to education.[319] Since May 2010, Baghdad and Diyala provinces have absorbed the largest number of returning IDPs (see Figure 4.5). Baghdad also topped the list for returns of refugees (see Figure 4.6).

International Support for Refugees and IDPs

With DoS support, UNHCR continued this quarter to register Iraqi refugees in neighboring countries and to provide basic assistance such as food, water, health, and education services to refugees. Additionally, it worked with refugees to

FIGURE 4.5

IDP RETURNS, BY PROVINCE, 5/2010–4/2011
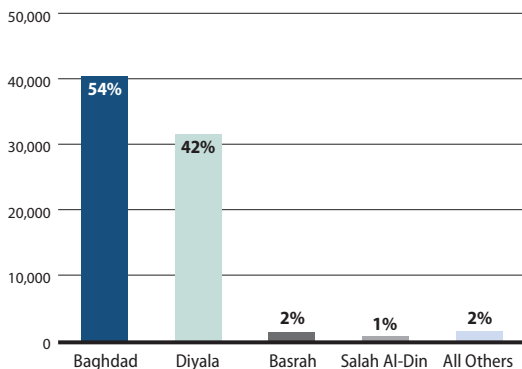
Source: UNHCR, "Monthly Statistical Update on Return—April 2011,"
4/2011, p. 4.

FIGURE 4.6

REFUGEE RETURNS, BY PROVINCE, 5/2010–4/2011
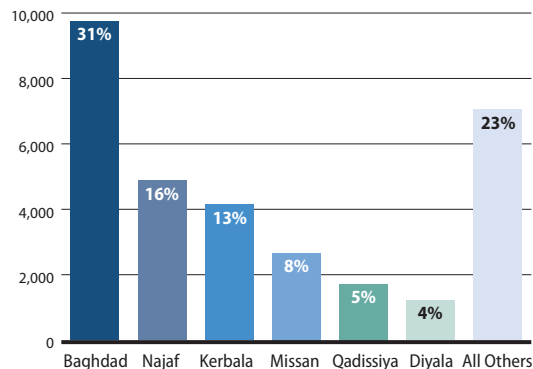
Source: UNHCR, "Monthly Statistical Update on Return—April 2011,"
4/2011, p. 3.

provide essential documentation and legal services. Inside Iraq, UNHCR coordinated emergency shelter, water, and sanitation services to IDPs, with particular focus on some 500,000 IDPs living in squatter settlements in Baghdad. UNHCR also continued to help IDPs with legal counseling and services through its Return, Reintegration, and Community Centers.[320]

Iraqi Minority Communities

While demographic statistics are lacking due to the absence of a current census, various nongovernmental organizations estimate that Iraq's ethnic and religious minorities make up no more than 10% of the population. These include Christians, Turkmen, Yazidis, Sabaean-Mandaeans, Baha'is, Shabaks, Feyli Kurds, Kaka'is, and a very small number of Jews. Violence, both general and targeted against minorities, reportedly has caused large numbers of Iraqis in most minority communities to flee the country. Estimates vary, but the Christian population is thought to have been reduced by more than half since 2003, while the Mandaean-Sabaean population has dwindled by more than 80% and the Yazidis have been reduced by more

than one-third.[321] Figure 4.7 shows concentrations of minority populations in Iraq.

Although Iraq's Constitution establishes freedom of religion, the U.S. Commission on International Religious Freedom (USCIRF) reported this quarter that continued violence in the country has posed a threat to religious and ethnic minorities. Sectarian attacks against religious leaders and places of worship reportedly continued this quarter, and significant numbers of minority populations continued to seek refuge outside Iraq, even as the GOI has made an effort to safeguard minorities. The USCIRF report paints a grim picture of life in Iraq for minority communities, including reports of kidnappings, rape, torture, beheadings, bombings of religious sites, and forced displacements and conversions. The violence has provoked a "mass exodus" of minorities and prompted USCIRF to recommend that Iraq be placed on the State Department's list of "countries of particular concern," a designation reserved for states that have engaged in "systematic, ongoing, and egregious" violations of religious freedom. The report also noted that Iraq's government had failed to provide protection or justice for those persecuted because of their religious affiliations.[322]

Violence reportedly has caused large numbers of Iraqis in most minority communities to flee the country.

FIGURE 4.7
IRAQI MINORITY POPULATION CONCENTRATIONS

Sunni Kurd
Sunni Arab/Sunni Kurd
Sunni Arab
Shia Arab/Sunni Arab
Shia Arab
Christians: Assyrian/Chaldean, Armenian, Others
Turkmen
Mandaeans/Sabaeans
Yazidis
Shabaks
Feyli Kurds
Kaka'is
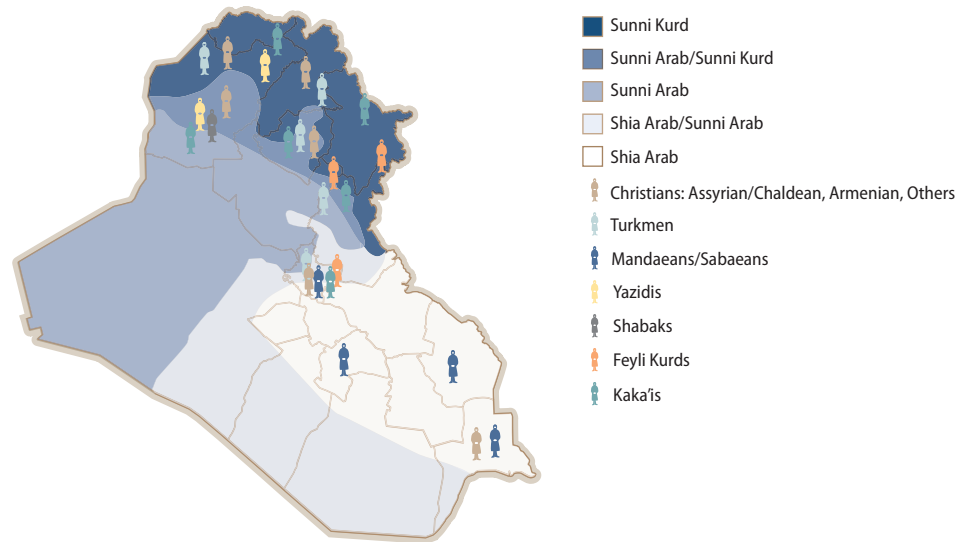
Sources: SIGIR analysis of open-source Arabic and English documents, 2010–2011; SIGIR interviews with Mandaean community members, 6/29/2011.

This quarter, U.S. Embassy-Baghdad reported approving two new QRF-funded projects, with a combined cost of $196,535, to aid Iraq's minority communities; as of June 30, 2011, $42,077 had been expended on these two projects. An additional 19 QRF-funded minority-centered projects valued at $1,204,895 were completed. More than $500,000 of that amount was expended this quarter on those projects.[323] Citing security reasons, U.S. Embassy-Baghdad declined to describe the nature or location of these projects.[324] ◆

SECURITY

As of June 30, 2011, the United States had allocated $27.07 billion, obligated $25.66 billion, and expended $24.49 billion for programs and projects to develop the Iraqi Security Forces (ISF),[325] and approximately 43,800 U.S. troops were operating in Iraq with the primary mission to advise, train, assist, and equip those forces.[326]

Current Security Situation

The current security situation in Iraq is a challenge to gauge. Overall, violent attacks have dropped off significantly—from 145 per day in 2007 to just about 13 per day in the first four months of 2011, according to DoD.[327] However, DoD reported that at least 248 Iraqi civilians and 193 ISF personnel were killed in attacks during April 1–June 19, 2011.[328] Although much of the remaining violence continues to be the work of terrorist groups attempting to disrupt the GOI, DoD reported that violent crimes—such as armed robberies, assassinations, and kidnappings—are exacerbated by easy access to arms and ammunition, noting that these

Officials collect evidence at the Diyala Provincial Council headquarters, where a June 14, 2011, bombing killed 7 people and injured 30. (GOI photo)

violent activities are not always related to terrorism.[329] Figure 4.8 provides a historical summary of security incidents and civilian deaths since 2004.

Notwithstanding these long-term trends, a series of mass-casualty attacks this quarter underscored the tenuous nature of the overall security situation. On May 5, 2011, a suicide bomber drove his car into a police station in Hilla, killing 24 police officers and wounding 72 others.[330] During the same month, a car bomb killed 9 and injured 27 near a popular market in Baghdad.[331] Two days later, again in the city of Hilla, a bomb killed 15 people

DoD reported that violent crimes are exacerbated by easy access to arms and ammunition.

FIGURE 4.8

MONTHLY SECURITY INCIDENTS AND CIVILIAN FATALITIES, 1/2004–6/2011
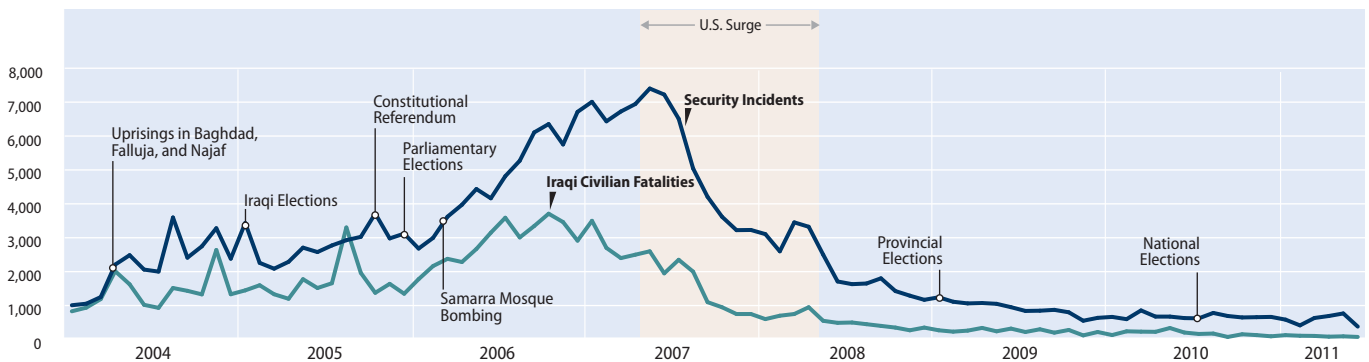
Note: Data not audited. Totals for June 2011 civilian fatalities include data through June 19, and totals for June 2011 security incidents include data through June 17. "U.S. Surge" denotes period when at least 150,000 U.S. troops were in Iraq.

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

Figure 4.9

U.S. Military Fatalities per 20,000 Servicemembers, by Month, 1/2009–6/2011

Iranian rockets hit a village south of Erbil, on July 15, 2011. (GOI photo)

and injured dozens.[332] On July 5, 2011, just north of Baghdad, twin suicide attacks at Provincial Council offices and the site where national identification cards are issued in Taji killed at least 35 people and injured 60, making it the deadliest incident in more than six months.[333]

The UN reported increased levels of indirect-fire attacks against USF-I bases and the Baghdad International Airport this quarter.[334] In April, five soldiers died in the line of fire, including two killed while conducting operations in southern Iraq.[335] In June 2011, 14 soldiers were killed as a result of hostile attacks—the deadliest month for U.S. forces since April 2009, prior to their withdrawal from Iraq's cities.[336] In all, 21 U.S. soldiers were killed in action this quarter.[337] The U.S. military reported that two more soldiers were killed on July 7 by a roadside bomb with armor-piercing projectiles outside the main U.S. base in Baghdad.[338] These powerful bombs are the trademark of Iranian-backed Shia militias.[339] Figure 4.9 shows monthly U.S. military fatalities per 20,000 servicemembers stationed in Iraq from January 2009 through June 2011.

Militant attacks against Iraqi targets this quarter were concentrated in Baghdad, where more than 40% of all incidents took place. The city has been the scene of more than three times the violence occurring in Mosul and Kirkuk, where a combined 23% of all Iraqi attacks took place. However, recent months have seen a slight improvement in security

In all, 21 U.S. soldiers were killed in action this quarter.

conditions in Mosul, where well-established terrorist organizations' activities have been curbed in a slow war of attrition with the ISF. Kirkuk, on the other hand, has seen slightly worsening conditions, driven by tensions among different ethnic groups as they compete for influence in the historically contested, oil-rich city.[340]

While the joint efforts between the United States and Iraq have succeeded in diminishing the threats posed by al-Qaeda and other terrorist groups, internal militias, and even basic crime, USF-I reported that threats from smaller, foreign militias have become cause for concern—the most prevalent being the Promised Day Brigades, Asaib Ahl al-Haq, and Hezbollah Brigades.[341]

This quarter also saw an increase in the number of rockets hitting the International Zone and the U.S. Embassy compound as well.[342] On May 15, according to the UN, 11 rockets struck the International Zone—the highest one-day total in two years. Four more rockets struck on June 9.[343] Whether they are trends or aberrations, these events remain cause for concern as the United States prepares to withdraw all military forces by December 31, 2011.

Attacks on GOI Officials

In May, USF-I's Deputy Commanding General for Operations noted that the targeted killing of senior GOI officials has emerged as one of Iraq's main security concerns, saying that the situation has

FIGURE 4.10

SELECTED ACTS OF APPARENT TARGETED VIOLENCE AGAINST SENIOR OFFICIALS, 4/15/2011–7/10/2011

Security Officials

TARGETS/VICTIMS	LOCATION	DATE	CIRCUMSTANCES	RESULT
MOI lieutenant colonel	●	4/16		Wounded
MOI colonel	●	4/22		Wounded; bodyguard killed
Intelligence official	●	4/23		Killed
IA officer	●	4/24		Killed
MOD brigadier general	●	4/24		Wounded
MOD lieutenant colonel	●	4/24		Unharmed
Deputy police chief	●	4/27		Unharmed; several others wounded
IAF brigadier general	●	4/28		Killed
MOI general	●	4/28		Killed with 5 others
MOD colonel	●	4/30		Killed
MOI colonel	●	5/3		Killed
MOI official	●	5/7		Killed
MOI lieutenant colonel	●	5/14		Wounded
Intelligence official	●	5/14		Wounded
MOI major	●	5/17		Killed
District police chief	●	5/17		Unharmed
MOI official	●	5/20		Wounded
MOI colonel (forensics department)	●	5/20		Killed
MOI emergency battalion commander	●	5/23		Unharmed
MOI officials	●	5/26		At least 3 killed
MOD major general	●	5/29		Unharmed
ISF colonel	●	6/4		Killed
MOI general	●	6/7		Wounded
MOD senior official	●	6/8		Wounded; son killed
Police commissioner	●	6/9		Killed
Former IA general	●	6/11		Killed with son
MOD general	●	6/14		Killed
IA colonel	●	6/18		Killed
MOI officer	●	6/20		Killed
Former IA colonel	●	6/22		Killed
Police chief	●	6/26		Official killed
ISF lieutenant colonel	●	6/29		Official wounded
MOI lieutenant colonel	●	7/6		Official wounded, at least 2 police killed
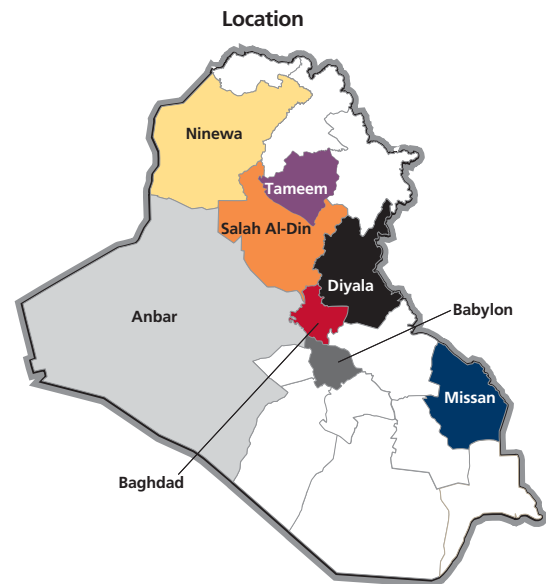
Location

✹	IED/VBIED
🔫	Gunfire
🔫🚚	Gunmen ambushed convoy
🔫🏠	Gunmen attacked residence
🔫	Gunmen attacked with silenced weapons
🔫🚗	Gunmen attacked vehicle
✹🏠	Residence bombed
✹🚗	Sticky bomb attached to vehicle
✹🔫	Suicide bombers and gunmen storm compound
✹🚚	VBIED attack on convoy

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

Source: SIGIR analysis of open-source documents in Arabic and English, 4/2011–7/2011.

grown more severe over the last six months.[344] In an effort to counter this growing problem, USF-I is working with the GOI to assist in instructing Iraqi personnel on basic countermeasures, including surveillance-detection methods and procedures for inspecting vehicles for "sticky bombs."[345]

Figure 4.10 shows selected attacks on more than 70 senior GOI military and civilian personnel this quarter. Those attacked included prominent political figures, ISF general officers, and a provincial governor. On May 26, Ali al-Lami—the director of the Justice and Accountability Commission (formerly known as the De-Ba'athification Commission)—was shot and killed in eastern Baghdad. In late May, Atheel al-Nujaifi, the governor of Ninewa province,

> Those attacked included prominent political figures, ISF general officers, and a provincial governor.

Non-Security Officials

Targets/Victims	Location	Date	Circumstances	Result
Ministry of Higher Education official	● (red)	4/16	[explosion]	Unharmed; two civilians wounded
Ministry of Education DG	● (red)	4/19	[explosion] [car]	Killed
National Democratic Party official	● (red)	4/18	[explosion]	Wounded with several others
CoR advisor	● (red)	4/18	[explosion]	Unharmed; several bodyguards wounded
MOF DG and CBI advisor	● (red)	4/18	[rifle] [truck]	Unharmed
Al-Ahrar party official	● (blue)	4/19	[explosion]	Unharmed
Ministry of Oil official	● (black)	4/20	[rifle]	Wounded
Electoral official	● (yellow)	4/20	[explosion] [car]	Wounded
Deputy Minister of Housing and Reconstruction	● (red)	4/20	[explosion]	Unharmed
Appellate judge	● (orange)	4/20	[explosion]	Unharmed; bodyguards wounded
Chair of CoR Integrity Committee	● (red)	4/21	[pistol]	Unharmed
Ministry of Foreign Affairs official	● (red)	4/22	[pistol]	Killed
Ministry of Housing and Reconstruction official	● (red)	4/22	[rifle] [car]	Killed
Customs DG	● (red)	4/23	[pistol]	Killed
Tax official	● (red)	4/23		Killed
Baghdad provincial government official	● (red)	4/26	[rifle] [house]	Killed
Ministry of Culture official	● (red)	4/27	[explosion]	Unharmed
Judge	● (red)	4/30	[explosion] [house]	Killed with several relatives
PUK official	● (purple)	5/1	[rifle]	Killed
Baghdad municipal official	● (red)	5/1	[rifle] [house]	Killed
Passport official	● (black)	5/2	[explosion]	Unharmed; several others wounded
Grain Board Chief	● (red)	5/3	[explosion]	Unharmed
Nationality certificates official	● (red)	5/7	[explosion] [car]	Killed
DG, SOE cement company	● (red)	5/10	[explosion] [car]	Killed
Al-Iraqiya party official	● (purple)	5/12	[explosion] [house]	Unharmed
MOH official/CoR candidate (al-Iraqiya)	● (yellow)	5/12	[rifle]	Killed
Tax official	● (orange)	5/15	[explosion] [car]	Killed
Judge	● (yellow)	5/16	[explosion] [car]	Bomb dismantled
Ministry of Oil officials	● (purple)	5/17	[explosion]	Wounded
Antiterrorism officer	● (red)	5/17	[pistol]	Killed
Al-Ahrar party official	● (blue)	5/22	[rifle] [car]	Wounded
Ministry of Oil official	● (black)	5/25	[rifle]	Killed
De-Ba'athification Committee Chairman	● (red)	5/26	[rifle]	Killed
Ninewa Provincial Governor	● (yellow)	5/30	[explosion]	Unharmed
Minister of Human Rights (acting)	● (red)	6/1	[explosion] [truck]	Unharmed; two civilians wounded
Advisor to CoR Speaker	● (red)	6/5	[pistol]	Killed
Ministry of Planning official	● (red)	6/5	[explosion]	Wounded
Ministry of Education IG official	● (yellow)	6/6	[rifle]	Wounded
Judge	● (yellow)	6/6	[explosion] [house]	Bomb dismantled
Judge	● (red)	6/9	[rifle] [car]	Killed
DG of al-Nasr SOE	● (red)	6/9	[rifle] [car]	Killed
Diyala provincial government officials	● (black)	6/14	[explosion] [rifle]	2 police officers killed, several wounded
Baghdad Provincial Council legal director	● (red)	6/14	[pistol]	Killed
Mosul judicial official	● (yellow)	6/16	[explosion] [house]	Wounded
Mayor	● (black)	6/20	[rifle] [house]	Killed
Abu Ghraib local official	● (red)	6/25	[rifle] [house]	Killed with son
Ba'quba mayor	● (black)	6/28	[explosion]	Wounded
Former Minister of Housing and Construction	● (purple)	6/28	[explosion] [truck]	Wounded
MoPDC director general	● (red)	6/29	[pistol]	Killed
Religious affairs (hajj) official	● (red)	6/30	[rifle] [car]	Killed
Local council deputy chairman	● (red)	7/6	[explosion]	Wounded

Continued in next column

> The governor of Ninewa has survived multiple assassination attempts since taking office.

escaped unharmed after an IED was set off near his motorcade. Al-Nujaifi, the brother of CoR Speaker Osama al-Nujaifi, has survived multiple assassination attempts since taking office in 2009. Ali al-Lami's brother, an employee of construction and housing ministry, was reportedly killed on June 30 in an attack in Sadr City by assailants using weapons with silencers.[346]

According to information provided by the GOI-led Sons of Iraq (SOI) program as of June 15, at least 38 members had been killed in the line of duty this year (see Figure 4.11). Total attacks on personnel have dropped significantly in the last two years,[347] but SOI members and their families continue to be reported by the GOI and in Iraqi media as victims of attack. According to USF-I, transition of SOI

FIGURE 4.11

ATTACKS ON SOI VS. KIA, 2008–2011

Attacks

119

78

KIA

24
15
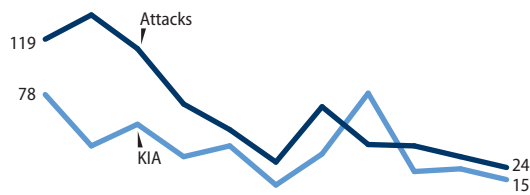
Note: Period for data shown ends 6/15/2011. USF-I does not track attacks on SOI members or their families; it receives information from the GOI, which is responsible for running the program.

Source: USF-I, response to SIGIR data call, 7/5/2011.

members to the ISF or other government jobs remains at a standstill. Only about 9,000 of the 94,000 members have been transitioned to the ISF, and 30,000 have transitioned into other jobs.[348]

U.S. Civilian and Contractor Deaths and Injuries

USF-I reported that there have been no DoD/DoS civilian deaths in Iraq since September 1, 2010, the start of Operation New Dawn.[349] This quarter, the U.S. Department of Labor (DoL) received reports of 4 deaths of contractors working for the U.S. government in Iraq and 416 injuries that resulted in the contractor missing at least four days of work. DoL has received reports of 1,533 contractor deaths since March 2003.[350]

Attacks on Infrastructure

Infrastructure security remains a challenge, particularly as it relates to critical hydrocarbon facilities. The MOI is currently coordinating the development of a protection plan for such infrastructure,[351] while senior GOI officials point to planned facility security improvements, including better lighting, walls, fences, cameras, and motion-detection systems.[352] Following a February 2011 attack on Iraq's largest refining facility, in Baiji, the Iraqi Army (IA) assumed security from the police.[353]

A natural gas pipeline explosion near the main operating units of the Baiji Refinery briefly shut down the facility June 24, but it remained unclear if the explosion was caused by equipment failure or by an act of sabotage. The refinery was operating

normally within 24 hours.[354] An armed attack on the same refinery in February caused extensive damage and took repair crews three weeks to restore production to pre-attack levels.[355] Plans to attack the same refinery in March were discovered by the ISF, which defused the threat.[356]

In early June, the ISF reportedly defused four bombs that had been planted at the Doura refinery in Baghdad.[357] On June 5, insurgents attacked and destroyed an oil storage tank in al-Zubair, southwest of Basrah. Bombs were reportedly placed at four such tanks in the attack; however, just one caused significant damage.[358]

USF-I reported that there were eight attempts (four in Baghdad) to disrupt the electricity infrastructure through the use of explosive devices this quarter. Although six explosions resulted in damage to towers and lines, none of the attacks resulted in service interruption.[359]

On July 12, 2011, Asiacell, the largest private Iraqi telecommunications company—and first mobile telecom company to provide coverage for all of Iraq—called for greater government protection of the company's staff and communication towers after recently coming under attack by armed terrorist groups in Mosul and other areas. These attacks corresponded with information provided by the ISF on the terrorist groups' intentions to destroy all Asiacell towers in Mosul.[360]

Iraqi Security Forces

As of June 30, 2011, more than 800,000 security force personnel were serving in the MOD, MOI, and the Iraqi National Counter-Terrorism Force (see Table 4.2).[361] More than 82,000 Facilities Protection Service (FPS) personnel were transitioned to the ranks of the Iraqi Police on January 1, 2011. As of June 5, 2011, 23,159 had graduated from the MOI's Basic Recruit Training Course—a requirement for all transferring personnel. FPS has reported it is working on a plan to train 5,000–6,000 recruits every month.[362]

On June 5, insurgents attacked and destroyed an oil storage tank in al-Zubair.

Iraqi Special Forces commandos in Basrah prepare an assault after being dropped off by Iraqi Army Aviation helicopters during Operation Lion's Leap on April 28—the largest Iraqi joint-military exercise since 2003. (USF-I photo)

The U.S. Iraq Training and Advisory Mission (ITAM) has been funding a wide range of training activities for the ISF—from mechanics training courses for wheeled equipment[363] to an eight-week course to train and equip polygraph examiners within the MOD and MOI. Begun in 2008, ISFF-funded polygraph training produced examiners who could support the vetting process for new ministry hires. A new course begun this year is teaching four examiners to be certified instructors in polygraph techniques that can be used for both source vetting and as an investigative tool.[364]

Transforming the Iraqi Army into an Externally Focused Force

With the advent of the insurgency in 2003–2004, the United States abandoned its initial security plans, which called for a relatively small IA oriented toward border-defense missions. Instead, U.S. and GOI officials embarked on a multi-year program to recruit, train, equip, and deploy a robust IA capable of conducting aggressive counterinsurgency operations inside Iraq.[365] As of June 30, 2011, the IA had a nominal strength of almost 200,000 soldiers—a force USF-I characterized as capable of maintaining domestic security with limited support from the U.S. military.[366]

As Table 4.2 illustrates, the Iraqi Police constitute the largest ISF force. Although, as USF-I reports, the police have increased their size and capabilities—and have replaced IA units as the lead

> Although the police have increased their size and capabilities, the IA remains in the lead in 14 provinces.

TABLE 4.2
IRAQI SECURITY FORCES, AS OF 6/30/2011

SERVICE		ASSIGNED PERSONNEL
Ministry of Defense	Iraqi Army	193,421
	Training and Support	66,938
	Air Force	5,053
	Navy	3,622
	Army Air Corps	2,366
	Total MOD	**271,400**
Ministry of Interior	Iraqi Police	302,000
	Facilities Protection Service	95,000
	Department of Border Enforcement	60,000
	Iraqi Federal Police	44,000
	Oil Police	30,000
	Total MOI	**531,000**
Counter-Terrorism Force		4,200
Total		**806,600**

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

Sources: GOI, MOI IG, information provided to SIGIR, 7/11/2011; USF-I, response to SIGIR data call, 7/15/2011.

in some local areas—the IA remains in the lead in 14 provinces, with operational control for security residing in seven regional operation commands. The GOI has formed a high-level committee that will assess the state of security and the capability of Iraqi police forces in these provinces to determine the timing for transfer of internal security to police. Such transfer will free up IA units to focus on the development of traditional combined-arms capabilities and external defense.[367]

Current plans call for elements of four IA divisions to be withdrawn from domestic security operations in January 2012 for additional training by the Office of Security Cooperation-Iraq (OSC-I) in combined-arms operations. As an initial step in this process, USF-I is helping the IA integrate mortarmen and combat engineers into the infantry units. U.S. military advisors planned to start training IA mechanized infantry units on more advanced combined-arms tactics in July, including the proper use of 1,100 new armored personnel

Iraqi Police arrest alleged insurgents in central Baghdad on June 12, 2011. (GOI photo)

carriers, 140 M1 Abrams main battle tanks, and an array of modern indirect-fire systems.[368]

USF-I Security-assistance Mission

Reflecting both the progress of the Iraqi forces and the threats that persist, USF-I executes three main tasks under Operation New Dawn:[369]

- Advise, train, assist, and equip the Iraqi security forces.
- Partner in counterterrorism operations.
- Support and protect the civilian workers from the U.S. Mission-Iraq as it works to build civil capacity throughout the country.

While the ISF has made progress on all fronts of the mission, USF-I has reported that as U.S. forces prepare to leave Iraq at the end of the year, gaps in ISF capabilities exist.[370]

Turning Over U.S. Projects

On June 6, 2011, the U.S. Army Corps of Engineers (USACE) completed construction of air defense systems at Ali Air Base in southern Iraq. According to USACE, this capability will play a critical part in the ability of Iraq's Air Force to secure the borders against air attack. The $5.38 million air base was funded through the Foreign Military Sales (FMS) program and was begun in November 2009.[371]

On April 27, a new Signals Platoon Maintenance Building officially opened at Camp Ur,

TABLE 4.3

FMS PURCHASES, GOI-FUNDED VS. U.S.-FUNDED

	TOTAL CASES	VALUE OF CASES OBLIGATED	VALUE OF CASES DELIVERED
GOI-funded	184	$6.2 billion	$1.4 billion
U.S.-funded	203	$2.5 billion	$781.6 million

Note: Numbers affected by rounding.

Source: OSD, response to SIGIR data call, 7/5/2011.

near Nassiriya. According to USACE, which began construction of the $539,000 facility in December 2009, the new maintenance building provides a large workshop, spare parts storage, and air-conditioned offices that accommodate state-of-the-art equipment.[372]

Foreign Military Sales

The modernization of the ISF is being facilitated through the FMS program. As of June 30, 2011, the GOI had committed to 387 FMS "cases"—29 for the MOI and the remainder for the MOD. The GOI has funded approximately 70% (nearly $7.6 billion) of the total value of the program and 64% of the nearly $2.2 billion in equipment and projects already delivered.[373] See Table 4.3 for more details on FMS funding.

The total number of committed FMS cases increased by 13 this quarter. A significant number of cases involve FMS procurement of foreign-sourced equipment. To date, FMS cases not sourced in the United States are valued at approximately $514 million. Helicopter and related cases account for more than half (56%) of the value, with vehicles (32%) and ammunition (12%) accounting for the balance.[374] Deliveries from U.S. and foreign sources this quarter include:[375]

- 8 Mi-171E Helicopters
- 36 M1A1 Tanks
- 1 M109A5 Howitzer
- 40 M198 Howitzers
- 31 Heavy Equipment truck/trailers
- 16 Armored Security Vehicles ◆

To date, FMS cases not sourced in the United States are valued at approximately $514 million.

RULE OF LAW

As of June 30, 2011, the United States had obligated $2.38 billion and expended $2.12 billion to improve the rule of law in Iraq.[376] U.S. advisors work with their GOI counterparts to formulate solutions to a diverse array of problems, including judicial security, financial corruption, and prison administration. Key ongoing programs focus on supporting the GOI's judiciary, police, and anticorruption agencies. As the United States further normalizes its bilateral relations with Iraq, U.S. programs are increasingly prioritizing efforts to enhance indigenous Iraqi training capabilities and assist the GOI in improving its relations with international agencies capable of providing advanced law-enforcement and judicial mentoring.

Key ongoing programs focus on supporting the GOI's judiciary, police, and anticorruption agencies.

U.S. Capacity-development Programs

U.S. Embassy-Baghdad's Office of the Rule of Law Coordinator (RoLC) administers ongoing U.S.-funded efforts to improve Iraq's judicial institutions. Activities this quarter included:[377]

- continued progress on the Basrah Pilot Court, a $286,449 project funded by the Commander's Emergency Response Program (CERP) to colocate newly trained judicial investigators with investigative judges in a 10,000-square-foot space at Basrah's main courthouse
- the first mixed-gender police training class at the Baghdad Police College
- completion of a three-week judicial security course conducted by the U.S. Marshals Service for 10 personnel from the Ministry of Justice (MOJ) and 5 from the MOI

The RoLC also worked with USF-I and the MOJ to coordinate the transfer to the GOI of the remaining detainees under U.S. control. This summer, the U.S. transferred about 200 detainees to GOI custody.[378]

Missan tribal leaders attend U.S.-sponsored quarterly rule of law conference. (DoS photo)

Additionally, due to the closure of the PRTs and the need to establish and maintain relationships within the provinces, the Department of Justice's (DoJ) Office of Overseas Prosecutorial Development and Assistance Training program will maintain a presence in the Embassy's consulates and also in Baghdad. Moreover, DoJ's Embassy presence will be reduced to reflect the increased emphasis on working with GOI rule-of-law institutions on combating international crime, money laundering, and terrorism.[379]

U.S. Anticorruption Efforts

U.S. support for the GOI's anticorruption efforts focuses mainly on the Commission of Integrity (COI). The Embassy's Anti-Corruption Coordination Office operates under DoS's Bureau of International Narcotics and Law Enforcement Affairs (INL/ACCO) and leads the U.S. effort to assist Iraq's three main anticorruption entities—the COI, the inspectors general (IGs), and the Board of Supreme Audit (BSA). As of June 30, INL/ACCO was staffed by four DoS personnel and two local employees. Current plans call for it to have two DoS employees and four local employees by early 2012, as it transfers some of its functions to other Embassy sections.[380]

Training Iraq's Anticorruption Agencies

Since 2008, INL/ACCO has forged a close partnership with the United Nations (UN) to provide training and technical assistance to the GOI's anticorruption institutions. It funds several UN-administered anticorruption programs for the COI and for IG offices via the Economic Support Fund (ESF), including:[381]

- $8 million for the UN Development Programme (UNDP) to help implement Iraq's *National Anti-Corruption Strategy for 2010–2014* (NACS)
- $6 million to the UNDP for training the Iraqi IGs (through a program scheduled to begin later this year)
- $2 million for the UN Office on Drugs and Crime (UNODC) to assist the COI in conducting financial investigations
- $2 million to UNODC for improving GOI capacity to recover stolen funds hidden in overseas bank accounts

INL/ACCO is also requesting about $1 million to train COI personnel on forensic investigative techniques using modern computer software. INL/ACCO maintains a liaison relationship with the BSA as well, but does not fund any programs to support it.[382]

The COI Deputy Commissioner is currently working with INL/ACCO personnel to build training relationships with the international community. To date, COI officials have held preliminary discussions with representatives from the EU, United Kingdom, Australia, Denmark, Spain, Germany, Sweden, and Italy regarding training programs that could be offered to the COI in the following areas:[383]

- anti-money-laundering protocols
- tracking of the cross-border movement of funds
- advanced financial investigative techniques
- international law
- asset recovery

In meetings with SIGIR this quarter, both INL/ACCO and COI officials strongly emphasized the need to train GOI anticorruption personnel in

modern anti-money-laundering techniques. This quarter, DoS reported that U.S. advisors attached to the Department of Treasury had trained 20 employees from the Central Bank of Iraq (CBI) on compiling suspicious activity reports and detecting counterfeit currency. In collaboration with the BSA, the COI is also looking to enhance its ability to investigate cases of alleged money laundering.[384]

ICITAP Investigative Capacity-development Program

Since 2004, DoJ's International Criminal Investigative Training Assistance Program (ICITAP) has operated an INL-funded program to train and mentor COI investigators. As of March 2011, INL had provided more than $15 million in funding for this effort, including purchasing more than $670,000 in surveillance equipment for the COI. As of June 2011, one INL-funded ICITAP advisor and one linguist were assisting the COI in Baghdad as part of this program, down from approximately 16 advisors and as many as 6 linguists during 2006–2008. The program is scheduled to conclude in mid-2012.

Recently completed programmatic activities include:[385]

- submitting to the COI Deputy Commissioner a management assessment identifying flaws with COI internal policies, including the lack of adequately articulated goals for departments and individual employees
- completing an investigative-prioritization model that, if implemented, would aid the COI in dedicating the appropriate amount of resources to cases involving senior GOI officials, large dollar amounts, or systemic instances of corruption
- monitoring the COI's in-house training programs (the COI assumed full responsibility for all basic training from ICITAP in August 2010)
- collaborating with the Defense Criminal Investigative Service to deliver a procurement-fraud investigations seminar for 23 COI investigators
- obtaining approval from INL/ACCO for the *Tumooh* (Arabic for "ambition") English-language training program, the goal of which

Both INL/ACCO and COI officials strongly emphasized the need to train GOI anticorruption personnel in modern anti-money-laundering techniques.

Iraqi investigative judge examining evidence at a forensics lab in Kirkuk that was built with U.S. assistance. (USF-I photo)

is to train 500 COI personnel in conversational English over the next five years in sessions conducted in both Iraq and the United States (the first 18 months of the program are budgeted at $580,000)

ICITAP advisors continue to confer with COI, INL/ACCO, and UNODC representatives regarding the goCASE computer-based case management system for the COI Investigations Directorate. This system is designed to enhance the ability of supervisors to manage ongoing investigations and intelligence, generate automated management and personnel performance reports, and establish paperless investigative files. Although as of May, the system is not yet in daily use, the hardware and software are in place, and five COI personnel have been trained on its use. Currently, these five are acting as instructors and training approximately 125 of their colleagues.[386]

> The legislation repealing Article 136(b) became law when it was published in the *Official Gazette.*

Polygraph Training

As part of an INL-funded initiative, ICITAP trained the 11-member COI polygraph unit, concluding its effort in May 2010. Since then, the COI polygraph unit has been operating independently. The graduates of this course became the first polygraph examiners in Iraq to possess internationally recognized certifications.[387] In 2010, the COI conducted 256 polygraph examinations of COI and IG job applicants and active-duty personnel.[388] For information on U.S.-funded polygraph programs for MOD and MOI, see the Security subsection of this Quarterly Report.[389]

Repealing Article 136(b)

In June, after a multi-year effort led by the COI and its allies in the CoR, Article 136(b) of the Iraqi Criminal Procedure Code—which allowed ministers to immunize their subordinates—was finally repealed. The CoR voted to repeal Article 136(b) in mid-April, and the legislation became law when it was published in the *Official Gazette* on June 13, 2011.[390]

Other Anticorruption Legislative Activity

Iraq's *National Anti-Corruption Strategy for 2010–2014* charges GOI agencies with formulating plans to address 201 distinct problems involving the waste, fraud, or abuse of public funds. As part of its ongoing effort to implement the NACS, the COI has drafted a new anticorruption law that criminalizes types of conduct that are not considered illegal under the Iraqi Penal Code, including several types of conflicts of interest. The COI is also developing legislation to protect witnesses who cooperate with the government in criminal cases and a law to replace Coalition Provisional Authority (CPA) Order 93, which criminalizes money laundering.[391]

In early May, the Secretary General of the CoM stated that new draft laws covering the anticorruption institutions include the establishment of specialized anticorruption courts. The CoM Secretary General noted that this step came as a result of joint efforts led by the COI to bring Iraq's

GOI Anticorruption Activities

Major Corruption Developments

Recent developments in key corruption matters included:[392]

- On April 24, the Ninewa criminal court sentenced the former chairman of the Ninewa Provincial Council to eight years in prison for a scheme involving the payment of salaries to "ghost employees."
- The Diyala Criminal Court sentenced, in absentia, the province's former deputy governor to eight years in prison for passing himself off as a law-school graduate—and thereby receiving a commensurately higher salary—when, in fact, the highest educational credential he had attained was a diploma from an agricultural high school.
- The director general who handled land registration at the Baghdad Amanat (mayoralty) was killed after returning to Baghdad. She had fled the capital after being repeatedly pressured by high-ranking officials to transfer deeds to politically connected individuals.
- In early May, the Rusafa Criminal Court sentenced a former Baghdad Amanat official to life in prison for embezzling millions of dollars in employee salaries. The COI has traced some of the stolen funds to overseas accounts and is currently working with the Lebanese and Jordanian governments to recover more than $5 million in stolen funds.
- In late May, the IG for the Ministry of Labor and Social Affairs stated he was investigating allegations that more than $15 million stolen from Ninewa province's social-services network has been used to finance terrorism.
- In June, the Prime Minister ordered a judicial investigation into the activities of the Trade Bank of Iraq and its Chairman, Hussein al-Uzri, who immediately fled the country. The GOI said it planned to begin extradition proceedings. A British advisor to the bank, Claude Hankes, charged the move was politically motivated and came only after the bank refused to go along with GOI demands to carry out what he described as "improper banking transactions." Al-Uzri declared he was prepared to cooperate with an investigation into the bank's operations as long as an international auditor was involved.
- In late June, Ministry of Electricity (MOE) IG officials stated that an ongoing year-long investigation has uncovered a scheme by MOE personnel to steal diesel fuel destined for power stations. For more on the challenges facing the electricity sector, see the Public Services subsection of this Quarterly Report.

anticorruption laws in accordance with the UN Convention Against Corruption, to which Iraq acceded in 2010.[393]

Iraqi Training Initiatives

Last fall, the GOI opened the National Anticorruption Academy in the International Zone. The Academy was originally intended to train representatives from all three GOI anticorruption agencies, but almost all students enrolled are from the COI. According to Iraqi officials, BSA and IG personnel rarely attend classes. COI personnel administer the Academy and teach most of the classes, and most of the curriculum focuses on English language instruction, Iraqi law, and basic management methods.[394]

In his meeting with SIGIR this quarter, the Ministry of Interior Inspector General (MOI IG) expressed his desire for an independent IG training facility that would instruct both IG personnel and GOI procurement officials from the ministries. The MOI IG noted that the only training provided to most IG personnel is delivered by the BSA or Iraqi universities on an *ad hoc* basis. However, the MOI IG was skeptical that an IG academy could be established in the near future.[395]

Commission of Integrity

Long-term Strategy

U.S.-supported training has helped make the COI a functional law-enforcement agency capable of investigating simple crimes committed by low-ranking government officials who lack powerful patrons willing to protect them. Going forward, the COI's strategic goal is to increase its capacity to investigate more complex crimes perpetrated by high-ranking officials. Figure 4.12 illustrates how, by enhancing its investigative skills, the COI is attempting to transform itself into a law-enforcement agency capable of successfully working more cases involving high-level officials and sophisticated forms of criminal activity.[396]

> The COI's strategic goal is to increase its capacity to investigate more complex crimes perpetrated by high-ranking officials.

Annual Report for 2010

This summer, the COI released its "Annual Report for 2010." Overall, the report shows that the COI appears to be increasing the tempo of its investigative activities, but remains constrained by its inability to pursue allegations of corruption lodged against senior GOI officials. Figure 4.13 summarizes some of the key findings from the report.

Decline in Arrests Resulting from COI Investigations

The COI does not have the authority to arrest suspects. Under CPA Order 55, which continues to govern COI activities more than seven years after the conclusion of the CPA's mission, all arrests must be made by an Iraqi police officer pursuant to a judicial warrant. In the first three months of 2011, 143 individuals were arrested as a result of investigative work performed by the COI—a 52% decline from the 293 arrested during the first three months of 2010:

44 2008 Q3

293 2010 Q1

143 2011 Q1

COI officials attributed this trend to the difficulty in tracking down fugitives who have either fled abroad or are being sheltered by friends and relatives in Iraq.[397]

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Investigative Judges

During 2005–2010, one of the main problems faced by the GOI's anticorruption agencies was the lack of a sufficient number of investigative judges (IJs) dedicated to hearing corruption cases. As the officials empowered to order arrests and forward cases to trial, the IJs occupy a pivotal role in the criminal justice system. In recent meetings with SIGIR, INL/ACCO and COI officials agreed that there are now an adequate number of IJs to handle corruption cases, noting that the increased capacity of the Rusafa Criminal Court has reduced much of the backlog.[398] In the first three months of 2011, the

COI INVESTIGATIVE CAPACITY VS. DESIRED EFFECT ON FUTURE CRIME TRENDS
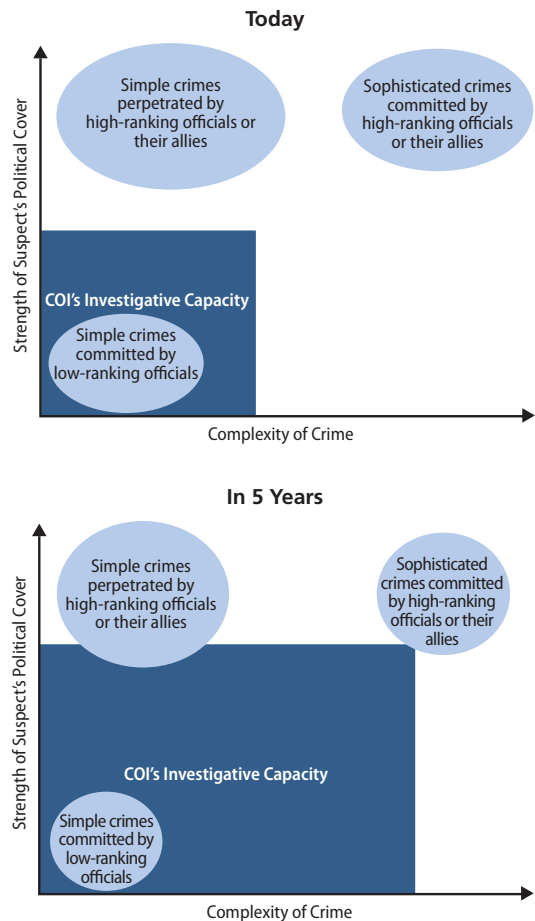
Sources: ACCO and COI officials, meetings with SIGIR, 5/2011.

COI referred 569 cases to IJs—an increase of 129% from the first three months of 2009.[399]

COI Budgetary Constraints

To increase its investigative reach, the COI requested about $10.3 million in the 2011 budget to fund non-payroll expenses, such as support for active investigations and equipment and land purchases. Instead, the CoR cut this tranche of the COI budget for 2011 by 41%—from approximately $10.4 million in 2010 to about $6.1 million this year. The GOI also reduced the amount of funds available for COI

FIGURE 4.13

COI SUMMARY OF PERFORMANCE, 2010

According to its "Annual Report for 2010," the COI received 8,958 corruption allegations last year, 696 of which (8%) led to the filing of criminal charges. Other key indicators included:

- **Arrest warrants.** 4,225 arrest warrants were issued as a result of COI investigative work, including 57 for officials holding the rank of Director General (DG) or higher. Of these, 1,473 (35%) were served. Of the warrants issued, 57% were for alleged forgery.
- **Summons.** 4,082 individuals were summoned for questioning, including 190 officials holding the rank of DG or higher. Of these, 2,557 (63%) responded to the summons. Professional negligence was the subject of 44% of matters called to question (under Iraqi law, corruption encompasses actions that would be treated as workplace misconduct in the United States).
- **The three ministries with highest percentage of cases.** Of the 696 cases filed, 13% involved MOD employees, 7% MOI employees, and 6% employees from the Ministry of Municipalities and Public Works.

Number of Cases Opened by COI, 2004–2010

8,450
2010

786
2004–2005
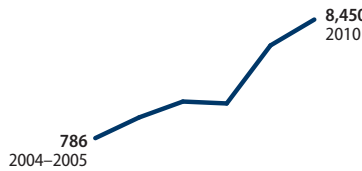
Persons Convicted of Corruption-related Crimes, 2004–2010

1,016
2010

103
2004–2006

Length of Sentences for Individuals Convicted of Corruption-related Crimes, 2010

Life
6

Fines
173

0–3 years 33

3–5 years 92

412 5+ years
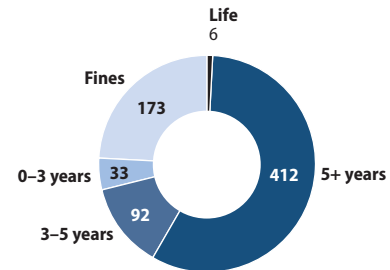
SUSPECTS ARRESTED AS A RESULT OF COI INVESTIGATIVE WORK, 2010

- COI Investigative Offices
- X Total Suspects
- X Rank of Director General or Above

Ninewa 137 —
Tameem 52 —
Salah Al-Din 58 3
Diyala
Baghdad 393 11
Anbar 35 1
Wassit 79 —
Babylon 212 3
Kerbala 53 —
Missan 107 2
Qadissiya 89 1
Thi-Qar
Najaf 105 1
Basrah 54 —
153 —
Muthanna 48 —
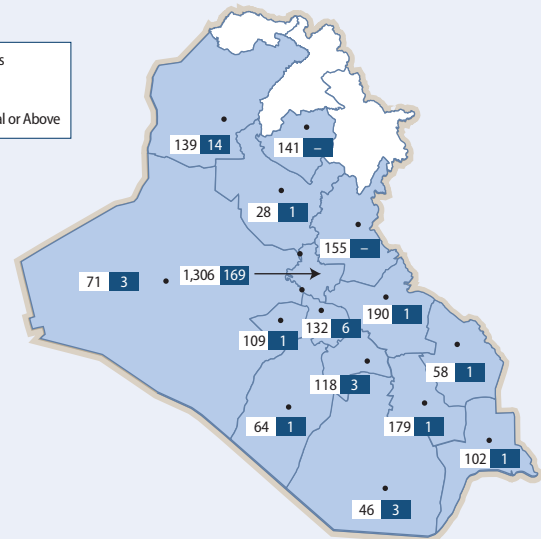
Note: COI is not active in the Kurdistan Region.

Source: GOI, COI, "Annual Report for 2010," 7/2011.

SUSPECTS REFERRED TO INVESTIGATIVE JUDGES, 2010

139 14
141 —
28 1
155 —
71 3
1,306 169
190 1
109 1
132 6
58 1
118 3
64 1
179 1
102 1
46 3

Percentage of Responding GOI Officials Reporting an Incident of Bribery by Province, 2010 vs. 2009

	2010	2009		2010	2009
Najaf	13.3	23.2	Ninewa	5.8	12.2
Thi-Qar	12.1	18.5	Anbar	5.2	34.0
Qadissiya	11.8	12.2	Baghdad	4.3	14.7
Babylon	10.0	24.2	Wassit	3.5	3.2
Basrah	9.7	42.2	Missan	2.6	14.3
Tameem	6.8	25.7	Salah Al-Din	2.4	12.6
Diyala	6.5	23.4	Muthanna	2.3	1.2
Kerbala	6.1	26.5			

Average Monthly Percentage of GOI Agency Respondents Reporting an Incident of Bribery, 12/2009–1/2011

Transportation	21.0	Labor	6.6
Justice	8.4	Interior	6.0
Municipalities	8.0	Electricity	4.8
Communications	7.6	Baghdad Amanat	4.8
Education	7.4	Health	4.8
Immigration	7.4	Commerce	4.3
Finance	7.3	Agriculture	2.6
Oil	7.0		

employee bonuses, making it more difficult for the agency to recruit and retain qualified staff. In a mid-May meeting, the COI's budget director reported to SIGIR that he does not believe these cuts were punitive in nature but noted that, as a new organization, the COI needs more support than well-established entities like the BSA.[400] The COI is pursuing several different alternatives to offset this funding shortfall, such as requesting permission from the Ministry of Planning to use leftover funds from 2010 and shifting some funds from its payroll account. If these solutions prove unsuccessful, the effects could be widespread.

This summer, the COI plans to inaugurate its new headquarters facility in the International Zone, but it does not have the funds to fully furnish and operate it.[401] Moreover, the COI's provincial offices lack sufficient funds to purchase land for new offices, acquire armored vehicles for investigators, and buy copy machines for reproducing case files. Currently, most investigators stationed in COI field offices rely on unarmored personal vehicles for work and resort to copying sensitive files on machines located in public marketplaces.[402]

Financial Disclosure Laws

The COI is responsible for promulgating government-wide financial disclosure regulations. However, because there is no penalty for providing incorrect information—other than being required to amend the financial disclosure forms—the data provided to the COI has not resulted in the opening of any significant criminal cases. Figure 4.14 summarizes the 2010 financial-disclosure response rates for senior GOI officials.[403]

Inspectors General

Iraq's system of ministerial IGs is the first of its kind in the region. As such, Iraqi IGs face a unique set of challenges, including:

- **Maintaining their independence.** CPA Order 57 states that IGs are independent of their

> This summer, the COI plans to inaugurate its new headquarters facility in the International Zone, but it does not have the funds to fully furnish and operate it.

New COI headquarters complex.

ministers, but preserving this autonomy has been a constant challenge.[404]

- **Clarifying their responsibilities under the law.** For the past several years, elements within the IG community, led by the Ministry of Health IG, have lobbied the CoR to replace CPA Order 57 with a new IG law. According to the MOI IG, their efforts have been unsuccessful because they aimed to replace CPA Order 57 with an entirely new law, as opposed to simply amending it.[405]

- **Conducting provincial oversight.** Most IG offices, like the COI, are Baghdad-centric organizations with limited provincial presences. This quarter, the Minister of Justice closed five provincial IG offices (Anbar, Ninewa, Babylon, Tameem, and Basrah). The reason behind his decision remains unclear, but U.S. officials speculate that it was either a cost-saving measure or an effort to assert control over the IGs.[406]

Judicial Security

On June 9, Basim Taher, a civil court judge, was shot and killed while driving to his home in western Baghdad. According to the Higher Judicial Council (HJC), at least 47 judges have been assassinated since 2003.[407] Cognizant of the ongoing threat to his judges and their families, Chief Justice Medhat emphasized in his May meeting with SIGIR the need

FIGURE 4.14
GOI FINANCIAL DISCLOSURE REPORTS, 2010

Percentage Filed

CoR Members — 34.2%

Prime Minister and Deputies — 100%

Ministers — 100%

Provincial Council Members — 67.6%

Total Filings Received by COI

8,046 (2009), 9,510 (2010)

Provincial Council Chairmen Not Filed

Provincial Governors Not Filed
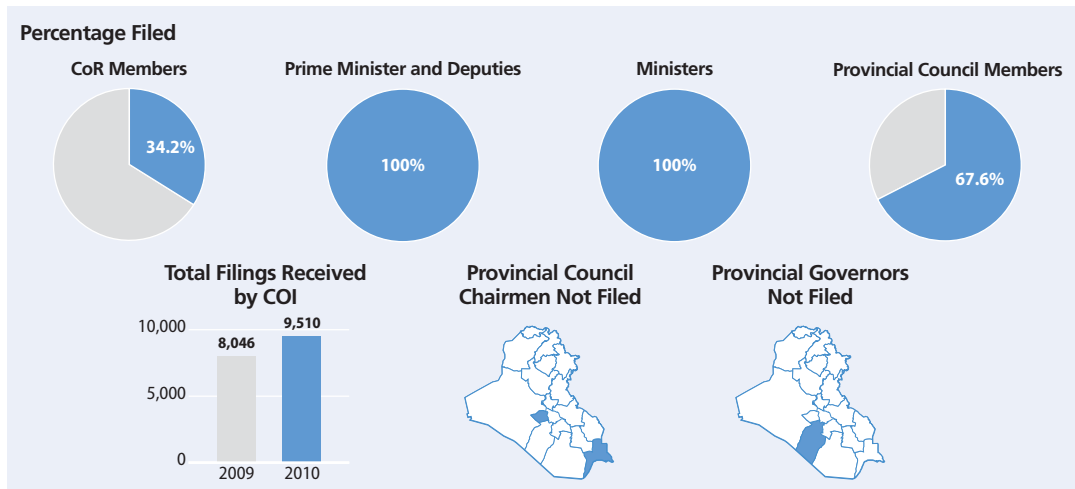
Note: Does not include Kurdistan Region. Statistics for CoR members reflect data received by the COI for CoR members elected on March 7, 2010.

Source: GOI, COI, "Annual Report for 2010," 7/2011.

for improved judicial security. The Chief Justice stated that HJC personnel are performing almost all judicial security operations on their own and commented that the MOI remains an obstacle to obtaining weapon permits and additional security guards for judges.[408] He also stated that one of his priorities remains the construction of additional secure judicial residences outside of Baghdad, highlighting the lack of support available to judges who are based in the provinces.[409] ◆

The Chief Justice stated that HJC personnel are performing almost all judicial security operations on their own.

ECONOMY

Iraq's economic growth accelerated this quarter, lifted by strong oil export revenues.[410] The impact of multibillion-dollar renewal projects now underway in sectors such as housing, transportation, and electricity also contributed to a level of economic growth that is projected to be as high as 12.2% in 2011—well above the 2010 growth of 0.8% estimated by the International Monetary Fund (IMF).[411] However, the sheer pace of this growth—especially in the oil sector—has strained the capacity of the country's physical infrastructure and added pressure to address bottlenecks caused by slow-moving government bureaucracy and decision making.[412] Against this backdrop, the GOI is reevaluating its ambitious medium-term oil production targets.[413]

For an overview of Iraq's economy, see the Insert to this Quarterly Report.

Key Economic Trends and Developments

The sale of crude oil is expected to generate more than 98% of the GOI's total export earnings and provide 89% of total government income in 2011.[414] The GOI received a post-2003 record of $20.11 billion in oil export receipts this quarter—$3.81 billion more than last quarter and 31% ahead of quarterly receipts anticipated in 2011 budget projections.[415] Non-oil-sector economic activity also has shown signs of growth, with several multibillion-dollar infrastructure projects either launched or ready to launch.[416] One mid-year analysis concluded foreign commercial activity was up sharply during the first half of 2011.[417] With major spending now underway to rebuild the country, Iraq's current account balance is likely to be in deficit for 2011.[418] How Iraq's current account balance compares with other Middle East oil-producing nations is shown in Figure 4.15.

> The sale of crude oil is expected to generate more than 98% of the GOI's total export earnings and provide 89% of total government income in 2011.

FIGURE 4.15

CURRENT ACCOUNTS BALANCE UNDER ALTERNATIVE PRICE SCENARIOS, SELECTED COUNTRIES
$ Billions

Legend: ─ $114.36/barrel ● $107.16/barrel ─ $88.42/barrel
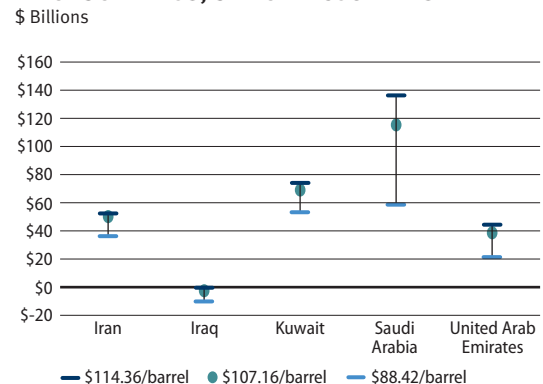
Source: IMF, *Regional Economic Outlook: Middle East and Central Asia*, 4/2011, p. 20.

Core inflation rose slightly this quarter, crossing 6% for the first time since 2009 to reach 6.3% in May.[419] The increase reflects pressure from rising global commodity prices.[420] Although now more than twice the 3% rate of a year ago, inflation is below the regional average of 10.9% and is expected to remain in the 6% range through 2012.[421] Two other key indicators, the Iraqi dinar-U.S. dollar exchange rate and the Central Bank of Iraq (CBI) policy rate, were unchanged during the quarter.[422] An IMF report on Iraq last quarter welcomed the GOI's continued commitment to both sound fiscal and monetary policies and the independence of the CBI, but cautioned that the potential for political instability, uncertain security conditions, and delays in oil-field development all posed risks to Iraq's economic revival.[423]

Under terms of United Nations Security Council Resolution 1956, arrangements governing the use and oversight of the Development Fund for Iraq (DFI) ended on June 30. For details of the GOI's successor arrangements see Section 2 of this Quarterly Report. For details of unaccounted-for DFI funds, see Section 1.

The GOI has pledged to continue efforts to settle Saddam-era foreign debts according to the terms of the November 2004 Paris Club agreement.[424] The CoM this quarter approved the payment of $408 million in Egyptian private-sector debt under terms prescribed by the Paris Club.[425] About $45 billion of Iraq's existing external debt held by non-Paris Club member states is eligible for negotiated reduction under terms comparable to the Paris Club accord.[426]

Most of the $20.1 billion in outstanding war-related claims are owed to Kuwait.[427] One claimant declared the lapse of UN immunity against seizure of Iraqi assets that ended along with the DFI arrangements on June 30 would bring an "open season" on Iraqi holdings. A lawyer for Kuwait Airways announced that the airline would seek enforcement of a British court ruling that Iraqi Airways illegally benefitted through its seizure of $1.2 billion in Kuwait Airways property at the time of the 1990 invasion. The attorney said the Kuwait air carrier would go after any available Iraqi assets, including oil tankers and oil cargoes.[428]

Oil and Gas

This quarter, Oil Minister Abdul Kareem al-Luaibi announced a new round of licensing, scheduled for January 2012, to develop more of Iraq's untapped oil and gas reserves. As planned, it will be the GOI's fourth licensing round since mid-2009 and offers 12 new blocks, the majority comprising vast areas of previously unexplored parts of northern, western, and southwestern Iraq. Seven of the blocks are expected to yield gas only. Details of the fourth licensing round are set out in Figure 4.16.[429]

The GOI this quarter worked on important draft legislation affecting Iraq's oil and gas industry. The CoM's Energy Committee sent the full cabinet the draft version of a hydrocarbons framework law, aimed at creating greater legal clarity for those involved in extracting the country's oil and gas riches. A second draft law to create an Iraq

FIGURE 4.16

EXPLORATORY SITES OFFERED IN THE FOURTH OIL AND GAS LICENSING ROUND, BY LOCATION, SIZE, AND TYPE

Site	Area (Square Miles)	Hydrocarbon Expectations & Possibilities
1	2,800	Gas
2	3,100	Gas
3	2,700	Gas
4	2,700	Gas
5	3,100	Gas
6	3,500	Gas
7	2,300	Oil
8	2,300	Gas
9	350	Oil
10	2,100	Oil
11	3,100	Oil
12	3,100	Oil
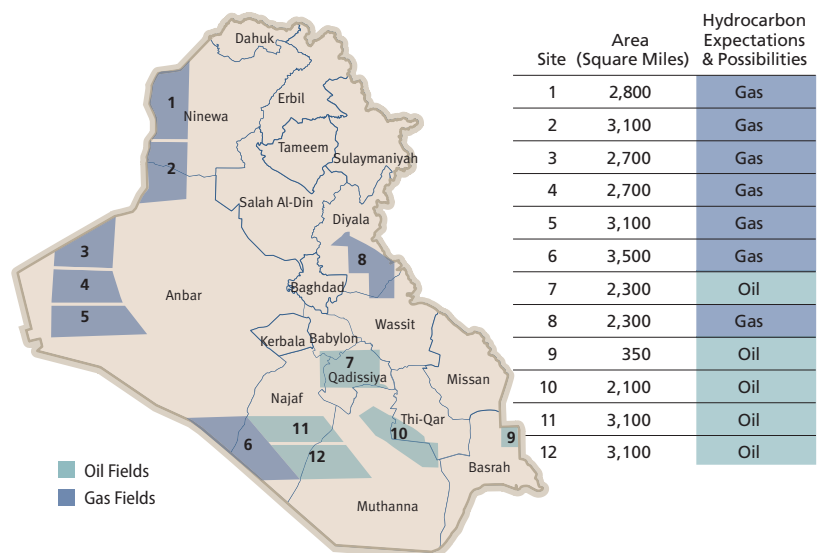
Source: GOI, Ministry of Oil, "Exploration Blocks of the 4th Bidding Round," www.oil.gov.iq/EXPLORATION%20 BLOCKS-BR4.pdf, accessed 7/14/2011.

National Oil Company is currently under discussion in the CoR. Draft legislation setting out a basic framework for the hydrocarbon sector was first approved four years ago by the CoM, but never enacted because of serious political differences—including those between the central government and the Kurdistan Region over the division of power between national and regional governments.[430]

Crude Oil Production and Field Development

Increased output from the large southern fields offset production drops in the Kirkuk area, keeping Iraq's average daily oil production this quarter at 2.55 million barrels per day (MBPD), essentially unchanged from the previous quarter but 7% above the same period last year.[431] By a margin of 0.12%, it marked the highest quarterly production volume recorded during the post-2003 period, yet was still below the GOI's projected average crude oil production level for 2011 of 2.75 MBPD.[432] Crude oil production in the Kurdistan Region, estimated to have been about 200,000–250,000 barrels per day

Oil Minister al-Luaibi announced a new round of licensing to develop more of Iraq's untapped oil and gas reserves.

FIGURE 4.17
CRUDE OIL PRODUCTION AND EXPORTS, BY MONTH, 10/2003–6/2011
Million Barrels per Day
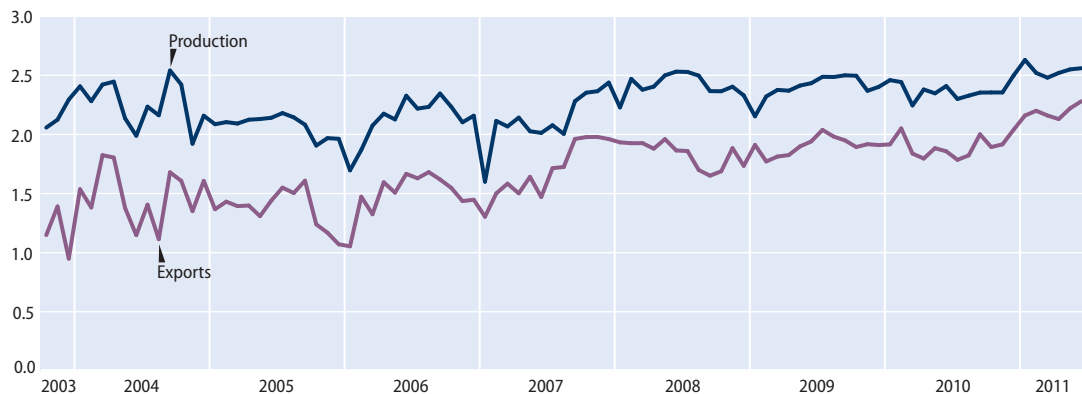
Note: Exports include crude oil from the Kurdistan Region; production figures do not.

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

(BPD) this quarter, is not included in the national production figures.[433] For crude oil production levels and export levels since 2003, see Figure 4.17.

This quarter's positive production-related developments included the following:

- At the large West Qurna-1 field, ExxonMobil reported that average production was now around 330,000 BPD—up from 285,000 reported last quarter. A senior ExxonMobil executive said operators were "running about three or four months ahead of plan" on the way to an ultimate target of 2.825 MBPD.[434]
- At West Qurna-2, the Russian government announced that Lukoil is prepared to spend $3.5 billion over a two-year period for the field's development.[435]
- In mid-May, al-Rumaila field operator BP became the first international oil company to receive payment for work in the southern fields, taking on a cargo of crude oil at al-Basrah Oil Terminal (ABOT) as compensation.[436] Also this quarter, the GOI Ministry of Finance released $243 million to the Kurdistan Regional Government—an amount equal to about half the value of the crude oil exported from the region during February and March 2011.[437]

> Damaged pipes connected to production wells in al-Rumaila field caused losses that reached more than 2,000 BPD in February.

- At the Halfaya field in southeastern Iraq, a China National Petroleum Corporation (CNPC)-led consortium increased initial output to 10,000 BPD on its way to a target of 70,000 BPD in the first quarter of 2012. Halfaya is considered a major field, projected to produce as much as 525,000 BPD. CNPC also brought on stream 60,000 BPD at the smaller al-Ahdab Field in Wassit province.[438]

Several other developments this quarter underscored the challenges of achieving the GOI's production targets, including further evidence of crude oil infrastructure decay. In the large southern fields, according to one analysis made public this quarter, damaged pipes connected to production wells in al-Rumaila field caused losses that reached more than 2,000 BPD in February.[439] At the Majnoon field, South Oil Company—together with operating partners Royal Dutch Shell and Petronas—awarded the Dodsal Group of Dubai a contract to replace an existing 28-inch-diameter pipeline with a 32-inch pipeline to transport crude oil 50 miles to storage facilities near al-Zubair.[440]

Operators in the south have contended with other issues, including decision-making

bottlenecks that have slowed their operations. Labor and security issues this quarter also presented challenges. Only intervention by Basrah's provincial governor averted work stoppages by South Oil Company workers angry about differences between their pay and that of those employed by international oil companies.[441] A bombing of crude-oil storage tanks at al-Zubair also briefly interrupted production at the field, which is operated by an ENI-led consortium.[442]

Against this backdrop, the Minister of Oil indicated in early June that the GOI was considering reappraising its previously stated goal of increasing crude oil production to more than 12 MBPD by 2017. Instead, he suggested that a plateau production target of 7–8 MBPD over a 13-year or 14-year period—nearly twice the time envisioned for the far higher peak levels—would be more feasible and economically more beneficial for Iraq.[443] Lower peak volumes would require less ambitious infrastructure improvements and reduce the danger of flooding the market and depressing prices. The Chairman of BP suggested a target of 5–6 MBPD by the end of the decade was a more realistic projection, considering the condition of the physical infrastructure.[444]

Crude Oil Exports and Capacity Expansion

Exports of crude oil averaged 2.21 MBPD for the quarter, a post-2003 record that amounts to an increase of 2% over the previous quarter and 20% more than the same quarter in 2010.[445] Exports from the Kurdistan Region, which ran an estimated 130,000–180,000 BPD during the quarter, helped fuel the increase.[446] However, further substantial export growth is tied to expanding infrastructure. A single-point mooring station at ABOT is expected to add 900,000 BPD capacity when it is completed, currently estimated by the Ministry of Oil to be around the end of 2011. Additional mooring stations are scheduled to follow under a plan to raise southern export capacity from its current 1.7–1.8 MBPD to 5 MBPD by late 2013.[447]

TABLE 4.4

IMPLEMENTATION OF THE INSTALLATION PLAN FOR OIL METERS

COMPANY		METERS PLANNED	METERS INSTALLED AS OF 12/31/2010	PERCENTAGE COMPLETED
Exporting Companies	South Oil Company	137	44	32%
	Missan Oil Company	65	32	49%
	North Oil Company	188	86	46%
Distributors	Middle Refineries Company	592	352	59%
	North Gas Company	69	41	59%
	Gas Filling Company	49	40	82%
	Pipelines Company	410	379	92%
	North Refineries Company	239	200	84%
	Oil Products Distribution Company	2,992	695	23%
	South Refineries Company	137	27	20%
	South Gas Company	20	3	15%
Total		**4,898**	**1,899**	**39%**

Source: PwC, "Development Fund for Iraq: Results of Year End Audit," presentation to the IAMB and COFE, Paris, France, 4/27/2011, p. 16.

Oil Monitoring

Metering the flow of crude oil through pipelines from source to endpoint enables authorities to track volume accurately and also alerts them to possible illegal siphoning. So far, however, fewer than 1,900 of the planned 4,898 meters have been installed in Iraq since the step was first recommended by the International Advisory and Monitoring Board (IAMB) in 2004. An audit by PricewaterhouseCoopers LLC (PwC) showed that, as of December 31, 2010, only 52% of the meters planned for installation by that date were actually in place. During the final quarter of 2010, just 208 meters were installed. Table 4.4 shows the status of oil meter installation as of the end of 2010. On May 9, 2011, the IAMB expressed "concern that the implementation of the plan continues to fall further behind schedule" and urged the GOI to make every effort implement the plan. The PwC audit welcomed the Oil Ministry's decision to hire an outside flow measurement specialist, the Scottish company Kelton Engineering, to provide technical assistance on the oil metering.[448]

Exports of crude oil averaged 2.21 MBPD for the quarter, a post-2003 record.

Table 4.5

Domestic Production and Imports of Refined Fuels, 2010 vs. 2011

Comparison of April–June Quarters

	LPG (Metric Tons per Day)		Diesel Fuel (Million Liters per Day)		Kerosene (Million Liters per Day)		Gasoline (Million Liters per Day)	
	Production	Imports	Production	Imports	Production	Imports	Production	Imports
2010	2,892.61	591.79	14.62	0.35	6.56	0.02	11.07	4.69
2011	3,706.00 ▲ 28%	458.67 ▼ -22%	14.90 ▲ 2%	1.96 ▲ 464%	6.13 ▼ -7%	0.00 ▼ -100%	11.79 ▲ 7%	6.51 ▲ 39%

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

Refineries and Petroleum Products

As shown in Table 4.5, Iraq's refineries produced more diesel fuel, gasoline, and liquefied petroleum gas (LPG) this quarter, compared with the same quarter in 2010, while kerosene production dropped.[449] An explosion at the Baiji oil refinery in late June halted production of petroleum products briefly.[450] Despite the production increases, imports increased for both diesel fuel and gasoline. A 900-metric-ton-per-day increase in LPG production more than covered a drop in imports of just over 130 metric tons per day. There were no reported kerosene imports during the quarter, even though domestic production dropped.[451]

As Iraq headed into the hottest months of the year, the Ministry of Electricity announced that it planned to import 1.5 million liters of fuel per day from Iran over the coming 12 months to burn in power plants.[452]

Natural Gas

The GOI entered into important natural gas deals with international operators this quarter, including a reported draft agreement with Royal Dutch Shell that could end the flaring of associated gas in three large southern oil fields. The Ministry of Oil issued a statement by GOI and Royal Dutch Shell representatives stating their intent to establish a jointly held company called the Basrah Gas Company, that would capture and process the natural gas. Collectively, up to 700 million cubic feet per day of gas is currently flared at the fields involved in the deal—al-Rumaila, West Qurna, and al-Zubair. Although the two sides first agreed to establish the company in 2008, the July 2011

announcement was seen as an important reaffirmation of commitment on the part of both sides to conclude long-stalled negotiations on a contract said to be worth $12 billion.[453] On June 5, 2011, the GOI signed final contracts for the development of two natural gas fields—one with a group headed by Kuwait Energy Company to develop the Siba gas field in southern Iraq with an expected capacity of 100 million cubic feet per day (MCFD), and another with a Turkish National Oil and Gas Company (TPAO)-led consortium to develop the Mansuriya gas field in eastern Iraq, which has an estimated capacity of 320 MCFD. A few days earlier, the GOI initialed an agreement with Kogas, of South Korea, for development of the 400 MCFD Akkas field in western Anbar province after Kogas's partner, the Kazakh company KazMuniaGaz, pulled out of the project.[454]

In May, Iraq entered into an enhanced strategic energy partnership with the European Union, in which the GOI agreed to explore possible exports of natural gas to the EU in return for a guaranteed market for Iraq's anticipated surplus of natural gas in the coming decades. The two sides are expected to begin negotiations later this year.[455] The Iraq-EU agreement followed an announcement by the Nabucco Gas Pipeline International Company that it planned to begin construction in 2013 of a pipeline that would link Europe with the Middle East and Caspian regions.[456]

Pipelines

The GOI is also actively exploring several options to strengthen northern export routes, including two crude oil pipelines with a combined capacity

The GOI entered into important natural gas deals with international operators this quarter.

of 2.75 MBPD to Syria's Mediterranean coast that would be able to carry oil from Iraq's southern fields. Iraqi and Syrian officials signed a second memorandum of understanding this quarter covering construction of the pipelines.[457]

In May, the Ministry of Oil awarded a $13.5 million management consultancy and engineering services contract to Canada's SNC Lavalin to oversee the initial phase of a planned overhaul of Iraq's pipeline network. The project would connect the northern and southern oil production areas with export routes. The initial phase includes a 1.75 MBPD pipeline connecting Basrah with a pumping station about 140 miles northwest of Baghdad. There, the pipeline would split, with one route carrying oil about 900 miles northwest to the Syrian Mediterranean port of Banias. A second pipeline would tie into the existing northern export route to the Turkish port of Ceyhan. Engineering work was scheduled to begin in June.[458]

The CoM this quarter approved a $365 million contract for a pipeline to carry natural gas from Iran to meet fuel needs for Iraq's gas-fired power plants.[459]

Developments in Non-Hydrocarbon Areas

Non-oil Investment

In late April, the CoM agreed to a $37 billion program to upgrade the nation's infrastructure, much of which is obsolete, decaying, or both. The program, which requires CoR approval before it can be implemented, would provide $10 billion for transportation and $5 billion each for education and agriculture (including irrigation).[460] For a more detailed breakdown of the proposed infrastructure renewal program, see Table 4.6.

Led by major projects in transportation, housing, and electricity, non-oil investment is expected to grow substantially in 2011. Planned projects such as al-Faw port and a new regional airport to serve the central Iraq pilgrimage destinations of Kerbala, Najaf, and Hilla have helped make

TABLE 4.6

COUNCIL OF MINISTERS' SPENDING PRIORITIES IN PROPOSED INFRASTRUCTURE PROGRAM
$ Billions

SECTOR	ESTIMATED COST
Transportation	10.0
Education	5.0
Agriculture and Irrigation	5.0
Health	3.0
Higher Education and Scientific Research	2.0
Housing for the Poor	2.0
Secondary Roads	1.5
Other	8.5
Total	**37.0**

Source: GOI, NMC, press release, "Approve the Bill Payment Infrastructure Reconstruction Resolution with $37 Billion," 4/27/2011, www.nmc.gov.iq/ArticleShow.aspx?ID=882, accessed 4/29/2011.

transportation an important sector for potential future investment.[461]

As discussed in the Public Services section, the Communications Ministry has embarked on a major upgrade of the country's telephone system, including a $3.5 billion program to quadruple the number of fixed lines in the country from two million to eight million over the next five years.[462] Since April 1, the Ministry of Electricity has signed at least six contracts, collectively valued at nearly $5.8 billion, for construction of new generating capacity.

Also this quarter, South Korea's Hanwah Engineering & Construction signed an agreement

Prime Minister Nuri al-Maliki joins South Korean and Iraqi participants in ceremonial signing of contract to build 100,000 housing units south of Baghdad. (GOI photo)

The CoM approved a $365 million contract for a pipeline to carry natural gas from Iran to meet fuel needs for Iraq's gas-fired power plants.

The renovated al-Rasheed Hotel reopened in July. (GOI photo)

to build a de facto satellite city of 100,000 housing units in the Besmaya area southeast of Baghdad.[463]

Baghdad's al-Rasheed Hotel reopened in July following a major renovation. The 450-room property will provide luxury accommodation inside the International Zone. The hotel was closed in 2010 for renovation as part of Baghdad's preparation for an Arab League summit, initially scheduled for March 2011, but then postponed.[464] Also in July, Marriott International signed agreements with Empire Iraq to manage two hotel properties in Erbil. One will be a 200-room hotel carrying the Marriott Hotels and Resorts brand, the other a 75-unit complex operated as Marriott Executive Apartments. Both are scheduled to open in 2014.[465]

Agriculture

Harvesting of the 2011 winter wheat and barley crops began in irrigated areas of southern Iraq this quarter; however, forecasts about the size of Iraq's total cereal harvest remained unclear because of late and erratic rains in northern Iraq at the start of the growing season. The key rain-fed growing area of Ninewa province was especially affected by the later-than-normal rains. Low water levels on the Euphrates and Tigris Rivers and high soil salinity both are expected to diminish crop yields in the south.[466]

Primarily because of the bumper harvest of home-grown winter grains in 2010, Iraq's forecast

of cereal imports for the year ending June 30, 2011, dropped to 4.7 million tons, about 10% below the 5.2 million tons imported during the year ending June 30, 2010.[467] Agricultural yields, invariably uneven, are expected to remain especially erratic in the years ahead without a large-scale investment program to revitalize both crop research and irrigation infrastructure.[468]

Inma

An audit of USAID's agribusiness program, *Inma*, released by USAID's Office of Inspector General (USAID OIG) this quarter cited a series of major contractor shortcomings. Included in these findings was a failure to measure or report performance results on two of the program's four principal goals—to increase agricultural sector productivity and boost the value of available financial resources, such as agribusiness loans. USAID OIG found that the contractor also failed to adequately substantiate the results provided to meet the program's two other main goals, generating new jobs and increasing sales of USAID-assisted enterprises. In addition, auditors found inadequate oversight had left $16.7 million susceptible to fraud. The report cited "several factors, foremost among them mismanagement."[469] USAID informed SIGIR that *Inma* has made "substantial progress" in addressing management shortcomings and that reporting deficiencies are being rectified.[470]

Financial Sector Developments

Restructuring Iraq's banking sector remains an important prerequisite for greater private-sector growth. USAID's Iraq Financial Development Program completed a draft of the first survey ever conducted of Iraq's private banking sector this quarter. The 153-question survey was distributed to 29 private banks, and its results are expected to provide insights into the ability of these lending institutions to help finance the growth of private enterprise. Strong banks are needed to expand private-sector business and broaden the economy beyond oil. The banking sector is currently dominated by

> Auditors found inadequate oversight had left $16.7 million susceptible to fraud.

two state-owned banks whose balance sheets are saddled with Saddam-era debt. Among the survey's preliminary findings: only 1.4% of all Iraqis hold a deposit account at privately owned banks, and even fewer borrow from these banks.[471]

Trade Bank of Iraq

The head of the Trade Bank of Iraq (TBI) was removed suddenly in early June, following an apparent clash with Prime Minister al-Maliki. The Prime Minister accused the bank's chairman, Hussein al-Uzri, of "financial violations" that could include corruption and also announced a judicial investigation into possible wrongdoing.[472] Al-Maliki appointed Hamida al-Jaf, an executive from the state-owned Rafidain Bank, as the new TBI head. Following the change in leadership, the bank was operating normally.[473] In a banking sector that has struggled to comply with international standards, the TBI connected quickly with the outside world after its founding in 2003. It has established a network of corresponding banks in 39 countries, was the first Iraqi bank to issue Visa credit cards, and began working with MasterCard in 2011. By mid-2011, it had established 15 domestic branches—all of them with automatic teller machines.[474] For a comparison of how the banking and capital market environment influences the investment climate in selected Middle East countries, see Figure 4.18.

U.S. Assistance to the Banking Sector

The CBI and USAID this quarter agreed on a memorandum of understanding to create the Iraq Payment System—a central payment system for Iraq's banks that will include mobile telephone and Internet technologies. USAID's Iraq Financial Sector Development Program will be assisting development of the system, which is expected to add flexibility—and potential customers—to a banking network that has struggled to do either since 2003. USAID will develop legal, regulatory, and technical recommendations for the CBI. The system would enable Iraqis to open an account, transfer funds between banks, withdraw funds,

FIGURE 4.18

INFLUENCE OF BANKING AND CAPITAL MARKET ENVIRONMENT ON INVESTMENT IN SELECTED MIDDLE EAST COUNTRIES
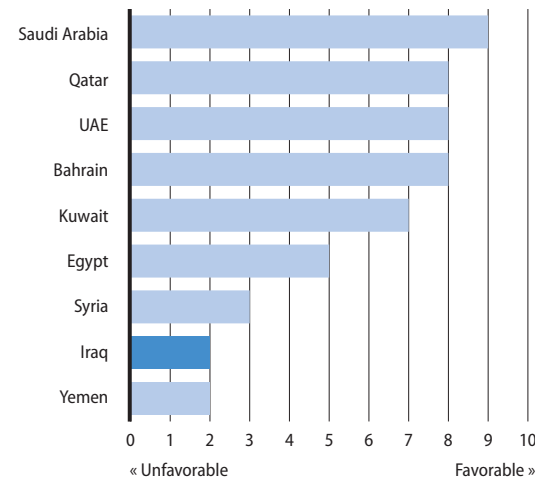
Source: Arab Petroleum Investment Corporation, *Economic Commentary*, Vol. 6 No. 4, 4/2011, p. 2, http://apicorp-arabia.com/html/cms/media/pdf/research/Commentary_V_6_N_4_2011.pdf, accessed 7/21/2011.

or make payments—all by mobile telephones or remote computers. In a nation where two-thirds of all adults own cell phones, but only one-fifth have bank accounts, authorities hope the initiative will expand use of banks and wean Iraqis from their penchant for cash-only transactions.[475]

The Iraq Financial Sector Development Program reported progress in three other areas, as well:[476]

- concluding the initial phase of an effort to establish a national banking association to advocate for the industry
- building support among the larger private banks to establish a Bank Training Institute to improve the level of employee technical skills
- selecting United Arab Emirates University to conduct an analysis of technical knowledge gaps that could be filled by an advanced-degree university program

This quarter, USAID's Provincial Economic Growth Program, *Tijara*, conducted a series of small- and medium-enterprise lending workshops for bank loan officers, which covered such issues as marketing, profitability, and the handling of

> The Prime Minister accused the bank's chairman of "financial violations" that could include corruption.

overdue loans. Microfinance institutions supported by the *Tijara* program financed more than 8,000 new loans this quarter, valued at $20.4 million.[477]

SOE Reform

Individual ministries are looking at restructuring state-owned enterprises (SOEs) under their control following the CoM's approval last quarter of a road map to restructure the country's 170-plus SOEs to make them more competitive. About 75 of them are controlled by one ministry—the Ministry of Industry and Minerals (MIM)—which has focused on efforts to attract private capital and build joint-ventures to strengthen those enterprises already viewed as profitable. Steps taken over the past half year have lifted the number of MIM-controlled SOEs considered commercially viable from 6 to 14, according to the minister, Ahmed al-Karbouli. In the process, the MIM has become the lead GOI agency in testing the public-private partnerships that form a key dimension of the government's restructuring road map. Enterprises the minister believes hold the greatest potential include those producing phosphate, fertilizers, pharmaceuticals, cement, and petrochemicals. If these joint-ventures succeed in creating new jobs and new wealth, al-Karbouli suggests political support can build for new laws needed for a broader privatization of Iraq's economy to succeed.[478]

But the challenges in industry are formidable, including obsolete factories, over-employment, insufficient raw materials, outdated technologies, and sporadic electricity supplies. On July 1, 2011, McKinsey & Company signed a $3 million contract to assist the MIM in developing the type of public-private business partnership envisioned in the GOI's plan to make its SOEs competitive.[479]

Trade Developments

After a two-year decline, U.S. exports to Iraq have shown new signs of growth in 2011. During the

The challenges are formidable, including obsolete factories, over-employment, insufficient raw materials, outdated technologies, and sporadic electricity supplies.

FIGURE 4.19

U.S. EXPORTS TO IRAQ, 2008–2011
$ Billions

	2008	2009	2010	2011
(total)	$2.07	$1.77	$1.64	
First 5 months	$0.92	$0.79	$0.74	$1.17
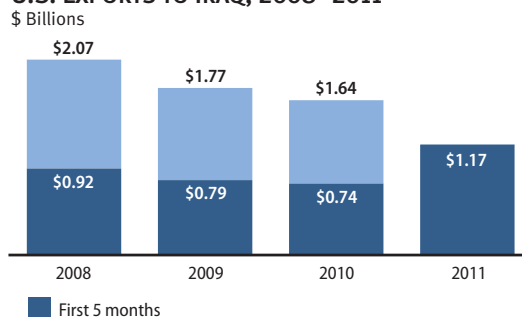
Source: U.S. Census Bureau, "2011: U.S. Trade in Goods with Iraq," www.census.gov/foreign-trade/balance/c5050.html, accessed 7/18/2011.

first five months of the year, the value of American goods shipped to Iraq totaled $1.17 billion, an increase of nearly 60% over the same period of 2010 and the strongest five-month performance going back at least through the mid-1970s for American exports to Iraq. Despite this growth, the overall trade relationship between the two countries is dominated by Iraqi oil exports to the United States. This imports registered over $5 billion for the first five months of 2011 and totaled more than $12 billion in 2010.[480] Figure 4.19 shows U.S. exports to Iraq since 2008.

A trade mission with representatives of six U.S. companies spent a week in Iraq this quarter, making stops in Baghdad and Basrah to learn more about possible commercial opportunities. The mission was sponsored by the U.S. Chamber of Commerce as part of its Iraq Business Initiative. During the trip, the chamber announced formation of an American Business Council of Iraq, based in Baghdad, with goals to enhance American-Iraqi economic cooperation and support U.S. businesses operating in the country. The trip was initially scheduled for the fall of 2010, but was twice delayed. It occurred as a growing number of European and Asian-based companies have established themselves in Iraq over the past year by taking stakes in multibillion-dollar infrastructure projects.[481] ◆

PUBLIC SERVICES

Dissatisfaction with public services remains high throughout Iraq. In its most recent assessment of how susceptible each province is to civil unrest, U.S. Embassy-Baghdad found that 2 of Iraq's 18 provinces were considered "moderately unstable" in the category of public services, and the other 16 were rated "very unstable" (see Figure 4.20). Nearly all metrics used to determine this rating—such as access to potable water, sewerage, electricity, and quality of roads—were deemed "very unstable" in almost all provinces.[482] A recent survey of residents in Diyala was consistent with these findings: at least two-thirds of the respondents expressed dissatisfaction with cleanliness, health care, education, public works, and availability of fuel and electric power.[483]

Electricity

As of June 30, 2011, the United States had obligated $5.07 billion and expended $4.98 billion to improve Iraq's generation, transmission, and distribution of electricity.[484]

The CoR-approved GOI budget for 2011 allocates more than $4.23 billion to the Ministry of Electricity (MOE). Of that total, almost $1 billion is for the purchase of imported energy—$486 million for imported electricity and $513 million for imported fuel to burn at power plants—and almost $3.20 billion is for capital projects.[485] On June 12, the CoM approved an additional $927 million for the capital budget to finance construction of new generating capacity and other electricity infrastructure projects. This brings the MOE's 2011 capital budget to more than $4.12 billion, 18% more than its 2010 capital budget of $3.49 billion.[486] The U.S.-funded *Iraq Electricity Masterplan*, which is now serving as an internal MOE planning document, estimates that almost $77 billion in capital investments will be

FIGURE 4.20

DISSATISFACTION WITH BASIC SERVICES AS A POTENTIAL CAUSE OF CIVIL UNREST, BY PROVINCE

- Very Stable
- Stable
- Moderately Stable
- Moderately Unstable
- Very Unstable
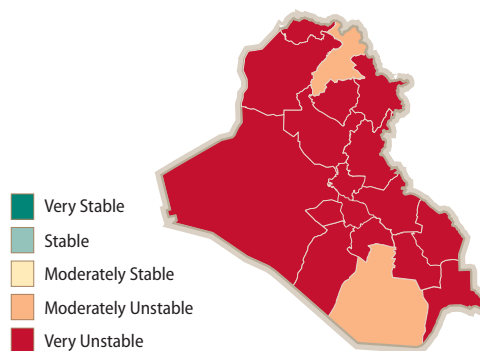
Note: Rankings are from U.S. Embassy-Baghdad's Stability Development Roadmap, an assessment model that analyzes public opinion about several areas of concern, including basic services, to estimate the potential for civil unrest resulting from these perceptions.

Source: U.S. Embassy-Baghdad, response to SIGIR data call, 7/5/2011.

required over the next 20 years to close the current supply-demand gap and keep it closed.[487]

Supply and Demand

Iraq's estimated demand for electricity this quarter averaged about 275,600 megawatt-hours (MWh) per day, or 11,484 MW—a 1% increase from last quarter, but 22% above demand during the same quarter in 2010. Following the pattern of previous April–June reporting periods, estimated demand climbed along with rising temperatures each month. Averaging 13,294 MW, June 2011 set a new record for monthly electricity demand, and, as of the middle of the month, July was on track to break that record.[488]

The total supply of electricity on Iraq's grid this quarter averaged 6,574 MW, just enough to achieve a new record high. Although the MOE has been actively announcing and implementing plans to increase generating capacity, the country's total supply on the grid has changed little over the past two years, and GOI officials have been cautioning

June 2011 set a new record for monthly electricity demand.

Iraqis that the situation is unlikely to improve before 2012. This quarter's supply represented a less than 3% (171 MW) increase from last quarter, a 6% (372 MW) increase from the same quarter last year, and a 0.5% (34 MW) increase from the previous record set in the July–September quarter of 2010.[489]

Expanded generating capacity in privately owned and operated power plants—namely, the three combustion turbine plants in the Kurdistan Region and the two diesel powerships in Basrah—was the primary factor behind the supply increase over the past year. Together, these plants produced an average of more than 1,400 MW this quarter, twice what they produced during the same quarter in 2010. This additional generation from private plants was partially offset by decreased output at government-operated plants and reduced imports.[490]

A surge in power generation at Mosul Dam contributed the most to this quarter's production increase relative to last quarter. Because of low water levels, the dam's turbines were idle for much of the January–March period, and their total output averaged 15 MW. This quarter, according to MOE data, the dam produced an average of 361 MW—an increase of more than 2,200%.[491]

For quarterly averages of supply and estimated demand since January 2004, see Figure 4.21.

> Expanded generating capacity in privately owned and operated power plants was the primary factor behind the supply increase over the past year.

Expansion of Generating Capacity

GE Mega Deal Plants

Almost two-and-a-half years after the MOE entered into the "Mega Deal" with General Electric (GE) to purchase 56 combustion turbines—each with a nameplate capacity of 125 MW—ground was broken this quarter for the first projects that will use these turbines:

- On May 8, Deputy Prime Minister for Energy al-Shahristani laid the foundation stone for the 1,250 MW al-Qaryat power plant in Kerbala. Çalık Enerji of Turkey was contracted to build the plant for a total cost of $445.5 million. The plant will have 10 generating units, and the MOE expects some of these units to be operational in 2012 and all of them to be in service by mid-2013.[492]

- On May 15, South Korea's Hyundai Engineering & Construction started work on a $219 million project to add four turbines to the Qudas power plant in Baghdad. Completion of the project, which the MOE expects to take 18 months, will expand the plant's nameplate generating capacity from about 900 MW to 1,400 MW.[493]

- On May 22, Çalık Enerji and the MOE held the groundbreaking ceremony for the 750 MW

FIGURE 4.21

AVERAGE IRAQI ELECTRICITY SUPPLY AND ESTIMATED DEMAND, BY QUARTER, 1/2004–6/2011

MW
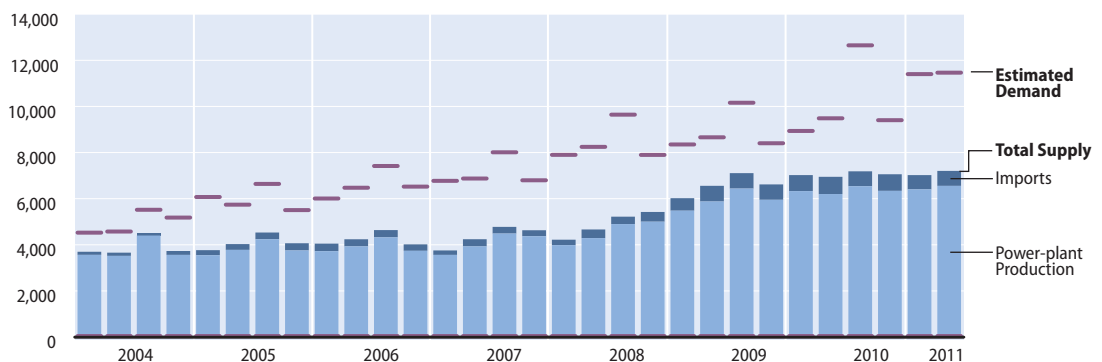
Sources: ITAO/ESD, *Electric Daily Performance Reports*, 6/1/2006–6/30/2011; DoS, *Iraq Status Reports*, 10/25/2006, slide 11, and 5/9/2007, slide 11.

Division of Power

The aggregated data for electricity supply and demand in Iraq masks the differences in trends inside and outside of the Kurdistan Region. The KRG's Ministry of Electricity (KRG-MOE) operates a power transmission and distribution network that serves Erbil, Dahuk, and Sulaymaniyah, while the GOI's MOE controls the grid that serves Iraq's 15 other provinces. The two grids are not connected.[494]

Electricity in the Kurdistan Region is supplied by five power plants: three combustion turbine plants owned and operated by independent power producer Mass Global and two hydroelectric plants run by the KRG. These five plants have a combined feasible generating capacity of 2,094 MW and produced, on average, 1,302 MW this quarter (62% of capacity). The three privately owned plants started coming on line in 2008 and accounted for almost 96% of the region's total supply this quarter. Electricity imports from a Kartet power plant in Turkey ended in January 2011.[495]

In the rest of Iraq, about 85% of the electricity is generated at mostly older, MOE-operated power plants, and 3% is produced by the privately owned powerships in Basrah. Together, the feasible capacity of these plants is 9,980 MW, and their average output this quarter was 4,624 MW (46% of capacity). Imports from Iran provided the remaining 12% of supply on the MOE-controlled grid.[496]

Figure 4.22

ELECTRICITY SUPPLY AND DEMAND, KURDISTAN REGION VS. THE REST OF IRAQ, 2008–2011
Comparison of April–June Quarters
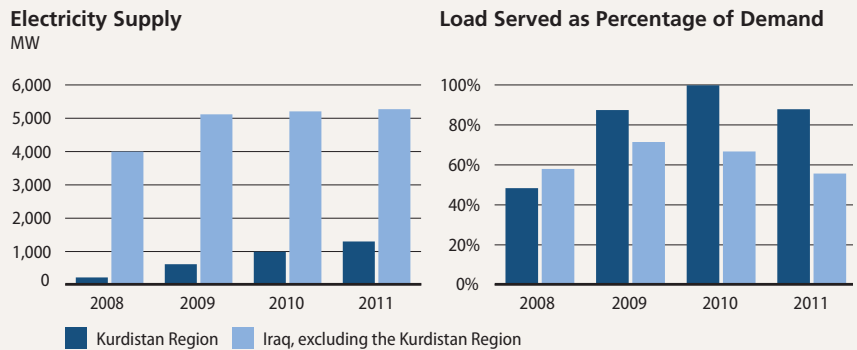
Source: SIGIR analysis based on ITAO/ESD, *Electric Daily Performance Reports*, 4/1/2008–6/30/2011.

The picture became more complicated late this quarter when the province of Tameem (Kirkuk) began purchasing power from one of Mass Global's plants. In announcing these exports from the Kurdistan Region, KRG President Massoud Barzani said they were intended to help Tameem during the summer and would continue until the GOI "returns all these areas to the Kurdistan Region."[497] During the last eight days of the month, these imports averaged 85 MW.[498] Although this electricity is being used outside of the area controlled by the KRG, it does not actually enter the MOE grid."[499]

As shown in Table 4.7, while the grid supply for the country as a whole increased by 6% from the April–June 2010 quarter to the same quarter this year, it increased by 30% in the Kurdistan Region and by 1% in the rest of Iraq:[500]

- Within the Kurdistan Region, lower output from the two hydroelectric plants, the cessation of imports from Turkey, and the start of exports to Tameem were more than offset by a doubling of production at the privately owned plants.
- On the MOE-controlled grid, increased production from the powerships and a higher level of imports were partially offset by decreased production at the MOE's power plants.

MOE data also shows demand in the Kurdistan Region increasing at a faster pace than in the rest of Iraq. Compared with the same quarter in 2010, the region's demand rose about 40%, while in the other 15 provinces it increased an average of 18%.[501] Figure 4.22 shows changes in the supply and demand situation in these two areas of Iraq since 2008.

Table 4.7

GROWTH IN ELECTRICITY SUPPLY, BY AREA OF IRAQ, 2010–2011
Average Supply, in MW, during April–June Quarters

	NON-KRG PROVINCES			KRG PROVINCES			ALL IRAQ		
	2010	2011	CHANGE	2010	2011	CHANGE	2010	2011	CHANGE
Government Power Plants	4,589	4,466	-123 (-3%)	158	57	-102 (-64%)	4,748	4,523	-225 (-5%)
Private Power Plants	21	158	137 (669%)	687	1,245	558 (81%)	708	1,402	695 (98%)
Net Imports[a]	596	656	60 (10%)	150	-7	-158 (-105%)	747	649	-98 (-13%)
Total Supply	**5,206**	**5,280**	**74 (1%)**	**996**	**1,294**	**298 (30%)**	**6,202**	**6,574**	**372 (6%)**

[a] Net imports include the electricity (averaging 7.5 MW over the entire quarter) that was exported from the Kurdistan Region to Tameem; this electricity did not become part of the MOE-controlled grid.

Source: SIGIR analysis based on ITAO/ESD, *Electric Daily Performance Reports*, 4/1/2010–6/30/2011.

al-Qayarah power plant in Ninewa province. The MOE expects this $388 million project to be completed by early 2013.[502]

Once completed, these three engineering, procurement, and construction (EPC) projects will add 2,500 MW of nameplate capacity to Iraq's national grid.

Two other GE Mega Deal EPC projects moved closer to the construction phase this quarter. On June 20, the MOE signed an $81.3 million contract with Lanco Infratech of India for construction of the 250 MW Akkas plant in Anbar,[503] and on July 7, it awarded a $130 million contract to Baghdad Company to build the 500 MW Haydariya plant in Najaf.[504]

The MOE received bids in February for four other GE Mega Deal projects that it planned to award to independent power producers, but the CoM canceled these projects on May 24. The MOE then converted them to EPC projects, and bids are due during the first 10 days of August.[505]

Other Major Power-plant Projects

On April 25, the MOE signed a $1 billion contract with China's Shanghai Electric Group to almost double the planned capacity of al-Zubaidiya thermal plant in Wassit. In May 2010, Shanghai Electric began construction of the first phase of the project, a $924 million effort to install 1,320 MW of nameplate capacity. The second phase, scheduled for completion in 2014, will add two 610 MW generating units and bring the plant's total nameplate capacity to 2,540 MW.[506]

Also this quarter, Iran Power & Water Equipment and Services Export Company (Sunir) completed construction of the first phase of al-Sadr power plant in Baghdad's Sadr City. The project, which began in March 2009, was completed on schedule at a cost of about $225 million. The plant has two 160 MW Siemens combustion turbines, the first of which was connected to the grid for a test run in April. The MOE anticipates adding two more 160 MW generating units to the plant, which would bring the total nameplate capacity to 640 MW.[507]

> The MOE IG estimates that the illegal diversion of fuel has reduced daily electricity production in Iraq by as much as 400 MW.

U.S. Embassy-Baghdad reports that the MOE has canceled al-Qaryat thermal plant, which it had planned to build in Kerbala.

Fuel Availability Issues

Because natural gas is unavailable to the new al-Sadr plant, it is set up to use diesel fuel. But trucking the needed quantity of fuel—about 2 million liters (more than 500,000 gallons) each day—to the site in northeast Baghdad apparently has proven to be a challenge. Although the plant's current capacity is 320 MW, its average production in June was 42 MW; for the quarter, it was 20 MW.[508]

To overcome this fuel-availability problem, the MOE signed a $365 million contract on June 30 under which ECG Iran would build a 140-mile-long pipeline to transport natural gas from Iran, through Diyala province, to Baghdad. According to the MOE, the proposed pipeline would serve the Qudas and al-Sadr power plants, and it would provide 25 million cubic meters (almost 900 million cubic feet) per day for five years—enough gas to generate 2,500 MW.[509]

In an apparent move to provide an interim solution for al-Sadr plant, the MOE announced on June 23 that it had signed a one-year contract to purchase 1.5 million liters (almost 400,000 gallons) per day of diesel fuel from Iran's Oil Ministry. The MOE said that Iranian tanker trucks would deliver the fuel and that the volume would be sufficient to generate up to 250 MW of power.[510]

The MOE Inspector General has voiced concern that large quantities of diesel fuel en route to power plants are being stolen each month as a result of collusion between trucking contractors and MOE employees. According to the MOE IG, his office has uncovered the theft of fuel from hundreds of fully loaded tanker trucks in Baghdad, Basrah, Baiji, Samarra, and other areas. He estimates that the illegal diversion of fuel has reduced daily electricity production in Iraq by as much as 400 MW, or about 6% of total supply.[511]

Emergency Measures To Increase Electricity Supplies

Most of the large-scale new generating capacity now being developed is not scheduled to come on line until 2013–2015 and will not help Iraq close the supply-demand gap this year or next. The GOI therefore is implementing several emergency measures to increase the availability of electric power.

As described in SIGIR's April 2011 Quarterly Report, the MOE announced in March an expedited program to complete 50 new 100 MW diesel plants by the middle of next year. Since then, the MOE scaled this program down to 40 plants, and it has entered into contracts for all 4,000 MW of new capacity:

- On May 18, the MOE signed a $2.77 billion contract with STX Heavy Industries of South Korea to build 25 plants.[512] But according to U.S. Embassy-Baghdad, the contract is now on hold because STX has objected to some of its terms.[513]
- On July 2, the MOE entered into a $1.17 billion contract with Canadian Alliance for Power Generation Equipment (Capgent) for construction of 10 plants.[514]
- On July 6, it signed a $625 million contract with a German company to build five more plants.[515]

To make more off-grid electric power available to consumers this summer, the CoM on May 24 approved a plan to provide a limited quantity of free fuel to owners of government and private generators as long as those providers supplied at least 12 hours of electricity per day at reasonable prices. In doing so, the GOI acknowledged the difficulty it was having supplying consumers via the national grid.[516] Implementation of the plan began on June 1, and the MOE estimates that it could enable consumers to get up to 20 hours of power per day—12 hours from neighborhood generators and 8 hours from the national grid.[517]

KRG Expansion Plans

On July 7, the KRG's Ministry of Electricity announced its intention to add 6,000 MW of generating capacity, as well as a new 400 kilovolt (kV) network, to the Kurdistan Region's power system. The new plants would operate on natural gas, heavy fuel oil, and hydropower. The KRG-MOE said it was seeking qualified investors to design, supply, construct, commission, operate, and maintain the new power plants at various locations within the region.[518]

Recently Completed and Ongoing U.S.-funded Projects

The U.S. Army Corps of Engineers (USACE) reported that it completed six electricity projects, with a total value of $42.6 million, this quarter. These included the last remaining electricity project funded by the IRRF: construction of the $29.1 million substation in Ramadi. Three of the other completed contracts used $11.6 million from the ESF for equipment purchases. According to USACE, it also had

> USACE completed the last remaining electricity project funded by the IRRF.

The last IRRF-funded electricity project, the $29.1 million substation in Ramadi, was completed this quarter. (Symbion Power photos)

five ongoing ESF-funded electricity projects at the end of the quarter, with a total value of $17 million. The largest was a $6.8 million project to procure gas-insulated circuit breakers and associated equipment for substations in Diyala. Three of the projects, together valued at $7.2 million, were for additional work at al-Musayab combustion-turbine plant. The other was for the procurement of $3 million in equipment for a substation in Ninewa.[519]

> Iraq's Minister of Transportation announced plans to solicit bids to construct a multibillion-dollar deep-water port along al-Faw peninsula.

Transportation

Ports

This quarter, Iraq's Minister of Transportation announced plans to solicit bids by the end of the year to construct a multibillion-dollar deep-water

Figure 4.23

Location of Iraqi Ports, al-Faw Peninsula, and Bubiyan Island

port along al-Faw peninsula in Basrah province.[520] In April 2010, the minister held a cornerstone-laying ceremony to inaugurate plans to build the port, which Iraqis envision as a critical seaport hub for a "dry canal"—a network of railways and roads that they hope will compete with the Suez Canal in the transportation of goods to Europe.[521] The Italian firm Technital won the contract to create the port designs, which will provide for multiple docks and jetties, a wheat silo, helicopter landing strips, water-treatment units, and security surveillance systems.[522]

However, a cornerstone-laying ceremony held this quarter for a Kuwaiti port project on Bubiyan Island rankled Iraqi leaders, who claimed the port would affect the economic and navigational interests of Iraq due to its potential to impede sea travel to the Umm Qasr and al-Zubair Ports and to reduce commercial traffic at al-Faw Port. Iraqi officials traveled to Kuwait to discuss plans for the competing port.[523] Figure 4.23 displays the geographical proximity of al-Faw and Umm Qasr Ports to Bubiyan Island.

Meanwhile, efforts continued this quarter to establish Iraq's presence in the international maritime community, with Iraqi and U.S. Coast Guard officials attending a conference in London to advance Iraq's implementation of and compliance with international maritime conventions and regulations. The delegation also sought to conduct a port survey to establish security procedures at Iraqi ports and to train trainers.[524]

Aviation

USF-I reported this quarter that the Iraqi Civil Aviation Authority (ICAA) has more than 100 Iraqi air-traffic controllers at various stages of hire, training, or certification. In June 2011, Iraq assumed control over all airspace in the southern third of the country. Elsewhere, the ICAA controls airspace at 15,000 feet and above, and is expected to assume full control of airspace in the northern third of the country in August and in the central third by October of this year.[525] USF-I reported that it maintained a presence this quarter at Baghdad, Basrah, and Mosul

International Airports. It expected to end its mission at the Baghdad and Mosul airports in October and at the Basrah airport in December. According to USF-I, the Basrah and Baghdad airport transitions were progressing well, but the transition at Mosul airport was impeded because the ICAA had a limited presence at the airport and did not have qualified technicians or air-traffic controllers there.[526]

Iraq continued this quarter to expand the number of airlines flying commercial flights to Baghdad and other Iraqi cities. Austrian Air arrived in Baghdad on June 8, and the airline announced plans to operate three flights per week between Vienna and Baghdad.[527] In June, Iraqi and Turkish civil aviation authorities signed an agreement to increase flights and launch new flight destinations between the two countries; in July, Turkish Airlines flew its first direct flight between Istanbul and Najaf.[528] A similar bilateral agreement was signed this quarter to pave the way for direct flights between Iraq and Italy.[529]

Railroads

This quarter, the U.S. Department of Transportation (DOT) and its Volpe National Transportation Systems Center completed a $3.7 million project to train Iraqi railway employees to operate and maintain the railways' Digital Microwave Radio Communication Network. The training was part of a $48.1 million project to create a digital communications system that will be used to operate Iraq's railroads.[530]

Road Construction

USACE reported that construction of two road projects was ongoing this quarter. The first is the ESF-funded $4.1 million al-Amarah–al-Maymunah Carriageway, scheduled for completion in August 2011, which will be a two-lane highway roughly 14 miles long with three bridges.[531] The second project is a $2.1 million IRRF-funded effort to replace the bridges for a future two-lane highway adjacent to the existing al-Amarah–al-Maymunah Carriageway.[532] It is also slated for completion in August 2011.[533]

Water and Sanitation

As of June 30, 2011, the United States had obligated $2.65 billion and expended $2.57 billion to rehabilitate Iraq's water and sanitation sectors.[534] The U.S. Army Corps of Engineers (USACE) reported that it had completed 11 water and sanitation projects this quarter at a combined cost of $27 million.[535] Of these projects, 10 were funded by the ESF, and one was funded by the IRRF. Al-Kibla Sewer and Storm Network was the largest—an $11.1 million ESF-funded project in Basrah province to design and construct a sanitary sewer and storm-water collection system. The network includes pump stations, force mains, manholes, inlets, and individual house connections.[536]

USACE reported this quarter that it had completed the "backbone" of the long-awaited Falluja Waste Water Treatment Plant and Collection System, a $100 million effort comprising multiple smaller projects to develop a waste water treatment plant and collection system for the city of Falluja in Anbar province. The treatment plant, along with primary collection mains and pumping stations, has been completed, but connections to houses are still ongoing. A $7.6 million U.S. government grant to the Ministry of Municipalities and Public Works, coupled with an $85 million GOI construction project, is intended to complete the collection system for the entire city of Falluja by 2014. According to U.S. Embassy-Baghdad, there are

USACE reported this quarter that it had completed the "backbone" of the long-awaited Falluja Waste Water Treatment Plant and Collection System.

USACE reported completion this quarter of the Falluja Waste Water Treatment Plant and Collection System in Anbar province. (USACE photo)

Al-Mamoon Exchange and Communications Center in Baghdad was turned over to the GOI on June 30, 2011. (USACE photo)

Iraq boasts one of the fastest growing cell phone markets in the region, with an estimated 23 million subscribers.

currently 4,500 homes connected to the treatment plant, with an additional 4,500 homes expected to be connected by the end of 2011.[537]

In addition to the grant for house connections in Falluja, USACE reported one other ongoing water project at the end of the quarter—the $1.3 million ESF-funded Rivers and Lakes Study that entails collecting water samples from the Shatt al-Arab waterway near Basrah, major lakes in Iraq, and 27 tributaries flowing into the Tigris River from Iran. The project is expected to be completed before the end of September 2011.[538]

Communications

This quarter, USACE reported the $18.3 million IRRF-funded al-Mamoon Exchange and Communications Center in Baghdad was completed and finally inspected prior to its turnover to the Ministry of Communications (MOC) on June 30, 2011. This seven-story office building will serve as a telecommunications hub for the MOC and is designed to house state-of-the-art equipment to improve radio transmissions, cellular and landline telephone communications, and high-speed Internet service for the Baghdad area. Completed nearly five years after its originally forecasted completion date of December 2006, the project suffered from sabotage and contracting problems and was re-awarded in 2009.[539]

DoS reported this quarter that Iraq's telecommunications sector is hindered by poor infrastructure, high operating costs, and policy differences between the MOC and the Communications and Media Commission (CMC).[540] It remains unclear what roles the MOC and CMC play in the telecommunications industry. The CMC was created by Coalition Provisional Authority Order 65 as a communications regulator, but there is no corresponding Iraqi law establishing the MOC. The MOC has declared that all fiber optics laid in Iraq are owned by the GOI through its state-owned enterprise, the Iraqi Telecommunications and Post Company.[541]

After years of neglect and an absence of a mobile phone market prior to 2003, Iraq boasts one of the fastest growing cell phone markets in the region, with an estimated 23 million subscribers serviced by three companies—AsiaCell, Zain, and Korek.[542] Last quarter, the MOC announced plans to issue a fourth mobile phone license, to be auctioned by the end of 2011.[543] However, companies complain of military jamming of mobile phone frequencies and high operating costs—as much as $700 per megabyte to operate local circuits, compared with $50 to $80 per megabyte in the United States and Europe.[544]

DoS reported that the use of landlines has also steadily risen in Iraq. Since 2003, an estimated 1.2 million homes and businesses have subscribed to landline service. Internet penetration has lagged behind, with only 3% of the homes or businesses having access to the Web.[545] Iraq's Minister of Communications said this quarter that he intended to use $3.5 billion to quadruple the number of fixed-line phones from 2 million to 8 million in the next five years.[546] DoS reported Iraqi plans to increase Internet usage by 25% over the next five years as well.[547]

Health Care

This quarter, USACE continued construction of the $12.6 million ESF-funded Missan Surgical Hospital, an 80-bed facility in Missan province, which is scheduled for completion in October 2011. The Basrah Children's Hospital, a $165 million facility opened in October 2010, still does not have oncology services available, but USACE has begun to install donated medical equipment. Meanwhile, the $8 million Ba'quba General Hospital has been turned over to the GOI, and all essential services (including electricity) were hooked up this quarter. USACE also completed upgrades at the $3.5 million Ibn Sena Cardiac Center in Mosul.[548]

Education

GOI Efforts To Improve Education

Iraqi officials focused this quarter on increasing both the number of schools in operation and the ability of its teaching staff to educate students. Overcrowding continues to be a major concern, as is the quality of teachers, according to Iraq's Ministers of Education and Higher Education. While Iraq boasts 25 universities (including 6 in the Kurdistan Region) and 40 technical institutes, there is a shortage of space to accommodate incoming students. In some cases, 10 higher education students are vying for every 4 seats.[549]

GOI officials noted a shortage of school building at the elementary and high school levels as well. In an interview with SIGIR, the Minister of Education estimated that Iraq needs more than 7,000—and ideally 13,400—new elementary and high schools immediately and about 600 new schools annually after that to accommodate population growth. Since 2003, the minister estimates there have been 2,600 new schools built, including 244 constructed by the MOE.[550] At the end of 2010, USACE reported it had completed 1,166 construction projects in the education sector.[551]

The Minister of Education emphasized additional education challenges: outdated curricula, underpaid and insufficiently trained teachers, high illiteracy, and low achievement among students. He said curricula date back to the 1970s and 1980s and characterized improvements made since then as "superficial." He estimated that about 70% of Iraq's 442,000 teachers lack proper training and noted that his ministry lacked the budget to execute plans to train 100,000 teachers per year. Iraq's students, he said, need more discipline, better food, better tutoring, and more private-school options. He described Iraq's illiteracy rates as "appalling."[552] In May, the CoR's Education Committee released a statement estimating that the number of illiterates in Iraq had reached 5 million.[553]

U.S.-funded Education Projects

USACE reported that the $940,000 ESF-funded Semel School in Dahuk province was completed this quarter. It also reported that construction of the $1.1 million ESF-funded Halabja school in Sulaymaniyah province and the $550,000 ESF-funded Nuaymia school in Anbar province was ongoing. Halabja was scheduled for completion in July 2011, and Nuaymia was slated for completion by October 2011.[554] ◆

The Minister of Education described Iraq's illiteracy rates as "appalling."

SIGIR
OVERSIGHT

SECTION

5

SIGIR AUDITS

Since March 2004, SIGIR has issued 194 audit reports. From May 1 to July 30, 2011, SIGIR issued six audits addressing a wide range of reconstruction issues. They included:

- a report addressing DoD's management of contracts to provide static or site security
- a report on DoD management of a system to coordinate, oversee, and report on private security contractors involved in serious incidents
- a report examining the use and outcomes of CERP 2011 funds
- a report addressing Department of Defense (DoD) management of Iraqi funds for CERP type projects (I-CERP)
- a report on the management and oversight of a contract with Anham, LLC, and whether costs charged were reasonable and fair
- a report on Department of State (DoS) responsiveness to SIGIR recommendations

For a list of these audit products, see Table 5.1.

SIGIR currently has 12 announced or ongoing audits, and others are expected to start this quarter. SIGIR performs audit work under generally accepted government auditing standards.

SIGIR Audits Completed This Quarter

Control Weaknesses Remain in Oversight of Theater-wide Internal Security Services Contracts
(SIGIR 11-018, 7/2011)

Introduction

Private security contractors (PSCs) play an important role in Iraq by protecting U.S. personnel, facilities, and property related to reconstruction efforts. The Department of Defense (DoD) relies on PSCs to provide static, or site, security throughout Iraq by guarding and protecting fixed locations such as forward operating bases. In September 2007, DoD awarded five Theater-wide Internal Security Services (TWISS) contracts to PSCs for static security at various bases in Iraq.[555] In April 2009, the Special Inspector General for Iraq Reconstruction (SIGIR) reported on the cost, requirements, and oversight of these contracts, noting that contracting officer's representatives (CORs) sometimes had insufficient experience, training, and time to perform their oversight roles. In August 2009, DoD awarded another five TWISS contracts. The five current contracts have a combined not-to-exceed value of

TABLE 5.1
SIGIR Audit Products since 5/1/2011

Report Number	Report Title	Date Issued
11-018	Control Weaknesses Remain in Oversight of Theater-wide Internal Security Services Contracts	7/2011
11-019	Monitoring Responsibilities for Serious Incidents Involving Private Security Contractors Once U.S. Military Forces Leave Iraq Have Not Been Determined	7/2011
11-020	Commander's Emergency Response Program for 2011 Shows Increased Focus on Capacity Development	7/2011
11-021	Management of the Iraq Commander's Emergency Response Program Needs To Be Improved (Interim Report)	7/2011
11-022	Poor Government Oversight of Anham and Its Subcontracting Procedures Allowed Questionable Costs To Go Undetected	7/2011
11-023	Department of State Reports It Has Taken Action on Most Open Audit Recommendations, but Documentation Is Needed	7/2011

$485 million, about $258 million of which has been disbursed as of June 9, 2011.

This report focuses on the five current TWISS contracts and addresses the manner in which DoD exercised control over the contractors' performance and DoD's process for adjusting the contracts as U.S. forces withdraw.

Results

Although COR duties are critical to the U.S. government's oversight of the TWISS contracts, SIGIR found issues that could adversely impact their ability to perform these duties, leaving the U.S. government at risk of contractor fraud, waste, and abuse. Specifically, almost 40% of the CORs we surveyed said the training they received did not prepare them for their duties, and 25% said they lack sufficient time to conduct effective oversight. SIGIR found similar issues the last time it looked at the TWISS contracts in 2009. After that report, the Defense Contract Management Agency (DCMA) increased training requirements but recognized in an April 2011 internal review that not all training was being conducted and documented. Regarding the lack of time, DCMA said only the CORs' commanders can rebalance workload, and that during the process to nominate CORs, nominating officials are affirming CORs have the time and resources to perform their duties. While that may be true, SIGIR believes DCMA should better inform the CORs' nominating officials of the time required to perform their duties. USF-I, for its part, needs to assess the COR workloads and identify actions to rebalance those workloads.

SIGIR also found that CORs are not completing, or DCMA is not maintaining, all monthly checklist reviews which DCMA developed to help CORs review contractor compliance with task order requirements. Even when completed, SIGIR found most reviews appeared to be of questionable value or provided little assurance that COR oversight was adequate, a fact DCMA officials acknowledge. These reviews are important to DCMA's ability to perform its contract administration and oversight responsibilities.

Despite DCMA's concerns about the performance of some CORs, it did not provide the CORs or their rating officials with regular feedback on performance. At the same time, the CORs' rating officials did not request COR performance information from DCMA. SIGIR believes regular, written feedback would (1) alert the CORs to areas where they need improvement, (2) alert rating officials to the CORs' weaknesses and the possible need for additional training or relief from other duties, and (3) provide rating officials with the information they need to comply with the Deputy Secretary of Defense's policy memorandum requiring that raters evaluate COR performance in performance assessments.

SIGIR also notes that many locations lacked trained backup CORs for when the primary COR was not available. CORs may not always be available to perform their oversight duties because of vacations, sickness, emergencies, and duty rotations. Sufficient numbers of trained backups would ensure continuity in contractor oversight during these times.

Finally, the process to terminate TWISS task orders as U.S. troops withdraw and the U.S. military closes or transfers bases to the Iraqis appears to be working well.

Recommendations

SIGIR recommends the Director, DCMA, direct actions to:

1. Provide regular feedback on CORs' performance.
2. Train and appoint alternate CORs.
3. Verify that all COR and Quality Assurance Representatives reviews are conducted.
4. Provide COR nominating officials information about CORs' time and duty requirements.

SIGIR recommends the Commander, U.S. Forces-Iraq, direct actions to:

1. Assess and rebalance the workload of TWISS CORs.
2. Enforce existing policy that rating officials evaluate COR performance during assessments.

Management Comments and Audit Response

Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

Monitoring Responsibilities for Serious Incidents Involving Private Security Contractors Once U.S. Military Forces Leave Iraq Have Not Been Determined
(SIGIR 11-019, 7/2011)

Introduction

In September 2007, Blackwater, a private security contractor (PSC) under contract with the Department of State (DoS), was involved in an incident that resulted in the death of 17 Iraqi civilians. As a result of the incident and its repercussions, the Department of Defense (DoD) and DoS took actions to improve their coordination and oversight of PSCs involved in serious incidents.[556] In April 2009, the Special Inspector General for Iraq Reconstruction (SIGIR) reported on the DoD system for reporting, investigating, and remediating serious incidents involving PSCs in Iraq.[557] Because of the planned withdrawal of U.S. military forces from Iraq in December 2011, SIGIR reviewed the U.S. government's current and planned oversight of PSCs in that country. In April 2011, SIGIR reported on the relationship between the U.S. Army Corps of Engineers' Gulf Region District's reconstruction activities and its security contract requirements with Aegis Defense Services, Limited.[558] SIGIR's objectives for this report are to determine (1) changes in the serious incident reporting and investigating system since SIGIR's 2009 report, (2) plans for the system after U.S. military forces leave Iraq, and (3) coordination of serious incidents

with the Government of Iraq (GOI). SIGIR also followed up on the status of recommendations in its April 2009 report. SIGIR will be issuing separate reports on the current status of those recommendations. SIGIR encountered significant constraints imposed by the DoS Bureau of Diplomatic Security and unresponsiveness by the Bureau to SIGIR's requests for information that adversely impacted and limited its scope, methodology, and ability to fully accomplish its audit objectives.

Results

SIGIR found that the system for reporting and investigating serious incidents involving U.S. government PSCs has changed little since SIGIR's 2009 report. Moreover, DoD's system is projected to remain unchanged through the end of December 2011 when U.S. military forces plan to leave Iraq. SIGIR was told by U.S. military officials that the predominant types of serious incidents have changed over the last few years from attacks and shots fired to traffic accidents and harassments at checkpoints. SIGIR's review of serious incidents reported from September 2010 through May 2011 confirmed that the majority of reported incidents are traffic accidents and incidents at checkpoints.

The system's future is less certain, as responsibilities for monitoring the activities of DoD PSCs have not been fully determined and may be disestablished—even though U.S.-funded PSCs will continue to support DoD and DoS organizations and the U.S. Agency for International Development. SIGIR could not determine plans for its PSCs, which currently report their missions and serious incidents through DoD's system. DoS would not provide that information.

U.S. agencies are coordinating serious incidents that involve their PSCs with the GOI. Guidance requires that DoD PSCs report their serious incidents to U.S. military authorities and to the local police for incidents involving Iraqi nationals. SIGIR was told by U.S. military officials responsible for overseeing PSC reporting that they rely on the PSCs to report their incidents to the local police.

SIGIR was also told that U.S. military and Embassy personnel periodically meet with GOI officials to discuss PSC operations and serious incidents. This was confirmed by an official with the GOI's Ministry of Interior who expressed satisfaction with U.S. government efforts to inform the ministry.

Recommendations

Because of the Chief of Mission's responsibilities for the activities of U.S. government's executive agencies in Iraq once U.S. military forces leave the country, we recommend that the Chief of Mission be responsible for monitoring all U.S. government PSCs operating in country and the incidents in which they are involved.

Management Comments and Audit Response

Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

Commander's Emergency Response Program for 2011 Shows Increased Focus on Capacity Development
(SIGIR 11-020, 7/2011)

Introduction

The 2008 Security Agreement between the United States and the Government of Iraq (GOI) requires that all U.S. combat forces withdraw from Iraq by December 31, 2011, although no final decision on the withdrawal has been made. U.S. Forces-Iraq (USF-I) repositioned U.S. combat brigades from Iraqi cities, villages, and localities in June 2009 in compliance with the Security Agreement and began transitioning to an advise, train, and assist role. As the mission changed, U.S. forces began their withdrawal. The Special Inspector General for Iraq Reconstruction (SIGIR) initiated this review to determine how the Commander's Emergency Response Program (CERP) is being used in support of this changing mission and to determine if there are lessons learned that can be applied to other environments.

Results

The USF-I Commanding General issued FY 2011 CERP guidance explicitly directing that CERP projects assist the GOI's civil capacity development. The guidance encourages commanders to fund quickly implementable, small-scale projects that can be completed prior to the troop withdrawal deadline. SIGIR interviewed more than 30 U.S. government officials responsible for CERP management who stated that they are implementing the program in accordance with the Commanding General's guidance.

SIGIR found that many of the civil capacity-development projects undertaken do not appear related to DoD's counterinsurgency mission. For example, some Provincial Reconstruction Teams (PRTs) are deeply involved in identifying, planning, and implementing CERP projects. DoS representatives at the PRTs stated that USF-I relies on them, in part, because of frequent military deployment rotations, reduced troop presence, limited subject-matter expertise, and little experience in the management of capacity development projects. While SIGIR supports the involvement of DoS in coordinating projects, this heavy DoS involvement raises questions about whether the projects undertaken support DoD's counterinsurgency mission or whether CERP has evolved into another U.S. development program, similar to those run by the U.S. Agency for International Development (USAID) and DoS.

The authoritative guidance for the CERP in Iraq is DoD's *Money as a Weapon System (MAAWS)*. Congress and the Army Audit Agency have raised similar questions about funding projects that appear to go beyond *MAAWS'* intent and do not focus on counterinsurgency objectives. Adding to the problem is that *MAAWS* guidance contains little direction on how projects should be selected to support military counterinsurgency objectives.

The *MAAWS* states that performance metrics are essential to ensure funds are applied to projects that will yield the greatest benefit to the Iraqi people. However, SIGIR found that the data underlying these metrics is not well supported, resulting in output measures of limited usefulness. USF-I often relies on imprecise testimonial evidence from subject matter experts and local Iraqi contacts as the basis for the data. A USF-I official stated that as a result of the imprecise data, the effect and impact of CERP projects are largely unknown. The CERP Management Cell in the Office of the Secretary of Defense recognizes this problem and is working to develop better metrics. Additionally, CERP project sustainability is uncertain as monitoring projects will largely cease following the withdrawal of U.S. forces, removing the ability to determine whether the GOI is sustaining the projects.

Recommendations

SIGIR recommends that the Office of the Secretary of Defense:

1. Clarify the military's role in civil capacity-development efforts where counterinsurgency is not a primary focus.
2. Re-evaluate performance metrics and measures of effectiveness for CERP projects with particular attention on eliminating broad metrics.

Matter for Congressional Consideration

If Congress intends for DoD to undertake civil capacity development efforts where counterinsurgency is not a primary focus, it should consider providing clarifying instructions or codifying that mission in U.S. statutes.

Management Comments

Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

Management of the Iraq Commander's Emergency Response Program Needs To Be Improved (Interim Report)
(SIGIR 11-021, 7/2011)

Introduction

This letter addresses the Special Inspector General for Iraq Reconstruction's (SIGIR) concerns over U.S. Forces-Iraq's (USF-I) management of the Iraq Commander's Emergency Response Program (I-CERP). The Government of Iraq (GOI) provided $270 million to the Department of Defense (DoD) in April 2008 so it could execute urgently needed reconstruction projects for the benefit of the Iraqi people. SIGIR examined DoD's process for managing the I-CERP because of previous DoD problems in accounting for GOI funds provided for reconstruction. SIGIR's objectives for this report are to examine USF-I's (1) management of I-CERP funds, (2) reporting on the use of funds to the GOI, and (3) maintenance of I-CERP project files.

Results

SIGIR is providing this interim report because $24.4 million in I-CERP funds remain that could be used for reconstruction projects instead of U.S. funds, and the window to save U.S. funds is closing. SIGIR found that U.S. funds were used instead of I-CERP funds in some cases. USF-I obligated $245.6 million in I-CERP funds on 2,474 projects, as of April 30, 2011. DoD guidance provides nine categories of projects that should be funded by the I-CERP, rather than the CERP, if sufficient funding is available for the project in the applicable province. However, SIGIR found that USF-I spent U.S.-appropriated CERP funds on a number of projects in 2009, 2010, and 2011 instead of I-CERP funds. For example, 20 CERP school repair projects completed in 2010 in Diyala province, totaling about $1.4 million, met the I-CERP criteria but were not paid for with I-CERP funds.

The report also discusses problems with USF-I's quarterly reports to the GOI and weak controls over key I-CERP project documents.

SIGIR reviewed the five quarterly reports[559] USF-I provided to the GOI from December 31, 2009, through March 31, 2011, and found errors in each report. These errors primarily occurred in three areas—the balance of I-CERP funds, the number of storyboards provided to the GOI, and the accuracy of the storyboards provided to the GOI. Finally, SIGIR found that key documents are missing from some I-CERP project files. SIGIR reviewed the I-CERP program in 2009 and reported that despite efforts to improve accountability and documentation within the program, project files lacked critical internal control documentation due to insufficient program oversight as well as unclear and incomplete guidance on document requirements.[560] In response to these recommendations, USF-I's predecessor, the Multi-National Force-Iraq, took corrective action. However, SIGIR's limited review of five I-CERP project files indicated that USF-I may still not be following its guidance with regard to key documents pertaining to project outcomes and use of funds.

SIGIR is continuing its examination of I-CERP and plans to issue a comprehensive report on I-CERP later this year.

Recommendations

SIGIR recommends that the Commanding General, USF-I:

1. Identify planned CERP projects that could be funded with I-CERP and, where appropriate and feasible, use I-CERP funds to pay for these projects so U.S. funds can be put to better use elsewhere.

SIGIR further recommends that the Commander, CENTCOM, and the Commanding General, USF-I:

2. Adhere to the terms of the MOU and provide the GOI complete and accurate storyboards for all 225 projects costing $50,000 or more, completed from October 2009 through April 2011.

3. Identify and locate files for I-CERP projects completed between October 2009 and April 2011 and notify SIGIR when these files are available for review.

Management Comments

Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

Poor Government Oversight of Anham and Its Subcontracting Procedures Allowed Questionable Costs To Go Undetected
(SIGIR 11-022, 7/2011)

Introduction

Over the past eight years, billions of dollars in contracts have been awarded to support relief and reconstruction activities in Iraq. The Congress has raised questions about many of these contracts and particularly questioned subcontracting actions. This report examines subcontracts associated with a contract awarded in September 2007 to Anham, LLC (Anham), to provide for the receipt, storage, and onward movement of supplies and equipment needed to reconstitute the Iraqi Security Forces and reconstruct the country's infrastructure. The contract had obligations of approximately $119.2 million, of which Anham subcontractors provided at least $55 million in supplies and services.

SIGIR's objectives for this report were to determine (1) the adequacy of government oversight of Anham and its subcontracting procedures and (2) whether Anham's costs under the contract are fair and reasonable.

Results

SIGIR found significant weaknesses in the government's oversight of Anham's business systems and other contract administration functions that left the government at significant risk of paying unreasonable costs. In four key Anham business systems that were reviewed, SIGIR found the following:

- The Defense Contract Audit Agency (DCAA) reviewed and approved Anham's accounting system.
- DCAA did not review Anham's estimating system.

FIGURE 5.1

COMPANIES INVESTED IN ANHAM AND CERTAIN SUBCONTRACTORS WITH COMMON OWNERS AND MANAGERS
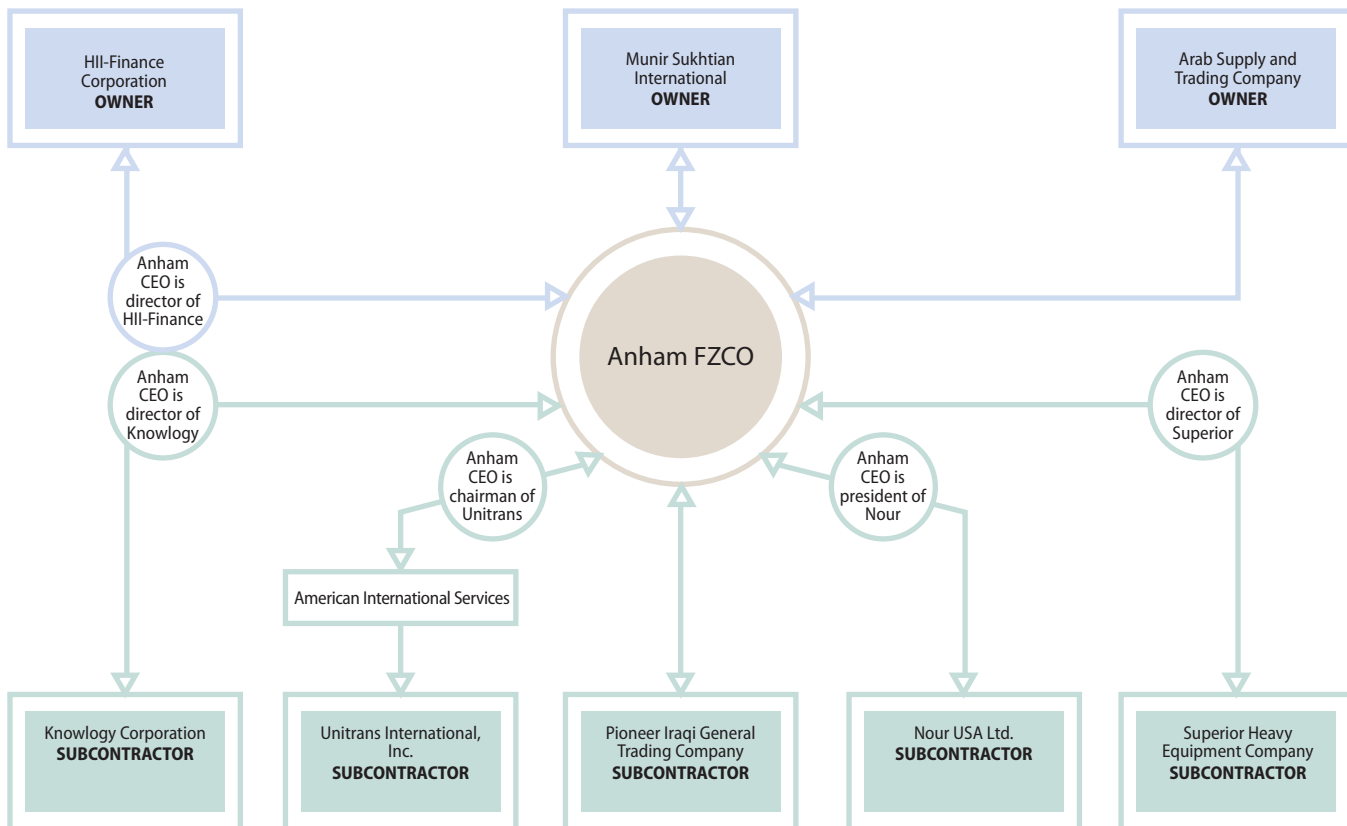
Note: Anham told SIGIR that a company called GMS Holdings, Inc. is a 50% owner of Anham.

Sources: Anham and its corporate filing data from the Virginia State Corporation Commission.

- DCAA reviewed Anham's billing system but found significant weaknesses.
- The Defense Contract Management Agency (DCMA) reviewed and recommended approval of Anham's purchasing system despite identifying significant gaps in documentation on the degree of price competition obtained. DCMA also did not ask important questions about close and/or affiliated relationships that Anham may have with some of its subcontractors.
- Contract oversight by the contracting officer's representatives (CORs) was weak in that the CORs did not compare vouchers to receiving documents, signed for delivery of goods without

verifying that the goods were delivered, and allowed Anham employees to sign for receipt of $10 million in goods.

Some of these issues could have been identified during an incurred cost review. In these types of reviews, DCAA determines if the contractor's costs are allowable, allocable, and reasonable. However, DCAA has not yet completed an incurred cost review on Anham and is several years behind in meeting its incurred cost review requirement for Iraq contracts. SIGIR conducted a limited incurred cost review of Anham and questioned almost 39% of the sampled costs ($4.4 million) either because SIGIR questions whether the costs were fair and

reasonable or because they were not properly documented. Reasons that SIGIR questions the costs include questionable competition practices, inappropriate bundling of subcontractor items, and close working relationships or possible ownership affiliations between Anham and certain subcontractors. For example, SIGIR believes Anham may have less than an *arms-length* relationship with six subcontractors who were awarded approximately $55 million in purchases and services under the reviewed contract (see Figure 5.1). As a result of the multiple problems identified in this report, SIGIR is questioning all the costs on this contract.

Recommendations

SIGIR recommends that the Office of the Secretary of Defense change its guidance to contracting officers to give them responsibility, in cooperation with DCAA, for reviewing the reasonableness of prices charged to the government.

SIGIR recommends that the Commander, CENTCOM, take the following actions:
1. Determine whether Anham and its subcontractors on this contract are "affiliates" as defined by the FAR.
2. Review all vouchers submitted under this contract to ensure that appropriate pricing analysis was conducted and that prices are fair and reasonable.
3. Initiate a systematic review of billing practices on all Anham contracts in Iraq and Afghanistan.

SIGIR recommends that the Director, Defense Contract Management Agency, conduct a new contractor purchasing system review on Anham.

Management Comments

Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

Department of State Reports It Has Taken Action on Most Open Audit Recommendations, but Documentation Is Needed
(SIGIR 11-023, 7/2011)

Introduction

The Inspector General Act of 1978,[561] as amended, requires the Special Inspector General for Iraq Reconstruction (SIGIR) to identify in its semiannual report each significant recommendation described in previous semiannual reports on which corrective action has not been completed. This report follows up on 45 audit recommendations SIGIR made to the Department of State (DoS) that were open (i.e., unresolved) as of July 8, 2011. The objectives of this report are to determine whether DoS took appropriate action to address these recommendations and whether DoS has a system to track and oversee the status of SIGIR's audit recommendations.

Results

DoS reports that it has acted on most of the open recommendations. In early July 2011, DoS provided SIGIR with a report stating that it has closed 38 of the 45 recommendations. SIGIR closed 13 recommendations based on information in the report. DoS did not provide sufficient information to allow SIGIR to close the other 25 recommendations that DoS said it had closed. SIGIR also found that DoS has a follow-up process and tracking system for audit reports and recommendations and has agreed to use that process for SIGIR audit reports and recommendations. Nevertheless, DoS has not clearly delineated an organization responsible for reporting the status of recommendations to the Congress or for resolving disagreements and questions about recommendations, as required by Office of Management and Budget (OMB) Circular A-50.

SIGIR commends DoS for adapting its audit follow-up processes and systems to include SIGIR recommendations and for working with SIGIR to resolve audit follow-up issues. Nevertheless, DoS audit follow-up processes still do not include an

important OMB requirement to include resolution of disagreements over recommendations and reporting requirements. These responsibilities are not only critical to improving internal controls and accountability and reporting this to the Congress but also are necessary in those cases where DoS and SIGIR cannot agree on the resolution of an open recommendation.

Recommendations

SIGIR recommends that the Secretary of State:

1. Provide SIGIR supporting documentation to verify actions taken on open audit recommendations.
2. Designate an official with the authority to resolve disagreements between DoS and SIGIR on recommendations and with the responsibility to report on the status of open audit recommendations as required under OMB A-50.

Management Comments

Management comments are included in the final report which can be found on the SIGIR website: www.sigir.mil.

Ongoing and Planned Audits

SIGIR primarily conducts performance audits that assess the economy, efficiency, effectiveness, and results of Iraq reconstruction programs, often with a focus on the adequacy of internal controls and the potential for fraud, waste, and abuse. This includes a series of focused contract audits of major Iraq reconstruction contracts, which will support SIGIR's response to congressional direction for a "forensic audit" of U.S. spending associated with Iraq reconstruction. Additionally, SIGIR has conducted and will continue to conduct in-depth assessments of the reasonableness, allowability, and allocability of costs charged to the United States. SIGIR will also closely monitor and review reconstruction activities as the DoD presence declines and the DoS management responsibilities for reconstruction increase.

Announced or Ongoing Audits

SIGIR is currently working on these audits:

- Project 1112: Audit of the Department of Defense's Efforts To Account for Funds from the Development Fund for Iraq
- Project 1111: Audit of the Department of State's Process To Transfer Reconstruction Projects to the Government of Iraq
- Project 1110: Audit of the Indirect Costs Charged by Non-profit Organizations for Administering Security Contracts in Iraq
- Project 1109: Audit of the Department of Defense's Management of Selected Large-dollar Iraq Reconstruction Contract Closeouts
- Project 1108: Audit of the Department of Defense's Iraq Reconstruction Contract Terminations
- Project 1107: Audit of the Results of Efforts To Develop the Capacity of the Iraqi Ministries of Defense and Interior
- Project 1106: Audit of the Department of State's Initiatives To Develop Iraqi Police
- Project 1105b: Audit of the Use of Funds Provided for the Iraq Commander's Emergency Response Program
- Project 1102: Audit of the Status of Recommendations Made to the Department of Defense
- Project 1021: Audit of the Status of International Narcotics and Law Enforcement Funds Appropriated for Iraq Reconstruction
- Project 1020: Audit of the Departments of Justice and State Management of Rule-of-law Activities in Iraq
- Project 1018: Audit of the Cost, Outcome, and Management of the Fallujah Waste Water Treatment Plant Project
- 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 24 focused contract and grant audits dealing with outcomes, costs, and the oversight associated with major reconstruction contracts in Iraq, as well as vulnerabilities to fraud, waste, and abuse. This quarter, SIGIR completed a review of a major contract that identified oversight issues which contributed to such vulnerabilities, and in which SIGIR identified questionable costs.

SIGIR will continue to audit the management, costs, and outcomes of U.S. reconstruction efforts in Iraq. Additionally, SIGIR will maintain its oversight of issues related to the downsizing of the DoD presence in Iraq and the transition of reconstruction activities, such as police training and asset transfer, and DoD management of DFI funds.

SIGIR Audits: 2003–2011

Since 2003, SIGIR has published 194 audits addressing a wide range of topics, such as oversight of contracts and specific reconstruction programs, as well as the cost and oversight of private security contractors. Throughout its tenure, SIGIR audits have identified deficiencies in the management of contracts and reconstruction activities; made recommendations to improve economy and efficiency of U.S. operations and make activities less vulnerable to fraud, waste, and abuse; and provided lessons learned for use in other reconstruction endeavors.

Moreover, SIGIR has made 473 recommendations to improve reconstruction activities in Iraq, and management has already agreed to and implemented 163 of them. These recommendations are discussed more in depth later in this section.

Much of SIGIR's audit results can be attributed to SIGIR's presence in Iraq. This presence has enabled SIGIR to provide real-time audits—often starting and completing within six months—that address critical reconstruction issues. SIGIR's in-country audit activities also enable face-to-face communications and relationship building with Department of Defense (DoD), Department of State (DoS), and Government of Iraq (GOI) officials, and they provide an in-depth and historical knowledge of the reconstruction program in the country.

SIGIR has worked proactively with previous and current U.S. ambassadors and commanding generals, providing insights on issues that need to be addressed. For example, in August 2009, SIGIR identified for the Commanding General and the U.S. Ambassador to Iraq areas that needed to be dealt with to ensure a smooth transition as reconstruction management shifts from DoD to DoS, as the U.S. presence downsizes and the ministerial capacity of the GOI increases.

Major Issues Addressed in Audits

In the course of its work, SIGIR has identified broad, recurring issues that were the key contributing causes to the deficiencies noted in the body of SIGIR's audits. To illustrate, in July 2008, SIGIR issued an audit report that discussed four persistent issues affecting the management of reconstruction activities in Iraq. They were:

- the need to better understand the problems associated with implementing reconstruction programs in an unstable security environment. (For

example, security issues and their costs were often not adequately taken into consideration in designing and implementing reconstruction activities and estimating costs.)

- the impact of not having an integrated management structure to provide clear lines of authority on program coordination and successful delivery of projects. (The lack of such unity of command led to situations where the U.S. government could not determine the full extent of all agencies' activities on a single issue, such as anticorruption or capacity development.)
- the importance of anticipating staffing needs and reducing staff turnover
- recognition of how essential working closely with host governments is to the long-term success of U.S. investments in reconstruction projects

Additionally, SIGIR audits of contracts have pointed out numerous areas where contract management needed to be improved to provide better economy and efficiency and make the contract less vulnerable to fraud, waste, and abuse.

SIGIR Recommendations To Improve the Management of Reconstruction Activities

SIGIR made recommendations to deal with these management problems. In a number of cases, a single recommendation addressed more than one of the issues outlined above. To illustrate, SIGIR has provided:

- more than 190 recommendations to improve program management, including the need to adequately staff offices and reduce staff turnover
- more than 70 recommendations to improve interagency coordination and cooperation and to better share information
- more than 200 recommendations to improve oversight of contracts and contractors to encourage economy and efficiency and minimize the potential for fraud, waste, and abuse
- more than 190 recommendations to improve accountability and internal control weaknesses

(These involve deficiencies such as inadequate review of contractor invoices, inadequate contractor oversight, missing or incomplete documentation of contract actions, and inadequate staffing.)

- more than 35 recommendations to work more closely with the GOI in areas such as designing and transferring projects to improve the prospects that the GOI will sustain U.S.-funded facilities and programs so that U.S. efforts will not be wasted

Additionally, SIGIR has provided recommendations to improve the management, efficiency, and outcome of significant and high-cost programs that will continue even as the U.S. reconstruction effort in Iraq scales back:

- SIGIR has issued 12 Commander's Emergency Response Program (CERP) and Iraq-Commander's Emergency Response Program (I-CERP) reports and made 29 recommendations addressing the need to improve their management. The CERP authorizes U.S. field commanders to use CERP funds to respond to urgent humanitarian, relief, and reconstruction requirements that immediately assist indigenous populations and achieve focused effects. This quarter, SIGIR completed a review of the uses and management of Fiscal Year 2011 CERP-funded projects and concluded that the emphasis to concentrate on capacity-development projects likely does not meet DoD CERP objectives, and that there are no meaningful metrics to measure the impact of these projects. Another report looked at DoD's management of the funds the GOI provided for CERP-type projects. Called the I-CERP, SIGIR found that DoD was using U.S. CERP funds for projects that would have been more appropriately funded under I-CERP, and that DoD was not maintaining accurate information on the I-CERP funds or projects.
- SIGIR has issued more than 27 reports which, to varying degrees, addressed U.S. efforts to develop a functioning Iraqi Security Forces (ISF). This effort takes on increasing importance

as the U.S. military footprint decreases and now that the principal agency created to implement this goal—the Multi-National Security Transition Command-Iraq (MNSTC-I)—has been subsumed into the U.S. Forces-Iraq (USF-I). As of July 2011, SIGIR had made five recommendations regarding ministerial capacity development, oversight of weapons provided to the ISF, asset transfer, use of CERP funds, anticorruption efforts, and other topics—including logistics, maintenance responsibilities, and training of security forces personnel.

SIGIR has initiated reviews of the actions DoD, DoS, and USAID have taken, or plan to take, to address open recommendations and report these actions to the Congress as required by OMB Circular A-50 and the Inspector General Act of 1978, as amended. In a report issued last quarter, SIGIR found that USAID had taken corrective actions on four of the six open SIGIR recommendations and is working with SIGIR to close the remaining two. Moreover, SIGIR found that the agency's audit tracking system is effective and well-managed.

This quarter, SIGIR is reporting on DoS's responsiveness to SIGIR recommendations. SIGIR found that while DoS reports that it has acted on most of the open recommendations and informed SIGIR that it has closed 38 of the 45 recommendations, SIGIR could close only 13 because DoS did not provide sufficient information to allow closure of the others. SIGIR also found that DoS has a follow-up process and tracking system for audit reports and recommendations and has agreed to use that process for SIGIR audit reports and recommendations. Nevertheless, DoS has not clearly delineated an organization responsible for reporting the status of recommendations to the Congress or for resolving disagreements and questions about recommendations, as required by Office of Management and Budget Circular A-50.

Financial Impacts of SIGIR Audits

SIGIR's audits have had financial impacts as shown in Table 5.2. Through its audits, SIGIR has been able to identify:

- funds that would be put to better use, meaning that funds could be used more efficiently if management took an action such as reducing outlays or de-obligating funds from a specific program or operation
- payments that SIGIR questioned and recommended the agency consider recovering because SIGIR determined that the payments were either not adequately supported in documentation or did not appear to be allowable, reasonable, or allocable according to regulations and or other agreements governing the expenditure of the funds
- funds that were actually saved because the agency under review accepted SIGIR's recommendation to put funds to better use, or recover monies that were inappropriately spent by a contractor, grant recipient, or other organization receiving U.S. funding

SIGIR has identified a total of $641.64 million that could be used more efficiently and effectively if used elsewhere.

SIGIR has also questioned $217.80 million in payments to contractors and grant recipients under cost-reimbursement contracts or grant agreements because the costs claimed were not supported by adequate documentation, such as receipts or invoices; were unallowable under government regulations; were unreasonably high; or were not allocable to the project. For example, SIGIR found major problems in U.S. oversight of a contract with Anham, LLC, and is therefore questioning the entire $113 million that has thus far been expended on the contract.

Through July 30, 2011, agency management has concurred with certain SIGIR audit findings and recommendations, which has resulted in about $656.32 million in saved and recovered funds. For example, $23.91 million was saved through improved contractor invoice review procedures in the Iraqi police training program.

Table 5.2

SIGIR Potential and Actual Financial Impacts

$ Millions

Accomplishments	This Quarter	Cumulative
Potential Savings If Funds Are Put to Better Use[a]	0.00	586.62
Potential Savings If Agencies Recover Questioned Costs[b]	114.48	624.48
Actual Saved and Recovered Funds Based on Agency Actions Responding to SIGIR Recommendations[c]	563.82	656.32

Notes:
[a] The Inspector General Act of 1978, § 5. (f) states:
   (4) The term "recommendation that funds be put to better use" means a recommendation by the Office that funds could be used more efficiently if management of an establishment took actions to implement and complete the recommendation, including—
   (A) reductions in outlays
   (B) de-obligation of funds from programs or operations
   (C) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds
   (D) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor, or grantee
   (E) avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements, or
   (F) any other savings which are specifically identified.
[b] The Inspector General Act of 1978, § 5. (f) states:
   (1) The term "questioned cost" means a cost that is questioned by the Office because of—
   (A) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds
   (B) a finding that, at the time of the audit, such cost is not supported by adequate documentation, or
   (C) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.
   (2) The term "unsupported cost" means a cost that is questioned by the Office because the Office found that, at the time of the audit, such cost is not supported by adequate documentation.
[c] This represents an accumulation of all SIGIR's questioned costs where agencies ultimately took action to save funds.

Source: Analysis of SIGIR audit reports and recommendations as of 7/2011.

SIGIR continuously monitors whether agencies have achieved savings by implementing SIGIR recommendations to put funds to better use or to question whether costs incurred were allocable, allowable, or reasonable. For example, SIGIR asked DoS to provide data on its response to SIGIR recommendations regarding invoice and other reviews relevant to the DynCorp contract. DoS reported significant savings in several areas, including the negotiated costs of proposals, invoices resubmitted for adjusted amounts, and processed refund requests.

Table 5.3 lists SIGIR's financial impact audit reports and the value of the financial accomplishments.

TABLE 5.3
SIGIR POTENTIAL AND ACTUAL FINANCIAL IMPACT REPORTS
$ Millions

| | | POTENTIAL SAVINGS FROM SIGIR RECOMMENDATIONS | | | ACTUAL SAVINGS |
| | | | QUESTIONED COSTS | | |
REPORT NUMBER	REPORT TITLE	FUNDS THAT COULD BE BETTER USED	UNALLOWABLE UNALLOCABLE UNREASONABLE	UNSUPPORTED COSTS	DOLLARS SAVED & RECOVERED
04-003	Federal Deployment Center Forward Operations at the Kuwait Hilton	18.20			18.20
04-011	Audit of the Accountability and Control of Materiel Assets of the Coalition Provisional Authority in Baghdad	19.70			19.70
04-013	Coalition Provisional Authority's Contracting Processes Leading Up To and Including Contract Award			5.19	
05-008	Administration of Contracts Funded by the Development Fund of Iraq		0.04		0.00[a]
05-015	Management of Rapid Regional Response Program Grants in South-Central Iraq			2.70	0.00[a]
05-016	Management of the Contracts and Grants Used To Construct and Operate the Babylon Police Academy	1.30			0.00[a]
05-017	Award Fee Process for Contractors Involved in Iraq Reconstruction	7.80			7.80
05-020	Management of the Contracts, Grant, and Micro-Purchases Used To Rehabilitate the Karbala Library		0.15		0.00[a]
05-023	Management of Rapid Regional Response Program Contracts in South-Central Iraq		0.57		0.00[a]
06-009	Review of Task Force Shield Programs	12.80			12.80
06-010	Review of the Multi-National Security Transition Command-Iraq Reconciliation of the Iraqi Armed Forces Seized Assets Fund	1.51		3.46	4.97
06-016	Interim Audit Report on the Review of the Equipment Purchased for Primary Healthcare Centers Associated with Parsons Global Services, Contract Number W914NS-04-D-0006	23.30			23.30
06-029	Review of DynCorp International, LLC, Contract Number S LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support		5.46		5.46
07-007	Status of U.S. Government Anticorruption Efforts in Iraq	3.80			3.80
08-018	Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with Fluor/AMEC, LLC		0.57		
09-003	Cost, Outcome, and Oversight of Local Governance Program Contracts with Research Triangle Institute		0.19		0.06[a]
09-004	Iraq Reconstruction Project Terminations Represent a Range of Actions	16.62			16.62
10-008	Long-standing Weaknesses in Department of State's Oversight of DynCorp Contract for Support of the Iraqi Police Training Program	448.49	502.25		508.66
10-010	Department of State Contract To Study the Iraq Reconstruction Management System	5.00			5.00
10-013	Commander's Emergency Response Program: Projects at Baghdad Airport Provided Some Benefits, but Waste and Management Problems Occurred	16.10			16.10
10-022	Improved Oversight Needed for State Department Grant to the International Republican Institute		0.69		.69
11-001	National Democratic Institute Grant's Security Costs and Impact Generally Supported, but Department of State Oversight Limited		0.08		.08
11-009	Iraqi Government Support for the Iraq International Academy	12.00			12.00
11-014	The Iraq Community Action Program: USAID's Agreement with CHF Met Goals, but Greater Oversight Is Needed		1.08		1.08
11-022	Poor Government Oversight of Anham and Its Subcontracting Procedures Allowed Questionable Costs To Go Undetected		113.4		
Total		**586.62**	**624.48**	**11.35**	**656.32**

Note: All SIGIR audit reports can be found on the SIGIR website at www.sigir.mil.
[a] SIGIR previously reported that agencies saved some, or more money, but collection efforts were stopped for reasons such as the company went out of business, or the cost of collection would have exceeded the funds recovered.

Collaborative Forensic Audits/ Investigations Initiative

SIGIR's Audits and Investigations Directorates are engaged in a number of collaborative forensic audit and investigation initiatives designed to identify fraud, waste, and abuse. Public Law 108-106, as amended, requires that SIGIR prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq, which to date totals more than $61 billion. Over the past four years, SIGIR has conducted a series of 24 audits of major reconstruction contracts that were intended, in part, to identify internal control weaknesses. Because such weaknesses provide opportunities for fraud, waste, and abuse, SIGIR used the results of these audits to develop targeted forensic auditing approaches to identify potential instances of wrongdoing. A forensic audit is a systematic examination of the internal controls over a program's expenditures or other financial data to identify anomalies in individual transactions that may be indicative of fraud, waste, or abuse. The analytic process is portrayed in Figure 5.2.

SIGIR's approach combines automated data mining with standard audit and investigative techniques to detect problematic transactions and develop relevant evidence for use in administrative actions or civil or criminal fraud prosecutions. Matters most appropriately addressed by administrative resolution, such as cost disallowance and recovery, will be referred through audit reports to agency contracting officials for appropriate action.

The SIGIR Audits and Investigations Directorates continue to expand the proactive joint effort that was established in January 2009. This effort focuses on Iraq relief and reconstruction programs that afford easy access to cash associated with weak controls over expenditures. To date, SIGIR has opened 85 criminal investigations as a result of this effort. This project has also provided support to ongoing criminal investigations.

Additionally, SIGIR continues to provide support on conducting forensic audits to the Special Inspector General for Afghanistan Reconstruction. ◆

FIGURE 5.2
FORENSIC AUDIT PROCESS

Source Data

Iraq Reconstruction Financial Data
(financial analysis of all DoD, DoS, and USAID transactions 2003–2009)

SIGIR Audits/Investigations Initiative
(targeting programs with weak internal controls that afford easy access to cash)

Focused Contract Audits
(audits that target costs, outcomes, and oversight of specific contracts and vendors)

Analysis

Anomaly testing and data mining

Results

Identification of anomalous activity indicative of potential fraud, waste, and abuse

Criminal investigations resulting in indictments/convictions

Audits of vendors resulting in recoveries and addressing internal control weaknesses

SIGIR INVESTIGATIONS

The SIGIR Investigations Directorate continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 104 active investigations as of July 15, 2011. During this reporting period, SIGIR had 2 investigative personnel assigned to Baghdad; 6 at SIGIR headquarters in Arlington, Virginia; and 11 in offices in Pennsylvania, Florida, Texas, Oklahoma, and California. Investigative accomplishments this quarter included 4 arrests, 8 indictments, 4 convictions, and 1 sentencing. To date, the work of SIGIR investigators has resulted in 35 arrests, 64 indictments, 54 convictions, and more than $153.9 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 to work closely with prosecutors, U.S. partner investigative agencies, coalition partner investigators, and law enforcement personnel from other countries. As a result of SIGIR investigations, 3 defendants are pending indictment based upon arrest complaints, 8 defendants are awaiting trial, and an additional 19 defendants are awaiting sentencing. Figure 5.3 shows the increases in the number of judicial actions and monetary results achieved in each of the last two years based on SIGIR's investigations. With prosecutors currently handling a substantial number of additional cases, this trend is expected to continue. For a comprehensive list of convictions compiled by the Department of Justice (DoJ), see Table 5.4, at the end of this section.

SIGIR notes these investigative activities this quarter:

- Two Department of State (DoS) contractors agreed to pay the U.S. government more than $8.7 million to resolve allegations of false claims.
- A former contractor and his son were charged in a bribery and conspiracy indictment.
- A former U.S. Army major was charged with and pled guilty to bribery.

FIGURE 5.3
SIGIR INVESTIGATIONS: CRIMINAL AND MONETARY RESULTS
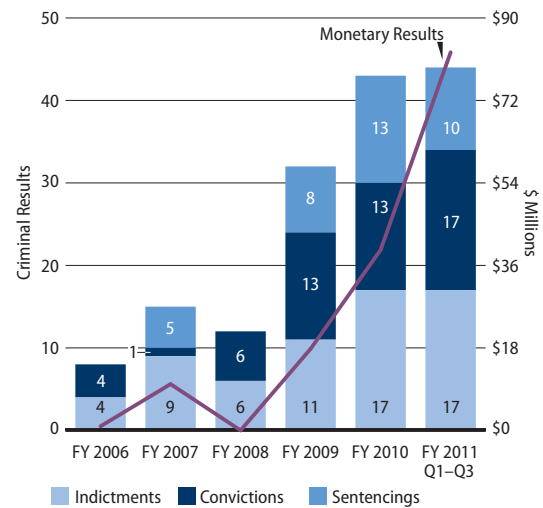
- A former U.S. Army major was charged with and pled guilty to money laundering.
- A U.S. Army sergeant and associate were indicted and arrested for an alleged bribery scheme.
- A former U.S. Army sergeant first class was charged with and pled guilty to conspiracy and theft.
- A former U.S. Army sergeant was arrested for receiving stolen cash from Iraq.
- An associate of a U.S. Marine Corps contracting officer in Iraq was charged in a money-laundering conspiracy.
- A U.S. Marine Corps major was sentenced for receiving illegal gratuities .

Two DoS Contractors Agree To Pay More Than $8.7 Million to the U.S. Government To Resolve Allegations of False Claims

On April 22, 2011, the United States settled a whistleblower lawsuit against DynCorp International LLC (DynCorp) and its subcontractor, The Sandi Group (TSG), which alleged that both companies submitted or caused to be submitted false claims

for payment under DynCorp's contract with DoS to provide civilian police training in Iraq.

DynCorp agreed to pay the U.S. government $7.7 million to resolve allegations that it submitted inflated claims for the construction of container camps at various locations in Iraq. TSG agreed to pay $1.01 million to resolve allegations that it sought reimbursement for danger pay that it falsely claimed to have paid its U.S. expatriate employees working in Iraq.

The lawsuit was initially filed by two former TSG employees, under the *qui tam,* or whistleblower, provisions of the federal False Claims Act, which permits private individuals, called "relators," to bring lawsuits on behalf of the United States and receive a portion of the proceeds of a settlement or judgment awarded against a defendant. As a result of the settlement, the two relators will receive up to $481,710 as their share of the government's recovery.

The case is being conducted by SIGIR and the DoS Office of the Inspector General (DoS OIG).

Former President of Lee Dynamics International Pleads Guilty to Conspiracy and Bribery Related to DoD Contracts in Iraq

On July 15, 2011, Justin W. Lee, the former president of Lee Dynamics International, a defense contractor providing services to the U.S. military in Iraq, pled guilty to an indictment charging him with a scheme to bribe military officials in order to obtain government contracts. Lee pled guilty in U.S. District Court for the Eastern District of Pennsylvania to one count of conspiracy to commit bribery and four counts of bribery. Lee and his father, George H. Lee, Jr., were charged in an indictment unsealed on May 27, 2011, in the Eastern District of Pennsylvania.

Justin Lee admitted that he conspired with his father and others to bribe military contracting officers in order to obtain government contracts to support U.S. combat operations in Iraq. According to court documents, Justin Lee provided things of value, including cash, airline tickets, meals, hotel stays, spa visits, and jobs—valued at more than

$1.2 million—to public officials in return for official acts that helped him obtain lucrative Department of Defense (DoD) contracts. The contracts included multi-million-dollar contracts for the storage of weapons at various warehouses in Iraq as well as for bottled water.

Four of the military contracting officials with whom Justin Lee conspired have pled guilty: John Cockerham, Jr., Markus McClain, Kevin A. Davis, and Levonda Selph.

Justin Lee faces up to 15 years in prison for each count of bribery, as well as a fine of $250,000 or three times the value of the bribe for each count. He also faces up to five years in prison for the conspiracy count as well as a fine of $250,000.

George Lee, the former chairman and chief executive officer of Lee Dynamics International, remains at large. An indictment is merely a charge, and a defendant is presumed innocent until proven guilty.

The case is being conducted by SIGIR, the Defense Criminal Investigative Service (DCIS), Army Criminal Investigation Command Division-Major Procurement Fraud Unit (CID-MPFU), Internal Revenue Service (IRS), Immigration and Customs Enforcement (ICE), and Federal Bureau of Investigation (FBI).

Former U.S. Army Major Charged with and Pleads Guilty to Bribery

On June 13, 2011, Derrick L. Shoemake, a former U.S. Army major, pled guilty to a criminal information charging him with two counts of bribery. According to court documents, Shoemake was deployed to Camp Arifjan, Kuwait, as a contracting officer's representative in charge of coordinating and accepting delivery of bottled water in support of U.S. troops in Iraq. While serving in Kuwait, Shoemake agreed to assist a contractor with his delivery of bottled water. In return, the contractor paid Shoemake a total of approximately $215,000, most of which was delivered to Shoemake's designee in Los Angeles. Shoemake received an additional $35,000 from a second contractor for his perceived influence over the award of bottled water contracts

in Afghanistan. In total, Shoemake admitted receiving approximately $250,000 from these two government contractors in 2005 and 2006.

Shoemake faces up to 15 years in prison for each bribery count, as well as a fine of $250,000. Additionally, Shoemake has agreed to criminal forfeiture of $250,000 to the U.S. government. A sentencing date has not yet been scheduled by the court.

The case is being conducted by SIGIR, DCIS, CID-MPFU, IRS, ICE, and FBI.

Former U.S. Army Major Charged with and Pleads Guilty to Money Laundering

On May 11, 2011, Charles Joseph Bowie, Jr., a retired U.S. Army major, pled guilty to a criminal information filed on April 14, 2011, charging him with one count of engaging in monetary transactions in property derived from specified unlawful activity. According to court documents, Bowie, while serving in Kuwait from April 2004 to April 2005, became friends with former U.S. Army Major John Cockerham, who directed a government contractor to pay Bowie money in exchange for the award of a bottled water contract. Bowie admitted that he received four wire transfers of approximately $100,000 each from the contractor between July 2005 and February 2006. Bowie also admitted that he entered into a sham consulting agreement with the contractor to conceal the payments.

Bowie faces up to 10 years in prison and a fine of $250,000. In addition, Bowie has agreed to pay $400,000 in restitution to the U.S. government. A sentencing date has not yet been scheduled by the court.

The case is being conducted by SIGIR, DCIS, Army CID-MPFU, IRS, ICE, and FBI.

U.S. Army Sergeant and Associate Indicted and Arrested for Bribery

On June 21, 2011, an 11-count indictment was unsealed in federal court in Wheeling, West Virginia, charging a U.S. Army sergeant first class and his associate, a former U.S. Army master sergeant, for their alleged roles in a bribery and money-laundering scheme at Camp Arifjan, Kuwait.

The indictment, returned by a federal grand jury in the Northern District of West Virginia on June 8, 2011, charges the Army sergeant with receiving more than $170,000 in bribes from two firms that had DoD contracts in Kuwait. The indictment also charges the sergeant and his associate with laundering the money through bank accounts in Kuwait and the United States. Both individuals were arrested without incident on June 21, 2011.

The indictment alleges that the sergeant, a senior procurement non-commissioned officer who served at Camp Arifjan from February 2005 to December 2006, along with two former Army majors, awarded Army contracting business and improperly disclosed contracting information to two firms that were seeking contracts from the U.S. military. According to the indictment, as a result of the actions taken by the sergeant and the two majors, these firms received nearly $25 million from contracts to deliver bottled water and other commodities to U.S. military bases in Iraq and Kuwait, as well as to paint and clean DoD facilities in Kuwait. In exchange, the sergeant and the two majors allegedly received cash, airplane tickets, hotel accommodations, and the ability to conceal large amounts of cash in a hidden safe located in the villa of a DoD contract employee who worked in the host-nation affairs office at Camp Arifjan.

The indictment also alleges that the sergeant entrusted his bribe money to his associate, who from October 2005 to December 2008 operated a concession to sell clothing and other items at various U.S. military bases in Kuwait and maintained bank accounts in Kuwait and the United States. The indictment alleges that the associate arranged to transfer the bribe money from Kuwait to the United States and into the possession of the sergeant, his wife, and his girlfriend. Additionally, the indictment alleges that the sergeant and his associate assisted one of the majors in his efforts to retrieve between $200,000 and $250,000 of bribe money and to transfer that money from Kuwait to the United States.

The sergeant is charged with several crimes:

- one count of conspiracy to commit bribery, which carries a 5-year maximum sentence

- two substantive bribery counts, which carry a 15-year maximum sentence for each count
- one count of conspiracy to commit money laundering and six substantive money-laundering counts, which carry a 20-year maximum sentence for each count
- obstruction, which carries a 5-year maximum sentence

The sergeant's associate is charged with one count of conspiracy to commit bribery and four substantive money-laundering counts. She faces up to 20 years in prison for the money-laundering conspiracy count and each of the substantive money-laundering counts. Both also face fines and a term of supervised release, if convicted. The indictment also seeks the forfeiture of any property or money involved in the alleged offenses.

The case is being conducted by SIGIR, DCIS, Army CID-MPFU, and FBI.

Former U.S. Army Sergeant Charged with and Pleads Guilty to Conspiracy and Theft

On June 28, 2011, Robert A. Nelson, a former U.S. Army sergeant first class, pled guilty in U.S. District Court, to conspiring to steal U.S. Army equipment related to his work as a non-commissioned officer helping to train Iraqi Army personnel in Mosul, Iraq, in 2008. Nelson was charged in a criminal information with one count of conspiracy to steal public property. According to the court document, Nelson was deployed to Forward Operating Base Diamondback, Iraq, as the non-commissioned officer-in-charge of the Ninewa Operations Command Military Transition Team. This transition team helped train the Iraqi Army units stationed nearby.

While serving in Iraq, Nelson agreed with a U.S. Army translator to steal eight generators from a lot on base that held various pieces of used equipment. Once the generators were taken off the base, the translator arranged for them to be sold on the black market in Iraq. Nelson admitted that he received half of the proceeds of the sales of stolen equipment, with approximately $35,000 of the money

being wired to Nelson's account by the translator's brother. In total, Nelson admitted receiving approximately $44,830 from this scheme. The investigation into this conspiracy continues.

At sentencing, Nelson faces up to five years in prison, as well as a maximum fine of $250,000 and up to three years of supervised release following a prison term. Additionally, Nelson has agreed to criminal forfeiture of $44,830 to the United States. Sentencing is scheduled for October 5, 2011.

This case is being prosecuted by a SIGIR attorney on detail to the Fraud Section of DoJ's Criminal Division. The case is being investigated by SIGIR, DCIS, and Army CID-MPFU.

Former U.S. Army Sergeant Arrested for Receiving Stolen Cash from Iraq

On July 7, 2011, a former U.S. Army sergeant was arrested in Los Angeles County, California, based on a complaint filed in U.S. District Court, charging him with receiving more than $12,000 in stolen cash from Iraq.

According to court documents, the money had been stolen by another U.S. Army soldier who was deployed to Tallil, Iraq, in 2008, and mailed to the former U.S. Army sergeant. The funds were a cash payment for pickup by a local contractor who failed to appear for the payment. The cash was then stolen, concealed in a stuffed animal, and sent through the U.S. postal system to the former Army sergeant in California.

The case is being investigated by SIGIR, DCIS, Army CID-MPFU, and FBI.

Associate of USMC Contracting Officer in Iraq Charged in Money-laundering Conspiracy

On July 19, 2011, a criminal information was filed in U.S. District Court for the District of Hawaii charging an associate of a U.S. Marine Corps contracting officer in Iraq with one count of conspiracy involving money laundering of approximately $150,000 in bribes from contractors in Iraq.

According to court documents, the money had been received by a Marine Corps contracting officer stationed at Camp Fallujah, Iraq, between 2005 and

2008, from two contractors in Iraq. The associate of the contracting officer established bank accounts to conceal and disguise the nature, location, source, ownership, and control of the funds. These funds were then transferred from Iraq to the United States via cash and wire transfers. The associate deducted a 20% share and then transferred the funds back to the contracting officer or a designee.

The case is being investigated by SIGIR, DCIS, Army CID-MPFU, and FBI.

USMC Major Sentenced for Receiving Illegal Gratuities

On April 25, 2011, Major Richard Harrington, U.S. Marine Corps, was sentenced in U.S. District Court in Raleigh, North Carolina, to 12 months and 1 day imprisonment followed by 1 year supervised release. The sentencing was the result of his guilty plea on October 18, 2010, to a criminal information filed on September 3, 2010, in which Harrington was accused of using his position in the U.S. Marine Corps to receive money, watches, and a Persian rug in exchange for providing military contracts to companies.

During 2005, Harrington was stationed at Camp Fallujah, Iraq, as a contracting officer's representative. Tasked with inspecting and accepting work from contractors and monitoring their compliance, he wrongfully solicited and accepted gifts from a contractor while working on a $2.2 million contract with al-Jazaer Group, according to court documents.

This case was conducted jointly by SIGIR, DCIS, and the Naval Criminal Investigative Service (NCIS).

Other Agency Investigations

Former U.S. Army Corps of Engineers Employees and Others Indicted in Bribery, Kickback Scheme

On July 14, 2011, three former U.S. Army Corps of Engineers (USACE) employees and two foreign contractors were charged in a 54-count indictment unsealed in U.S. District Court in Newark, New Jersey, for their alleged roles in a bribery and kickback scheme and for defrauding the U.S. government in connection with the award of more than $50 million in USACE construction and infrastructure contracts in Iraq. The five defendants are: two former USACE project engineers for Gulf Region North, Iraq; an Iraqi citizen employed under a USACE services contract as a deputy resident engineer for Gulf Region North; a citizen of Great Britain residing in Greece and Iraq who was the former vice president of operations for a privately owned foreign engineering and construction company; and an Iraqi citizen, who was a senior project manager for a privately owned foreign engineering and construction company. The indictment charges involve wire fraud, conspiracy, use of interstate/foreign facilities to distribute bribery proceeds or promote bribery, illegal money transactions, subscribing false tax returns, and willful failure to disclose foreign bank accounts.

The indictment charges that the USACE employees received over $5 million in proceeds in connection with the award and administration of over $50 million in USACE contracts awarded to companies from 2005 to 2008. The USACE employees were involved in the review and award process for contractors seeking lucrative USACE contracts in Gulf Region North, Iraq, as well as post-award administration, oversight, and modification of such contracts. The two USACE project engineers participated in a scheme to provide favorable official action and assistance to the two contractors for the benefit of their companies. These actions included: providing confidential information, including confidential internal contract-pricing materials prepared by the USACE and competitor contractors' bid information; steering USACE contracts to the two contractors; and approving lucrative payments for these companies.

The alleged actions were taken in exchange for bribes and kickbacks that the USACE project engineers accepted from the contractors, sometimes through the USACE deputy resident engineer. In

addition to being a USACE contract employee, the USACE deputy resident engineer acted as a "broker" for one of the project engineers, approaching foreign contractors in and around Gulf Region North willing to pay the project engineer and the deputy resident engineer bribes and kickbacks in connection with the bidding, selection, award, and administration of USACE contracts.

The indictment charges that six foreign bank accounts in Jordan and Egypt were used to transfer illegal bribe and kickback payments to U.S. bank accounts, and at least a dozen of the U.S. accounts were based in New Jersey. Under the indictment, one of the project engineers is charged with willfully subscribing false tax returns and willfully failing to file reports of foreign bank accounts with the U.S. Department of Treasury. The U.S. government seeks forfeiture of more than $5 million in proceeds relating to the illegal transactions, including the project engineer's residence and seven automobiles and motorcycles.

The case is being conducted by DCIS, IRS, ICE, and Army CID-MPFU.

SIGPRO Update

The SIGIR Prosecutorial Initiative (SIGPRO) continues to make a substantive impact. In late 2009, in an effort to further align resources with its expanding caseload, SIGIR developed a program wherein it hired three highly experienced and respected former DoJ prosecutors. They were detailed as a unit to the Fraud Section of the DoJ Criminal Division to prosecute SIGIR investigation cases, handling their own DoJ caseloads, and working closely with the SIGIR General Counsel and other DoJ prosecutors assigned SIGIR cases. The SIGPRO attorneys are now firmly ensconced at DoJ with full dockets of criminal fraud matters emanating from the Iraq reconstruction effort. They are currently leading or significantly involved in a host of prosecutorial matters and continue to play integral roles

in the development and prosecution of cases being worked by the SIGIR Investigations Directorate.

Suspension and Debarment

Since December 2005, SIGIR has worked closely with DoJ, CID-MPFU, DCIS, and the Army Legal Services Agency's Procurement Fraud Branch (PFB) to suspend and debar contractors and government personnel for fraud or corruption within the Army, including those involved in Iraq reconstruction or Army support contracts in Iraq. These cases arise as the result of criminal indictments filed in federal district courts and allegations of contractor irresponsibility that require fact-based examination by the Army's Suspension and Debarment Official. Investigative accomplishments this quarter resulted in 1 suspension, 18 proposals for debarment, and 3 debarments. Between April 1 and June 30, 2011, the Army suspended one contractor based on allegation of fraud in Iraq and Kuwait. In addition, the Army proposed 15 contractors for debarment during that period. To date, the Army has suspended 111 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait; and 157 individuals and companies have been proposed for debarment, resulting in 118 finalized debarments that range in duration from 9 months to 10 years.

PFB is aggressively pursuing additional companies and individuals associated with fraud related to Army contracts in Iraq, Kuwait, and other locations in Southwest Asia, with additional suspension and debarment actions projected during 2011. Suspension and debarment actions related to reconstruction and Army support-contract fraud in Afghanistan are reported to the Special Inspector General for Afghanistan Reconstruction (SIGAR). For a list of debarments, see Table 5.5. For a complete list of suspensions and debarments, see Appendix E. ◆

TABLE 5.4

CONVICTIONS (AS COMPILED BY THE DEPARTMENT OF JUSTICE)

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Justin W. Lee, former DoD contractor	Conspiracy, bribery	7/15/2011	Pending
Robert A. Nelson, former USA sergeant	Conspiracy to steal public property	6/28/2011	Pending
Derrick Shoemake, former USA major	Bribery	6/13/2011	Pending
Charles Bowie, retired USA major	Engaging in monetary transactions in property derived from specified unlawful activity	5/11/2011	Pending
Richard Razo, former DoS contractor and DoS employee	Wire fraud, wire fraud conspiracy	2/28/2011	Pending
Maj. Kevin Schrock, USA	Money laundering	2/8/2011	Pending
Eddie Pressley, former USA major	Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds	2/8/2011	Pending
Eurica Pressley, former contractor and military spouse	Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds	2/8/2011	Pending
Osama Ayesh, former U.S. Embassy-Baghdad employee	Theft of public money, engaging in acts affecting a personal financial interest	2/2/2011	42 months in prison; 36 months supervised release; $243,416 restitution; and $5,000 fine
Capt. Bryant Williams, USA	Honest services fraud, accepting bribes	12/17/2010	Pending
Mark Carnes, USAF master sergeant	Bribery	12/16/2010	20 months in prison; 3 years supervised release; and $4,000 fine
Michelle Adams, former DoD contractor	Bribery	12/7/2010	15 months in prison followed by supervised release
Frankie Hand, Jr., retired USN lieutenant commander	Fraud, bribery, and receiving illegal gratuities	12/7/2010	3 years in prison and forfeiture of $757,525
Peter Dunn, former DoD contractor	Bribery	11/19/2010	14 months in prison; 2 years supervised release
Salvatore Pepe	Conspiracy to defraud	11/5/2010	Pending
Precy Pellettieri	Conspiracy to defraud	11/5/2010	Pending
Maj. Roderick Sanchez, USA	Bribery	10/27/2010	5 years in prison; 3 years supervised release; and $15,000 fine
Maj. Richard Harrington, USMC	Receiving illegal gratuities	10/18/2010	12 months and 1 day in prison; and restitution
Lt. Col. Bruce Gillette, USAR	Acts affecting a personal financial interest	10/6/2010	1 year probation; $2,000 fine; 160 hours community service; and inability to possess a firearm
Mariam Steinbuch, former USMC staff sergeant	Bribery	10/5/2010	5 years probation and $25,000 restitution
Ismael Salinas	Kickbacks	10/1/2010	Pending
Dorothy Ellis	Conspiracy	9/2/2010	37 months in prison; 3 years probation; and $360,000 restitution
Wajdi Birjas, former DoD contract employee	Bribery, money laundering	8/11/2010	Pending
Maj. Mark Fuller, USMC	Structuring financial transactions	8/4/2010	1 year and 1 day in prison; $198,510 fine; and $200 special assessment

Continued on the next page

Name	Charges	Date of Conviction	Sentence
Maj. Charles Sublett, USA	False statements	7/7/2010	21 months in prison; 2 years supervised release; and forfeit $107,900 and 17,120,000 in Iraqi dinar
Capt. Faustino Gonzales, USA	Receipt of a gratuity by a public official	6/24/2010	15 months in prison; 1 year supervised release; $10,000 fine; $25,500 restitution; and $100 special assessment
MSGT Terrance Walton, USMC	Bribery, graft, failure to obey a direct order	5/17/2010	Reprimand; reduction in rank from E-8 to E-3; $65,000 fine; and 62 days confinement
Capt. Eric Schmidt, USMC	Wire fraud, filing a false federal tax form	5/17/2010	72 months in prison; 3 years probation; and $2,150,613 restitution
William Collins, USA civilian	Bribery	4/21/2010	42 months in prison; 3 years supervised release; $1,725 fine; and forfeit $5,775
SFC Ryan Chase, USA	Illegal gratuities, money laundering, false statements	4/21/2010	1 year and 1 day in prison; 2 years probation; and $1.4 million restitution
Marcus McClain	Acceptance of illegal gratuities	4/15/2010	Pending
Kevin A. Davis	Acceptance of illegal gratuities	4/13/2010	Pending
Janet Schmidt, contractor and military spouse	Filing a false tax return and fraud	3/18/2010	12 months home confinement; 3 years probation; and $2,150,613 restitution
Terry Hall, contractor	Conspiracy, bribery	2/17/2010	Pending
Theresa Russell, former USA staff sergeant	Money laundering	1/28/2010	5 years probation and $31,000 restitution
Capt. Michael D. Nguyen, USA	Theft and structuring financial transactions	12/7/2009	30 months in prison; 3 years supervised release; $200,000 restitution; and forfeit his interest in all personal property bought with the stolen money as well as the remaining funds seized by the government at the time of his arrest
Ronald Radcliffe	Bribery and money laundering	10/16/2009	40 months in prison and $30,000 fine
Joselito Domingo	Bribery	11/19/2009	39 months in prison; 2 years supervised release; and $70,000 fine
Gloria Martinez	Bribery and conspiracy	8/12/2009	5 years in prison
Robert Jeffery	Conspiracy and theft	8/11/2009	4 years in prison
William Driver	Money laundering	8/5/2009	3 years probation, to include 6 months home confinement, and $36,000 restitution
Nyree Pettaway	Conspiracy to obstruct justice	7/28/2009	12 months and 1 day in prison; 2 years supervised release; and $5 million restitution
Michel Jamil	Conspiracy	7/27/2009	40 months in prison
Robert Young	Conspiracy and theft of government property	7/24/2009	97 months in prison; 3 years supervised release; forfeiture of $1 million; and $26,276,472 restitution
Samir Itani	Conspiracy	7/21/2009	24 months in prison; 3 years supervised release; $100,000 fine; and $100 special assessment
Tijani Saani	Filing false tax returns	6/25/2009	110 months in prison; 1 year supervised release; $1.6 million fine; and $816,485 restitution to the IRS
Diane Demilta	Wire fraud	5/27/2009	6 months in prison; 12-month house arrest; 2 years supervised release; $20,000 fine; and $70,000 restitution
Benjamin R. Kafka	Misprision of a felony	5/18/2009	Pending

Continued on the next page

Name	Charges	Date of Conviction	Sentence
Elbert W. George III	Theft of government property; conspiracy	5/18/2009	60 days intermittent confinement; 2 years supervised release; forfeit $103,000; and pay jointly and severally with co-conspirator Roy Greene $52,286.60 restitution
Roy Greene, Jr.	Theft of government property; conspiracy	5/18/2009	3 years supervised release; forfeit $103,000; and pay jointly and severally with co-conspirator Elbert George $52,286.60 restitution
Frederick Kenvin	Conspiracy	4/30/2009	3 years probation and $2,072,967 restitution
Stephen Day	Conspiracy to defraud the United States by misrepresentation	4/13/2009	3 years probation; $41,522 restitution; and $2,000 fine
Jeff Alex Mazon, contractor, KBR	Major fraud against the United States and wire fraud	3/24/2009	1 year probation; 6 months home confinement; and $5,000 fine
Carolyn Blake, Sister of Maj. John Cockerham	Conspiracy and money laundering	3/19/2009	70 months in prison; 3 years of supervised release; and $3.1 million restitution
Michael Carter, Project Engineer, Force Protection Industries	Violating the Anti-Kickback Act	1/25/2009	61 months in prison and 3 years supervised release
Harith al-Jabawi, contractor	Conspiracy, bribery, and false statements	1/22/2009	Pending
Maj. Christopher Murray, USA contracting officer	Bribery and false statements	1/8/2009	57 months in prison; 3 years supervised release; and $245,000 restitution
Maj. Theresa Baker, USAR contracting officer	Conspiracy and bribery	12/22/2008	70 months in prison and $825,000 restitution
Col. Curtis Whiteford, USAR Senior Official, CPA-South Central Region	Conspiracy, bribery, and wire fraud	11/7/2008	5 years in prison; 2 years supervised release; and $16,200 restitution
Lt. Col. Michael Wheeler, USAR CPA reconstruction advisor	Conspiracy, bribery, wire fraud, interstate transportation of stolen property, and bulk cash smuggling	11/7/2008	42 months in prison; 3 years supervised release; $1,200 restitution; and $100 special assessment
David Ramirez, contractor, Readiness Support Management, Inc.	Bulk currency smuggling and structuring transactions	10/9/2008	50 months in prison; 3 years supervised release; and $200 special assessment
Lee Dubois, contractor, Future Services General Trading and Contracting Company	Theft of government property	10/7/2008	3 years in prison and repayment of $450,000 that represented the illegal proceeds of the scheme
Jacqueline Fankhauser	Receipt of stolen property	8/28/2008	1 year probation; 180 days home confinement; 104 hours community service; $10,000 fine; and $100 special assessment
Robert Bennett, contractor, KBR	Violating the Anti-Kickback Act	8/28/2008	1 year probation and $6,000 restitution
Maj. James Momon, Jr., USA contracting officer	Conspiracy and bribery	8/13/2008	Pending
Lt. Col. Debra M. Harrison, USA Acting Comptroller for CPA-South Central Region	Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, and preparing false tax returns	7/28/2008	30 months in prison; 2 years supervised release; and $366,640 restitution
Capt. Cedar Lanmon, USA	Accepting illegal gratuities	7/23/2008	1 year in prison and 1 year supervised release
Maj. John Lee Cockerham, Jr., USA contracting officer	Bribery, conspiracy, and money laundering	6/24/2008	210 months in prison; 3 years of supervised release; and $9.6 million restitution
Melissa Cockerham, Wife of Maj. John Cockerham	Conspiracy and money laundering	6/24/2008	41 months in prison; 3 years of supervised release; and $1.4 million restitution

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Name	Charges	Date of Conviction	Sentence
Lt. Col. Levonda Selph, USAR contracting officer	Conspiracy and bribery	6/10/2008	Pending
Raman International Corp.	Conspiracy and bribery	6/3/2008	$500,000 fine and $327,192 restitution
Capt. Austin Key, USA contracting officer	Bribery	12/19/2007	24 months confinement; 2 years supervised release; $600 assessment; and forfeit $108,000
Maj. John Rivard, USAR contracting officer	Bribery, conspiracy, and money laundering	7/23/2007	10 years in prison; 3 years supervised release; $5,000 fine; and $1 million forfeiture order
Kevin Smoot, Managing Director, Eagle Global Logistics, Inc.	Violating the Anti-Kickback Act and making false statements	7/20/2007	14 months in prison; 2 years supervised release; $6,000 fine; and $17,964 restitution
Anthony Martin, subcontractor administrator, KBR	Violating the Anti-Kickback Act	7/13/2007	1 year and 1 day in prison; 2 years supervised release; and $200,504 restitution
Jesse D. Lane, Jr. USAR 223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months in prison and $323,228 restitution
Steven Merkes, DoD civilian, operational support planner	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison and $24,000 restitution
Chief Warrant Officer Peleti "Pete" Peleti, Jr., USA, Army's food service advisor for Kuwait, Iraq, and Afghanistan	Bribery and smuggling cash	2/9/2007	28 months in prison and $57,500 fine and forfeiture
Jennifer Anjakos, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; $86,557 restitution; and $100 assessment
Sgt. Carlos Lomeli Chavez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; $28,107 restitution; and $100 assessment
Sgt. Derryl Hollier, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; $83,657.47 restitution; and $100 assessment
Sgt. Luis Lopez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; $66,865 restitution; and $100 assessment
Bonnie Murphy, contracting officer	Accepting unlawful gratuities	11/7/2006	1 year supervised release and $1,500 fine
Samir Mahmoud, employee of U.S. construction firm	Making false statements	11/3/2006	1 day credit for time served and 2 years supervised release
Gheevarghese Pappen, USACE civilian	Soliciting and accepting illegal gratuities	10/12/2006	2 years in prison; 1 year supervised release; and $28,900 restitution
Lt. Col. Bruce Hopfengardner, USAR special advisor to CPA-South Central Region	Conspiracy, conspiring to commit wire fraud and money laundering, and smuggling currency	8/25/2006	21 months in prison; 3 years supervised release; $200 fine; and $144,500 forfeiture
Faheem Mousa Salam, interpreter, Titan Corp.	Violating the Foreign Corrupt Practices Act's Anti-Bribery Provisions	8/4/2006	3 years in prison; 2 years supervised release; 250 hours community service; and $100 special assessment
Mohammad Shabbir Khan, director of operations for Kuwait and Iraq, Tamimi Global Co., Ltd.	Violating the Anti-Kickback Act	6/23/2006	51 months in prison; 2 years supervised release; $10,000 fine; $133,860 restitution; and $1,400 assessment
	Witness tampering	8/10/2009	Pending

Continued on the next page

Name	Charges	Date of Conviction	Sentence
Philip Bloom, Owner: Global Business Group, GBG Holdings, and GBG-Logistics Division	Conspiracy, bribery, and money laundering	3/10/2006	46 months in prison; 2 years supervised release; $3.6 million forfeiture; $3.6 million restitution; and $300 special assessment
Stephen Seamans, subcontracts manager, KBR	Wire fraud, money laundering, and conspiracy	3/1/2006	12 months and 1 day in prison; 3 years supervised release; $380,130 restitution; and $200 assessment
Christopher Cahill, regional vice president, Middle East and India, Eagle Global Logistics, Inc.	Major fraud against the United States	2/16/2006	30 months in prison; 2 years supervised release; $10,000 fine; and $100 assessment (a civil settlement with EGL arising from the same facts resulted in a settlement of $4 million)
Robert Stein, CPA-South Central comptroller and funding officer	Felon in possession of a firearm, possession of machine guns, bribery, money laundering, and conspiracy	2/2/2006	9 years in prison; 3 years supervised release; $3.6 million forfeiture; $3.5 million restitution; and $500 special assessment
Glenn Powell, subcontracts manager, KBR	Major fraud and violating the Anti-Kickback Act	8/1/2005	15 months in prison; 3 years supervised release; $90,973.99 restitution; and $200 assessment

Note: Does not include non-U.S. court results from joint SIGIR/foreign law enforcement investigations.

TABLE 5.5
DEBARMENT LIST

NAME	DEBARRED	NAME	DEBARRED
Janet L. Schmidt	6/22/2011	Maytham Jassim Mohammad	9/22/2010
Mariam M. Steinbuch	6/6/2011	Michael Dung Nguyen	8/19/2010
Mark Carnes	6/3/2011	Michael Wheeler	7/28/2010
Terence O. Walton	6/3/2011	Austin Key	7/14/2010
Al Aali Future Mario Company	5/11/2011	Ashraf Mohammad Gamal	4/16/2010
Eric K. Schmidt	4/20/2011	Triple A United General Trading and Contracting	4/16/2010
Mark R. Fuller	4/1/2011	Jeff Thompson	3/29/2010
Ammar Tariq Al Jazrawi	1/10/2011	John Cockerham	3/17/2010
Ammar Tareq Al Jazrawi General Contracting Company	1/10/2011	Melissa Cockerham	3/17/2010
Liberty Al-Ahlia General Trading and Contracting Company	12/13/2010	Carolyn Blake	3/17/2010
Bronze Al-Taqoos Al-Afjan	12/13/2010	Nyree Pettaway	3/17/2010
International Quality Kitchens Ardiya	12/13/2010	Robert Young	3/9/2010
John Napolian	12/13/2010	Elbert Westley George III	1/21/2010
Joseph Sebastian	12/13/2010	Roy Greene	1/21/2010
N.K. Ismail	12/13/2010	Ofelia Webb	1/21/2010
Biju Thomas	12/13/2010	Patrick Faust	1/21/2010
Combat General Trading Company	12/13/2010	Ali N. Jabak	9/30/2009
Jank Singh	11/24/2010	Liberty A. Jabak	9/30/2009
Blue Marine Services	11/24/2010	Liberty's Construction Company	9/30/2009
Blue Marines General Trading, LLC	11/24/2010	Tharwat Taresh	9/30/2009
Blue Marines	11/24/2010	Babwat Dourat Al-Arab	9/30/2009
Blue Marines Group	11/24/2010	Dourat Al-Arab	9/30/2009
BMS Logistics	11/24/2010	Hussein Ali Yehia	9/30/2009
BMS Group	11/24/2010	Amina Ali Issa	9/30/2009
BMS General Trading, LLC	11/24/2010	Adel Ali Yehia	9/30/2009
Christopher Murray	11/10/2010	Javid Yousef Dalvi	9/25/2009
Curtis Whiteford	10/22/2010	Mohamed Abdel Latif Zahed	9/10/2009
William Driver	10/22/2010	Gerald Thomas Krage	9/4/2009
Allied Arms Company, Ltd.	9/28/2010	Andrew John Castro	9/4/2009
Allied Arms Company, W.L.L.	9/28/2010	Airafidane, LLC	9/4/2009
Shahir Nabih Fawzi Audah	9/28/2010	Kevin Arthis Davis	8/20/2009
Defense Consulting and Contracting Group, LLC	9/28/2010	Jacqueline Fankhauser	8/7/2009
Amwaj Al-Neel Company	9/22/2010	Debra M. Harrison, LTC, USAR	8/7/2009
Baladi Company	9/22/2010	Nazar Abd Alama	7/1/2009
Desert Moon Company	9/22/2010	San Juan Company	7/1/2009
Ameer S. Fadheel	9/22/2010	Mississippi Company for the General Contract	7/1/2009
Oday Abdul Kareem	9/22/2010	Lee Dynamics International	6/17/2009
		Lee Defense Services Corporation	6/17/2009

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Name	Debarred	Name	Debarred
George H. Lee	6/17/2009	Samir Mahmoud	11/29/2007
Justin W. Lee	6/17/2009	Robert Grove	10/30/2007
Oai Lee	6/17/2009	Steven Merkes	9/27/2007
Mark J. Anthony	6/17/2009	Bruce D. Hopfengardner, LTC, USAR	9/20/2007
Levonda J. Selph	6/17/2009	Robert J. Stein, Jr.	8/16/2007
Starcon Ltd., LLC	6/17/2009	Philip H. Bloom	8/8/2007
Cedar J. Lanmon, CPT, USA	6/3/2009	Global Business Group S.R.L.	8/8/2007
D+J Trading Company	5/14/2009	Stephen Lowell Seamans	7/27/2007
Jesse D. Lane, Jr.	1/30/2009	Gheevarghese Pappen	6/28/2007
Jennifer Anjakos	1/30/2009	Faheem Mousa Salam	6/28/2007
Carlos Lomeli Chavez	1/30/2009	QAH Mechanical and Electrical Works	6/27/2007
Derryl Hollier	1/30/2009	Abdullah Hady Qussay	6/27/2007
Luis A. Lopez	1/30/2009	Al Riyadh Laboratories and Electricity Co.	1/26/2007
Mohammed Shabbir Kahn	10/10/2008	Thomas Nelson Barnes	1/24/2007
Kevin Andre Smoot	9/30/2008	Danube Engineering and General Contracting	12/28/2006
Green Valley Company	9/17/2008, 5/18/2007	Alwan Faiq	12/28/2006
Triad United Technologies, LLC	9/17/2008	Christopher Joseph Cahill	11/9/2006
Dewa Europe	9/17/2008	Ahmed Hassan Dayekh	9/26/2006
Dewa Trading Establishment	9/17/2008	Diaa Ahmen Abdul Latif Salem	5/14/2009, 6/2/2006
Al Ghannom and Nair General Trading Company	9/17/2008	Jasmine International Trading and Service Company	5/14/2009, 6/2/2006
Dewa Projects (Private), Ltd.	9/17/2008	Custer Battles	3/17/2006
Future AIM United	9/17/2008	Robert Wiesemann, CW2, USA	3/6/2006
First AIM Trading and Contracting	9/17/2008	Glenn Allen Powell	2/16/2006
Vasantha Nair	9/17/2008	Amro Al Khadra	1/12/2006
K. V. Gopal	9/17/2008	Dan Trading and Contracting	1/12/2006
Falah Al-Ajmi	9/17/2008	Steven Ludwig	9/29/2005
Trans Orient General Trading	9/17/2008	DXB International	9/29/2005
Zenith Enterprises, Ltd.	9/17/2008		
Peleti "Pete" Peleti, CWO, USA	6/15/2008		
Al Sawari General Trading and Contracting Company	3/13/2008		
John Allen Rivard, MAJ, USAR	1/14/2008		

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SIGIR HOTLINE

The SIGIR Hotline facilitates the reporting of fraud, waste, abuse, mismanagement, and reprisal in all programs associated with Iraq reconstruction efforts funded by the U.S. taxpayer. Cases received by the SIGIR Hotline that are not related to programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq are transferred to the appropriate entity. The SIGIR Hotline receives walk-in, telephone, mail, fax, and online contacts from people in Iraq, the United States, and throughout the world.

Second Quarter Reporting
As of June 30, 2011, the SIGIR Hotline had initiated 856 cases. Of these cases, 802 have been closed, and 54 cases remain open. For a summary of these cases, see Table 5.6.

TABLE 5.6
SUMMARY OF SIGIR HOTLINE CASES, AS OF 6/30/2011

OPEN CASES

Investigations	42
Audits	12
Total Open	**54**

CLOSED CASES	4TH QTR 2010	1ST QTR 2011	2ND QTR 2011	CUMULATIVE*
FOIA	0	0	0	4
OSC Review	0	0	0	2
Assists	1	0	0	47
Dismissed	3	0	1	141
Referred	4	16	8	382
Inspections	0	0	0	80
Investigations	1	12	0	129
Audits	0	0	0	17
Total Closed	**9**	**28**	**9**	**802**
Cumulative* Open & Closed				**856**

*Cumulative totals cover the period since the SIGIR Hotline began operations—from 3/24/2004 to 6/30/2011.

New Cases
During this reporting period, the SIGIR Hotline received 11 new complaints, bringing the cumulative total to 856 Hotline cases. The new complaints were classified in these categories:
- 7 involved contract fraud.
- 1 involved waste.
- 3 involved personnel 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, 9 were received through the SIGIR website, 1 was received through the mail, and 1 was received by telephone.

Closed Cases
During this quarter, SIGIR closed 9 Hotline cases:
- 8 were referred to other inspector general agencies.
- 1 was dismissed as it was not within SIGIR's purview.

Referred Complaints
After a thorough review, SIGIR referred 8 complaints to outside agencies for proper resolution:
- 6 were sent to the Department of Defense Office of Inspector General.
- 1 was sent to the Department of State Office of Inspector General.
- 1 was sent to the Special Inspector General for Afghanistan Reconstruction. ◆

SIGIR WEBSITE

During this reporting period, the SIGIR website (www.sigir.mil) recorded these activities:

- More than 103,550 users visited the SIGIR website—1,137 users per day.
- The Arabic-language section of the site received 3,998 visits.
- The most frequently downloaded documents were SIGIR's most recent Quarterly Reports.
- The SIGIR website fed more than 30,000 content subscriptions. Information is updated to the web feeds, which are automatically downloaded to subscribers' computers and can be viewed by feed-reader programs.

For an overview of daily visits to the SIGIR website, see Figure 5.4. ◆

FIGURE 5.4

AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, BY QUARTER, 4/1/2010–6/30/2011
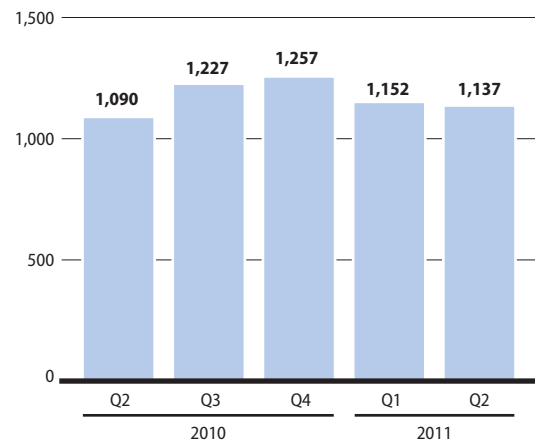
Source: DoD, IMCEN, response to SIGIR data call, 7/11/2011.

LEGISLATIVE UPDATE

Appropriations and Authorization Legislation

This quarter, the Congress began, but did not complete, work on the FY 2012 appropriations acts for the Department of Defense (DoD), the Department of State (DoS), and foreign operations. The House of Representatives, but not the Senate, passed the DoD legislation. The Department of State, foreign operations, and related programs legislation was the subject of preliminary work only, and neither house acted on it.

The Congress also continued work on the National Defense Authorization Act, which passed the House of Representatives and was reported out by the Senate Committee on Armed Services—but likewise was not completed.

Congressional Appearances

Since the last Quarterly Report, the Inspector General appeared before a legislative branch entity on one occasion—the April 25, 2011, Commission on Wartime Contracting in Iraq and Afghanistan hearing on "Implementing Improvements to Defense Wartime Contracting." The Inspector General's testimony included:

- ideas for improving defense wartime contracting, drawn from key results of SIGIR's audits, inspections, and lessons learned reports
- the status of the implementation of SIGIR's recommendations

- an update on trends in SIGIR's investigations, including such path-breaking programs as the SIGIR Prosecutorial Initiative (SIGPRO)
- comments on the Commission's recommendations contained in its Second Interim Report

In his statement to the Commission, the Inspector General said:

> I view the Commission's proposal to create "[a] new, dual-hatted position at OMB and the NSC to provide oversight and strategic direction for contingency operations" as a meaningful step in the right direction, but one that would not sufficiently strengthen U.S. management capacities in SROs. The past eight years in Iraq demonstrated that high-level "coordination" between agencies, and especially between and among State, USAID, and Defense, will not ensure the level of integration and accountability required to achieve success in these difficult missions. Moreover, the Interagency Management System within the NSC has not proven itself to be an enduring and effective model for managing SRO activities.

> The most compelling SRO issue now before U.S. policymakers is not simply the contracting or oversight components of SROs, but how the SRO operations are to be planned and managed *in toto*. A little over a year ago, the Commission convened a hearing with representatives from Defense, State, and USAID, and was unable to get a clear answer to the simple question of who is in charge of the Afghanistan reconstruction operation. That salient and disturbing reality remains true today. The "whole of government" approach, ostensibly driven by the NSC and OMB, has been largely unsuccessful as an SRO management tool. Experts seem to be coming to agreement on this point, and thus the time is ripe for developing and implementing new reforms.

The complete prepared statements of SIGIR officials who have testified before the Congress or a legislative branch entity can be found at www.sigir.mil/publications/testimony/index.html. ◆

OTHER AGENCY OVERSIGHT

SECTION

6

INTRODUCTION

In March 2004, SIGIR formed the Iraq Inspectors General Council (IIGC) to provide a forum for discussion of oversight in Iraq and to enhance collaboration and cooperation among the inspectors general (IGs) of the agencies that oversee Iraq reconstruction funds. Representatives of member organizations have met quarterly to exchange details about current and planned audits, to identify opportunities for collaboration, and to minimize redundancies.

In light of the continuing scale-down of efforts in Iraq, the IIGC is transitioning its work under the umbrella of the Department of Defense Office of Inspector General (DoD OIG) Southwest Asia Joint Planning Group. As such, the quarterly IIGC meetings will no longer take place. SIGIR plans to continue close cooperation with the entire oversight community engaged in Iraq oversight and anticipates the creation of a sub-group within the Joint Planning Group that will ensure continued focus on the Iraq mission. In May 2011, the Joint Planning Group held its seventeenth meeting.

Each quarter, SIGIR requests updates from member organizations on their completed, ongoing, and planned oversight activities. This section summarizes the audits and investigations reported to SIGIR this quarter by the following organizations:

- DoD OIG
- Department of State Office of Inspector General (DoS OIG)
- Government Accountability Office (GAO)
- U.S. Army Audit Agency (USAAA)
- U.S. Agency for International Development Office of Inspector General (USAID OIG)

For Defense Contract Audit Agency (DCAA) updates, see Appendix F.

In previous quarters, SIGIR has provided updates on the U.S. Department of the Treasury and the U.S. Department of Commerce, but these agencies have no current Iraq reconstruction oversight activities ongoing or planned for FY 2011. SIGIR no longer reports on these agencies in this section.

Section 842 of the National Defense Authorization Act for Fiscal Year 2008 (Public Law 110-181) requires that SIGIR, in consultation with other inspectors general, develop "a comprehensive plan for a series of audits" of "federal agency contracts, subcontracts, and task and delivery orders for the performance of security and reconstruction functions in Iraq." Following the enactment of Section 842, SIGIR has worked closely with the DoD OIG Southwest Asia Joint Planning Group, which has facilitated the production of the Comprehensive Oversight Plan for Southwest Asia. That document, compiled by the relevant IGs (including SIGIR), summarizes ongoing and near-term planned audits for Iraq and the region. ◆

OTHER AGENCY OVERSIGHT REPORTS

This section updates the audits that IIGC member agencies reported to SIGIR:

- For recently completed oversight report activity, see Table 6.1.
- For ongoing oversight report activity of other U.S. agencies during this reporting period, see Table 6.2.

- For more information on other agency oversight reports, including report summaries, see Appendix F.
- For a complete historical list of oversight reports and reviews on Iraq reconstruction by all entities, see Appendix G. ◆

TABLE 6.1

RECENTLY COMPLETED OVERSIGHT REPORTS OF OTHER U.S. AGENCIES, AS OF 6/30/2011

AGENCY	REPORT NUMBER	REPORT DATE	REPORT TITLE
DoD OIG	D-2011-078	6/30/2011	Contracts Supporting Base Operations in Kuwait Need Stronger Management and Administration
DoD OIG	D-2011-066	6/1/2011	Incomplete Contract Files for Southwest Asia Task Orders on the Warfighter Field Operations Customer Support Contract
DoD OIG	D-2011-061	5/3/2011	Excess Inventory and Contract Pricing Jeopardize the Army Contract with Boeing to Support Corpus Christi Army Depot
DoD OIG	D-2011-056	4/14/2011	Consistent Use of Supply Support Activities Could Increase Efficiency of Equipment Drawdown from Iraq
DoD OIG	D-2011-059	4/8/2011	Army Commercial Vendor Services Offices in Iraq Noncompliant with Internal Revenue Service Reporting Requirements
DoS OIG	MERO-I-11-08	5/21/2011	Review of Embassy Baghdad Transition Planning–Phase II (DoD Downsizing)
GAO	GAO-11-561	6/3/2011	Combating Terrorism: U.S. Government Should Improve Its Reporting on Terrorist Safe Havens
GAO	GAO-11-713T	6/3/2011	Combating Terrorism: U.S. Government Strategies and Efforts to Deny Terrorists Safe Haven
GAO	GAO-11-456	5/26/2011	Military Training: Actions Needed to Improve Planning and Coordination of Army and Marine Corps Language and Culture Training
GAO	GAO-11-580	4/25/2011	Contingency Contracting: Observations on Actions Needed to Address Systemic Challenges
USAAA	A-2011-0145-ALL	6/22/2011	Contract for Recycling and Disposing of Waste Material at Camp Steeler, Iraq
USAAA	A-2011-0072-ALL	5/25/2011	U.S. Equipment Transferred to Iraq
USAAA	A-2011-0098-ALL	4/29/2011	Controls over Shipping Container Accountability and Visibility–Iraq
USAAA	A-2011-0101-ALC	4/28/2011	Logistics Civil Augmentation Program (LOGCAP) III, Contract Close-out
USAAA	A-2011-0076-ALL	4/14/2011	Followup Audit of Retrograde Operations in Southwest Asia–Multi Class Supplies
USAAA	A-2011-0077-ALL	4/12/2011	Followup Audit of Retrograde Operations–Class VII Equipment in Iraq
USAID OIG	E-267-11-002-P	5/16/2011	Audit of USAID/Iraq's Agribusiness Program

Table 6.2

Ongoing Oversight Activities of Other U.S. Agencies, as of 6/30/2011

Agency	Project Number	Date Initiated	Project Title
DoD OIG	D2011-D000JA-0212.000	4/25/2011	Theater-Provided Equipment Refurbishment Program for Tactical Wheeled Vehicles
DoD OIG	D2011-D00SPO-0203.000	3/25/2011	Assessment of the DoD Establishment of the Office of Security Cooperation-Iraq
DoD OIG	D2011-D000AB-0156.000	3/11/2011	DoD Countermine and Improvised Explosive Device Defeat Systems Contracts–Vehicle Optics Sensor System
DoD OIG	D2011-D000JB-0098.000	12/8/2010	Contracting for Force Protection for U.S. Installations in Iraq
DoD OIG	D2011-D000LF-0041.000	11/2/2010	Follow-up of Health Care Provided by Military Treatment Facilities to Contractors in Southwest Asia
DoD OIG	D2011-D000CH-0032.000	10/19/2010	Contractor Logistics Support Contract for Stryker Vehicles with General Dynamics Land Systems
DoD OIG	D2010-D000LD-0264.000	8/30/2010	Controls and Processes Pertaining to the Defense Logistics Agency's Procurement Automated Contract Evaluation System
DoD OIG	D2010-D000JA-0241.000	7/21/2010	Special Operations Forces Plans for the Drawdown and Reset of Property in Iraq
DoD OIG	D2010-D00SPO-0209.000	4/16/2010	Assessment of DoD Wounded Warrior Matters
DoD OIG	D2010-D000AE-0139.000	1/29/2010	DoD Countermine and Improvised Explosive Device Defeat Systems Interrogation Arm
DoD OIG	D2010-D000CH-0077.001	11/18/2009	Material Purchases Made Through the Partnership Agreement with Sikorsky Aircraft Corporation at Corpus Christi Army Depot
DoD OIG	D2009-D000JB-0307.000	9/16/2009	Controls Over the Accountability and Disposition of Government Furnished Property in Iraq
DoD OIG	D2009-DIPOE3-0306.000	9/11/2009	Review of Army Response to Sodium Dichromate Exposure at Qarmat Ali, Iraq—Part II
DoD OIG	D2009-D00SPO-0287.000	8/11/2009	U.S. Government Efforts to Transition the Security Assistance Mission Supporting the Government of Iraq from Department of Defense Authority to Department of State Authority
DoD OIG	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 OIG	D2009-D000FB-0112.000	1/5/2009	Deployment of the Standard Procurement System in the Joint Contracting Command Iraq/Afghanistan
DoD OIG	D2009-D000CK-0100.000	12/9/2008	Maintenance and Support of the Mine Resistant Ambush Protected Vehicle
DoD OIG	D2008-D000CD-0256.000	8/7/2008	DoD Body Armor Contracts
DoD OIG	D2007-D000FL-0252.000	8/31/2007	Internal Controls and Data Reliability in the Deployable Disbursing System
DoS OIG	11MERO3010	1/1/2011	Program Evaluation of the Department of State's Antiterrorism Assistance Program (ATA) in Iraq
DoS OIG	11MERO3004	12/1/2010	Audit of Embassy Baghdad's Operations and Maintenance Contract with PAE
GAO	351617	Not reported	Biometrics, Last Tactical Mile
GAO	351603	Not reported	Intelligence, Surveillance, and Reconnaissance Collection and Tasking Management
GAO	320843	Not reported	Transition to a Predominantly Civilian Presence in Iraq
GAO	120976	Not reported	State Contracting for Conflict Countries
GAO	351552	10/21/2010	Marine Corps Equipping Strategies to Reset Equipment Returning from Iraq and Afghanistan
GAO	351550	10/8/2010	Army's Strategies to Reset Non-Standard Equipment Returning from Iraq
GAO	120974	8/6/2010	Review of Joint Report on Contracting in Iraq and Afghanistan
GAO	351514	6/14/2010	Army Advise and Assist Brigades
GAO	351476	4/1/2010	DoD Iraq Drawdown Planning
GAO	351431	1/7/2010	Army's Equipping Strategies to Reset Equipment Returning from Iraq
GAO	320734	11/1/2009	U.S. Strategy and Joint Campaign Plan for Iraq
GAO	120931	7/1/2009	Close-out of Iraq Contracts
USAAA	A-2011-ALL-0414.000	3Q/FY 2011	Property Accountability of Organizational and Theater-Provided Equipment in Iraq
USAAA	A-2011-ALL-0346.000	2Q/FY 2011	Property Accountability in CONUS

Continued on next page

Agency	Project Number	Date Initiated	Project Title
USAAA	A-2011-ALL-0342.000	2Q/FY 2011	Commander's Emergency Response Program-Afghanistan
USAAA	A-2011-ALL-0344.000	2Q/FY 2011	Property Accountability in Afghanistan
USAAA	A-2011-ALL-0092.000	2Q/FY 2011	Foreign Excess Personal Property (FEPP) Program–Phase II
USAAA	A-2011-ALL-0135.000	1Q/FY 2011	Micro-Purchases of Field Ordering Officers–Afghanistan
USAAA	A-2011-ALL-0107.000	1Q/FY 2011	The U.S. Equipment Transfer to Iraq (USETTI) Program–Phase II
USAAA	A-2011-ALL-0098.000	1Q/FY 2011	Bulk Fuel Operations in Afghanistan
USAAA	A-2011-ALL-0087.001	1Q/FY 2011	Management Controls Over Payments for Overseas Contingency Operations Transportation–ARCENT
USAAA	A-2011-ALL-0087.000	1Q/FY 2011	Management Controls over Department of Defense Activity Address Codes (DODAAC), U.S. Army Central Command
USAAA	A-2010-ALL-0541.000	4Q/FY 2010	Bulk Fuel Operations in Iraq
USAAA	A-2010-ALL-0480.000	3Q/FY 2010	Agreed-Upon Procedures Attestation for USFOR-A LOGCAP Course of Action – Afghanistan
USAAA	A-2010-ALM-0394.000	3Q/FY 2010	Follow-up Audit of Automatic Reset Induction
USAAA	A-2010-ALC-0125.003	3Q/FY 2010	Human Capital Issues–Current Plans (Reachback Capabilities)
USAAA	A-2010-ALL-0421.000	2Q/FY 2010	LOGCAP IV Contract Requirements Determination–Afghanistan
USAAA	A-2010-FFF-0372.000	2Q/FY 2010	Improvised Explosive Device Defeat (IED-D) Home Station Training
USAAA	A-2010-ALL-0311.001	2Q/FY 2010	Disposal of Army Equipment and Materials Into Dump Sites in Iraq
USAAA	A-2009-ALL-0118.000	2Q/FY 2009	Controls over Vendor Payments–Southwest Asia (Phase II)
USAID OIG	Not reported	3Q/FY 2011	Audit of Audit of the Sustainability of Selected USAID/Iraq-Funded Information Technology Systems
USAID OIG	Not reported	2Q/FY 2011	Audit of USAID/Iraq's Elections Support Program
USAID OIG	Not reported	4Q/FY 2010	Information Survey of USAID/Iraq's Active Awards and Subawards During Fiscal Year 2010
USAID OIG	Not reported	3Q/FY 2010	Audit of Audit of USAID/Iraq's Microfinance Activities Under its Provincial Economic Growth Program
USAID OIG	Not reported	2Q/FY 2010	Audit of USAID/Iraq's Community Action Program III Activities Implemented by International Relief and Development

OTHER AGENCY INVESTIGATIONS

SIGIR regularly coordinates with other government agencies conducting investigations in Iraq. For statistics of investigative activities from other agencies, see Table 6.3. ◆

TABLE 6.3
STATUS OF INVESTIGATIVE ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 6/30/2011

AGENCY	INVESTIGATORS IN IRAQ	INVESTIGATORS IN KUWAIT	OPEN/ONGOING CASES*
U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit	2	2	110
Defense Criminal Investigative Service	1	2	155
DoS OIG	2	0	19
FBI	3	1	51
NCIS	0	1	3
U.S. Air Force, Office of Special Investigations	0	0	6
USAID	1	0	13
Total	**9**	**6**	**357**

* Numbers include pending cases worked with other agencies within the Joint Operations Center.

ENDNOTES AND ACRONYMS AND DEFINITIONS

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52. P.L. 108-106; P.L. 109-102; P.L. 109-234; P.L. 110-252; OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, 8/2009, Sec. 10, p. 3, and Sec. 20, pp. 15, 20; DoS, NEA-I, response to SIGIR data call, 6/20/2011; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 7/2010–4/2011. The IRRF comprises $20.86 billion made available through two appropriations: IRRF 1 ($2.48 billion) and IRRF 2 ($18.39 billion). The IRRF 1 was canceled, but a portion of the IRRF 2 remains available for expenditure until September 30, 2013. As of June 30, 2011, $321 million of obligated funds had not been expended from the IRRF 2. Over the past year, $78 million has been expended, including $17 million in the quarter ending June 30, 2011.

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54. P.L. 111-242; P.L. 111-290; P.L. 111-317; P.L. 111-322; P.L. 112-4; P.L. 112-6; P.L. 112-8; P.L. 112-10.

55. P.L. 112-10; DoS, NEA-I, response to SIGIR data call, 7/7/2011.

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57. P.L. 112-10; DoS, "Congressional Budget Justification, Volume 1: Department of State Operations, FY 2012," 2/14/2011, p. 779; DoS, "Executive Budget Summary: Function 150 & Other International Programs, FY 2012," 2/14/2011, pp. 155, 162, 167, 171; DoS, "Congressional Budget Justification: Foreign Assistance Summary Tables, FY 2011," p. 88; DoS, "Congressional Budget Justification: Foreign Assistance Summary Tables, FY 2012," p. 101; DoD, "Fiscal Year 2012 Budget Request: Overview," 2/2011, Chapter 6, p. 6; DoS, NEA-I, response to SIGIR data call, 7/7/2011; USAID, response to SIGIR data call, 7/7/2011.

58. P.L. 109-13; P.L. 109-234; P.L.109-289; P.L.110-28; P.L.110-161; P.L.110-252; P.L.111-32; P.L.111-212; P.L.112-10.

59. DoS, "Executive Budget Summary: Function 150 & Other International Programs, FY 2012," 2/14/2011, pp. 139–140; White House, "Fiscal Year 2012 Budget of the U.S. Government," pp. 137–140.

60. OUSD(C), response to SIGIR data call, 7/15/2011; P.L. 111-212; P.L. 112-10.

61. USF-I, "Iraq Security Forces Fund (ISFF), FY 2011 Spend Plan: Fourth Continuing Resolution through March 4, 2011," 2/17/2011, p. 2. The fourth FY 2011 continuing appropriation was preceded by P.L. 111-242, P.L. 111-290, and P.L. 111-317, all of which provided temporary extensions of FY 2010 ISFF budget authority into the new fiscal year.

62. P.L. 112-4; P.L. 112-6; P.L. 112-8; P.L. 112-10.

63. P.L. 112-10.

64. OUSD(C), response to SIGIR data call, 7/15/2011.

65. P.L. 109-102; P.L. 109-234; P.L. 110-28; P.L. 110-92; 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. 112-10; DoS, NEA-I, response to SIGIR data call, 7/7/2011. This quarter, SIGIR revised its record of ESF appropriations, resulting in a net decrease in total appropriations to the fund. The biggest change was removal of $50 million previously recorded as appropriated to the ESF in Iraq in FY 2003. The change reflects audit findings and agency reporting. In addition, SIGIR changed the fiscal year in which a rescission under P.L. 110-161 was recorded from FY 2007 to FY 2006. SIGIR may make further refinements in coming quarters as additional data becomes available.

66. P.L. 112-10; DoS, NEA-I, responses to SIGIR data call, 7/7/2011 and 7/8/2011. Last quarter, SIGIR estimated the FY 2011 ESF allocation to Iraq to be $346 million based on FY 2010 allocations and the provisions of the FY 2011 full-year continuing appropriation (P.L. 112-10). DoS provided updated allocation figures on July 7, 2011.

67. DoS, "Congressional Budget Justification: Foreign Operations, Annex: Regional Perspectives, FY 2012," p. 523.

68. P.L. 109-102; P.L. 109-234; P.L. 110-28; P.L. 110-92; 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. 112-10; USAID, response to SIGIR data call, 7/7/2011; USACE, response to SIGIR data call, 7/5/2011; DoS, NEA-I, responses to SIGIR data calls, 4/12/2011, 4/15/2011, 6/24/2011, 6/27/2011, and 7/7/2011.

69. P.L. 109-102; House Report 109-265, to accompany H.R. 3057, 11/2/2005, p. 86; P.L. 109-234; House Report 109-494, to accompany H.R. 4939, 6/8/2006, pp. 95–96; P.L. 110-28; House Report 110-107, to accompany H.R. 1591, 4/24/2007, pp. 202–204; P.L. 110-92; P.L. 110-137; P.L. 110-149; P.L. 110-161; House Appropriations Committee, "Consolidated Appropriations Act, 2008, Committee Print: Division J—Department of State, Foreign Operations, and Related Programs Act, 2008," 1/30/2008, pp. 2177–2178, 2208; P.L. 110-252; Senate Explanatory Statement, to accompany H.R. 2642, 6/26/2008; P.L. 111-32; Conference Report 111-151, to accompany H.R. 2346, 6/12/2009, pp. 127–129; P.L. 111-117; Conference Report 111-366, to accompany H.R. 3288, 12/8/2009, pp. 1466, 1470; DoS, "Foreign Operations Congressional Budget Justification, FY 2006," p. 448; House Document 109-90, "Request for FY 2006 Budget Amendments," 2/28/2006, p. 26; DoS, "Foreign Operations Congressional Budget Justification, FY 2008," pp. 48, 128–129, 138, 490; DoS and USAID, "Supplemental Appropriations Justification, FY 2008," p. 38; DoS, "Foreign Operations Congressional Budget Justification, FY 2009," pp. 543–544; DoS and USAID, "Supplemental Justification, FY 2009," pp. 40–43; DoS, "Foreign Operations Congressional Budget Justification, Annex: Regional Perspectives, FY 2010," pp. 421–426; DoS, "Foreign Operations Congressional Budget Justification, Annex: Regional Perspectives, FY 2011," pp. 471–477; DoS, "Foreign Operations Congressional Budget Justification, Annex: Regional Perspectives, FY 2012," pp. 522–528; USAID, "USAID Awards Community Stabilization Program in Iraq," 8/11/2006, www.usaid.gov/press/releases/2006/pr060811.html, accessed 6/27/2011.

70. In the fourth quarter of FY 2008, the rate of obligation exceeded $6.2 million per day on average and dropped to approximately $2.2 million per day on average in the fourth quarters of FY 2009 and FY 2010. The average obligation rate for the first three fiscal year quarters of FY 2006–FY 2011 was $1.2 million per day.

71. USAID, response to SIGIR data call, 7/7/2011; USACE, response to SIGIR data call, 7/5/2011; DoS, NEA-I, responses to SIGIR data calls, 4/12/2011, 4/15/2011, 6/24/2011 and 6/27/2011; SIGIR, Quarterly and Semiannual Reports to the United States Congress, 4/2007–4/2011.

72. USAID, response to SIGIR data call, 7/7/2011; USACE, response to SIGIR data call, 7/5/2011; DoS, NEA-I, responses to SIGIR data calls, 4/12/2011, 4/15/2011, 6/24/2011, and 6/27/2011; SIGIR, Quarterly and Semiannual Reports to the United States Congress, 4/2007–4/2011; SIGIR Audit 10-018, "Most Iraq Economic Support Funds Have Been Obligated and Liquidated," 7/21/2010,

p. 3. ESF funding is appropriated to DoS. In FY 2006–FY 2007, DoS transferred a portion of ESF appropriations to USACE for project implementation through interagency agreements in accordance with Section 632(b) of the Foreign Assistance Act. DoS considered these funds fully obligated when the interagency agreements were signed.

73. USAID, response to SIGIR data call, 7/7/2011; USACE, response to SIGIR data call, 7/5/2011; DoS, NEA-I, responses to SIGIR data calls, 4/12/2011, 4/15/2011, 6/24/2011, and 6/27/2011; SIGIR, Quarterly and Semiannual Reports to the United States Congress, 4/2007–4/2011.

74. USAID, "Community Stabilization Program," www.usaid.gov/iraq/accomplishments/csp.html, accessed 7/5/2011; USAID, "Evaluation of USAID's Community Stabilization Program (CSP) in Iraq: Effectiveness of the CSP Model as a Non-lethal Tool for Counterinsurgency," 7/22/2009, p. 1. According to the USAID evaluation, in addition to complementing the "build" phase of the "clear-hold-build" counterinsurgency (COIN) strategy employed by the United States, the CSP may also serve a preventative function, by reducing incentives for violence in areas where the population is beginning to turn against the U.S. government or coalition forces. However, as with its effectiveness in the post-kinetic (post-combat) "build" phase, the CSP's effectiveness at prevention could not be determined by the evaluation.

75. USAID, "Evaluation of USAID's Community Stabilization Program (CSP) in Iraq: Effectiveness of the CSP Model as a Non-lethal Tool for Counterinsurgency," 7/22/2009, pp. 2–3. In its initial design, CSP was not intended to be sustainable. Rather than focus on traditional long-term sustainable development objectives, CSP was to be a short-term COIN program.

76. USAID, "Evaluation of USAID's Community Stabilization Program (CSP) in Iraq: Effectiveness of the CSP Model as a Non-lethal Tool for Counterinsurgency," 7/22/2009, pp. 14–15. Coordination with the host government was also cited as important.

77. USAID, "Evaluation of USAID's Community Stabilization Program (CSP) in Iraq: Effectiveness of the CSP Model as a Non-lethal Tool for Counterinsurgency," 7/22/2009, pp. 3, 15. According to the evaluation, over the course of the main program (May 2006–June 2009), the CSP: generated 524,628 person-months of work through short-term employment; engaged 336,928 youth in non-formal educational, youth, and sports programs; created or restored more than 51,772 long-term jobs; graduated 41,443 students from vocational skills training programs; provided business skills training to more than 15,138 potential entrepreneurs; started or expanded in excess of 10,194 business grants; and placed approximately 9,932 youth in apprenticeship positions. However, the evaluation also said that measuring outcomes (such as a reduction in violence), rather than these outputs, was more appropriate for a development program of this sort.

78. USAID OIG Audit Report No. E-267-08-001-P, "Audit of USAID/Iraq's Community Stabilization Program," 3/18/2008, pp. 6–8.

79. USAID, response to SIGIR data call, 7/7/2011; USACE, response to SIGIR data call, 7/5/2011; DoS, NEA-I, responses to SIGIR data calls, 4/12/2011, 4/15/2011, 6/24/2011, and 6/27/2011; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 4/2007–4/2011.

80. USAID, response to SIGIR data call, 7/7/2011; USACE, response to SIGIR data call, 7/5/2011; DoS, NEA-I, responses to SIGIR data calls, 4/12/2011, 4/15/2011, 6/24/2011, and 6/27/2011; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 4/2007–4/2011.

81. DoS, "The New Way Forward: Funding Iraq's Transition to Self-Reliance and Stabilization in the President's 2007 Supplemental and 2008 Requests," 2/2007, pp. 5–6.

82. USAID, response to SIGIR data call, 7/7/2011; USACE, response to SIGIR data call, 7/5/2011; DoS, NEA-I, responses to SIGIR data calls, 4/12/2011, 4/15/2011, 6/24/2011, and 6/27/2011; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 4/2007–4/2011.

83. USAID, response to SIGIR data call, 7/7/2011; USACE, response to SIGIR data call, 7/5/2011; DoS, NEA-I, responses to SIGIR data calls, 4/12/2011, 4/15/2011, 6/24/2011, and 6/27/2011; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 4/2007–4/2011.

84. USAID, response to SIGIR data call, 7/7/2011; USACE, response to SIGIR data call, 7/5/2011; DoS, NEA-I, responses to SIGIR data calls, 4/12/2011, 4/15/2011, 6/24/2011, and 6/27/2011; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 4/2007–4/2011. For more details on the PRT Quick Response Fund, see: SIGIR, Quarterly and Semiannual Report to the United States Congress, 7/30/2010, pp. 30–34.

85. USAID, response to SIGIR data call, 7/7/2011; USACE, response to SIGIR data call, 7/5/2011; DoS, NEA-I, responses to SIGIR data calls, 4/12/2011, 4/15/2011, 6/24/2011, and 6/27/2011; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 4/2007–4/2011.

86. OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, 8/2009, Sec. 10, p. 3, and Sec. 20, pp. 15, 20.

87. USAID, "Recap on Deobligations, Reobligations, and Upward Adjustments: An Additional Help Reference for ADS Chapter 621," 9/28/2007. To be obligated to new projects, the funds must be reapportioned by OMB.

88. DoS, NEA-I, response to SIGIR data call, 4/5/2011; USAID, response to SIGIR data call, 7/7/2011.

89. USAID, response to SIGIR data call, 7/7/2011; USACE, response to SIGIR data call, 7/5/2011; DoS, NEA-I, responses to SIGIR data calls, 4/12/2011, 4/15/2011, 6/24/2011, 6/27/2011, and 7/7/2011; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 4/2007–4/2011.

90. P.L. 108-7; P.L. 108-11; P.L. 108-106; P.L. 108-287; P.L. 109-13; P.L. 109-102; P.L. 109-148; P.L. 109-34; P.L. 109-289; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-118; P.L. 111-212; P.L. 112-10; ABO, responses to SIGIR data call, 7/14/2011 and 7/15/2011; DoS, response to SIGIR data call, 4/5/2007; INL, response to SIGIR data call, 7/15/2011; DoS, NEA-I, response to SIGIR data calls, 4/12/2011, 4/15/2011, 6/20/2011, 6/24/2011, 6/27/2011, and 7/7/2011; OUSD(C), responses to SIGIR data calls, 4/10/2009 and 7/15/2011; SIGIR Audit 11-007, "Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Cancelled Funds," 12/28/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USACE, response to SIGIR data call, 7/5/2011; USAID, responses to SIGIR data calls, 7/8/2010 and 7/7/2011; USTDA, response to SIGIR data call, 4/2/2009.

91. USAID, response to SIGIR data call, 7/7/2011; USACE, response to SIGIR data call, 7/5/2011; DoS, NEA-I, responses to SIGIR data calls, 4/12/2011, 4/15/2011, 6/24/2011, 6/27/2011, and 7/7/2011; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 4/2007–4/2011.

92. DoS, NEA-I, response to SIGIR data call, 7/8/2011.

93. ABO, responses to SIGIR data call, 7/14/2011 and 7/15/2011; P.L. 112-10.

94. SIGIR Audit 11-020, "Commander's Emergency Response Program for 2011 Shows Increased Focus on Capacity Development," 7/2011, pp. 8–9.

95. P.L. 112-10.

96. ABO, responses to SIGIR data call, 7/14/2011 and 7/15/2011.

97. ABO, responses to SIGIR data call, 7/14/2011 and 7/15/2011.

98. USF-I's quarterly reports to the Congress have generally overstated the amount of CERP funds ultimately obligated from any given fiscal-year appropriation, presumably because some obligations are canceled during the five-year reporting and outlay phase on which USF-I does not report. The FY 2006 supplemental appropriation is a notable exception. It was available for new obligations until December 31, 2007, which means that USF-I was still obligating FY 2006 CERP after it stopped reporting on those obligations to the Congress. Additionally, USF-I's quarterly reports to the Congress have generally understated the amount of CERP funds ultimately expended from any given fiscal-year appropriation, presumably because USF-I does not report on a CERP appropriation beyond the fiscal year in which it was appropriated. Historically, more than half of CERP expenditures occurred during the five-year reporting and outlay phase, which contributes to the data and reporting gap at the project and category levels. In an effort to create a database that accounted for the data and reporting gap at the project and category levels, ABO worked with SIGIR to match the complete financial data it provides to the abbreviated project-level data that USF-I provides, which could conceivably yield a complete data set that is both accurate at the aggregate level and detailed at the project- and category-level. However, SIGIR discovered two unresolvable obstacles while trying to create this new database: 1) prior to FY 2008, USF-I did not consistently include the document reference number (DRN) in its CERP Project Tracker, making it impossible to use ABO data to track individual projects to completion for the FY 2004–FY 2007 CERP appropriations; and 2) for the FY 2008–FY 2010 CERP appropriations, some projects (mostly CERP microgrants) are bundled under a single DRN, making it impossible to distinguish which specific projects or grants under that DRN were paid out and which were canceled.

99. SIGIR Audit 11-012, "Commander's Emergency Response Program Obligations are Uncertain," 1/31/2011, p. 6.

100. USF-I, response to SIGIR data call, 7/20/2011.

101. USF-I, response to SIGIR data call, 7/20/2011.

102. DoD, "Department of Defense Review of the Commander's Emergency Response Program (CERP)," Report to Congress in Accordance with P.L. 111-118 Sec. 9005 and P.L. 111-84 Sec. 1222, 7/2010, p. 15; P.L. 111-118; P.L. 111-84.

103. DoD, CMC, response to SIGIR data call, 1/13/2011.

104. DoD, CMC, response to SIGIR data call, 7/5/2011.

105. DoD, CMC, response to SIGIR data call, 7/5/2011.

106. DoD, CMC, response to SIGIR data call, 1/13/2011; DoD, Deputy Secretary of Defense, memorandum, "Management of the Commander's Emergency Response Program," 5/10/2010. As originally established by the Deputy Secretary of Defense, CSC co-chairs were limited to USD(P) and USD(C).

107. DoD, CMC, response to SIGIR data call, 7/5/2011.

108. DoD, CMC, response to SIGIR data call, 7/5/2011.

109. DoD, CMC, response to SIGIR data call, 7/5/2011.

110. DoD, CMC, response to SIGIR data call, 4/6/2011.

111. DoD, CMC, response to SIGIR data call, 7/15/2011.

112. DoD, "DoD Financial Management Regulation," Vol. 12, Ch. 27, 1/2009.

113. DoD, CMC, response to SIGIR data call, 7/15/2011.

114. DoD, CMC, responses to SIGIR data calls, 1/7/2011, 4/6/2011, and 7/5/2011.

115. USF-I, *Money as a Weapon System (MAAWS)*, 3/2011, p. B-10.

116. CENTCOM, response to SIGIR data call, 7/5/2011; DoD, CMC, response to SIGIR data call, 7/15/2011.

117. DoD, CMC, response to SIGIR data call, 7/15/2011.

118. CENTCOM, response to SIGIR data call, 7/5/2011.

119. DoD, CMC, response to SIGIR data call, 1/7/2011.

120. DoD, CMC, response to SIGIR data call, 1/7/2011.

121. DoD, CMC, response to SIGIR data call, 7/5/2011.

122. DoD, CMC, response to SIGIR data call, 1/13/2011.

123. DoD, CMC, response to SIGIR data call, 1/7/2011.

124. DoD, CMC, response to SIGIR data call, 7/5/2011.

125. DoD, CMC, response to SIGIR data call, 1/7/2011. These entities include: OUSD(P); OUSD(C); Joint Staff; USCENTCOM; Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (OUSD(AT&L)); ABO; General Counsel; Legislative Affairs; Public Affairs; and the Business Transformation Agency (BTA).

126. DoD, CMC, response to SIGIR data call, 1/7/2011.

127. DoD, CMC, responses to SIGIR data calls, 1/7/2011 and 7/5/2011.

128. DoD, CMC, response to SIGIR data call, 7/5/2011.

129. SIGIR Audit 11-020, "Commander's Emergency Response Program for 2011 Shows Increased Focus on Capacity Development," 7/2011.

130. P.L. 109-234; P.L. 110-5; P.L. 110-28; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-212; P.L. 112-10; DoS, NEA-I, response to SIGIR data call, 7/7/2011.

131. P.L. 111-212; P.L. 112-10; DoS, NEA-I, response to SIGIR data call, 7/7/2011.

132. P.L. 109-234; P.L. 110-5; P.L. 110-28; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-212; P.L. 112-10; INL, response to SIGIR data call, 7/15/2011. This quarter, INL corrected values it provided last quarter for the Public Integrity program, resulting in a decrease of $4 million in cumulative obligations and expenditures.

133. USACE, response to SIGIR data call, 10/6/2010; DoS, DRL, response to SIGIR data call, 4/12/2011; TFBSO, response to SIGIR data call, 1/4/2011; USAID, "U.S. Overseas Loans and Grants [Greenbook]," 2008, gbk.eads.usaidallnet.gov/query/do?_program=/eads/gbk/countryReport&unit=N, accessed 4/15/2010; DoJ, Justice Management Division, responses to SIGIR data call, 4/5/2011 and 4/11/2011; DoS, NEA-I, responses to SIGIR data calls, 10/4/2010, 10/6/2010, 4/5/2011, 4/15/2011, and 7/7/2011; DoS, ECA, response to SIGIR data call, 4/14/2010; OUSD(C), response to SIGIR data call, 10/14/2010; U.S. Treasury, OTA, "Office of Technical Assistance Overview," 12/30/2005, ustreas.gov/offices/internationalaffairs/assistance/, accessed 10/16/2009; DoS, PM, response to SIGIR data call, 7/6/2011; BBG, response to SIGIR data call, 3/7/2011; Congressional Budget Justification, Foreign Assistance Summary Tables, FY 2009–FY 2011; USAID, responses to SIGIR data calls, 1/12/2009 and 4/8/2009; OMB, response to SIGIR data call, 6/21/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009.

134. USACE, response to SIGIR data call, 10/6/2010; DoS, DRL, response to SIGIR data call, 4/12/2011; TFBSO, response to SIGIR data call, 1/4/2011; USAID, "U.S. Overseas Loans and Grants [Greenbook]," 2008, gbk.eads.usaidallnet.gov/query/do?_program=/eads/gbk/countryReport&unit=N, accessed 4/15/2010; DoJ, Justice Management Division, responses to SIGIR data call, 4/5/2011 and 4/11/2011; DoS, NEA-I, responses to SIGIR data calls, 10/4/2010, 10/6/2010, 4/5/2011, 4/15/2011, and 7/7/2011; DoS, ECA, response to SIGIR data call, 4/14/2010; OUSD(C), response to SIGIR data call, 10/14/2010; U.S. Treasury, OTA, "Office of Technical Assistance Overview," 12/30/2005, ustreas.gov/offices/internationalaffairs/assistance/, accessed 10/16/2009; DoS, PM, response to SIGIR data call, 7/6/2011; BBG, response to SIGIR data call, 3/7/2011; Congressional Budget Justification, Foreign Assistance Summary Tables, FY 2009–FY 2011; USAID, responses to SIGIR data calls, 1/12/2009 and 4/8/2009; OMB, response to SIGIR data call, 6/21/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009.

135. GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2011," 2/23/2011, Article 2; GOI, MOF, information provided to SIGIR, 6/27/2011; U.S. Treasury, responses to SIGIR data calls, 1/4/2008 and 4/9/2009; "GOI Budget" (as approved by TNA and written into law December 2005); GOI, Presidency of the Iraqi Interim National Assembly, "The State General Budget for 2005," 2005; GOI, "Budget Revenues and Expenses 2003, July–December," 2003; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–4/2011. SIGIR calculates the GOI's contribution to reconstruction by summing the following amounts: Iraqi funds overseen by the CPA; the official capital budgets for 2003–2005; MOF-reported capital expenditures for 2006–2010; and the official capital budget for 2011. This total likely overstates the actual contribution made by the GOI because official capital budgets typically exceed capital expenditures. Certified expenditure data was not available from the MOF for 2003–2005 or 2011.

136. GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2011," 2/23/2011, Article 2.

137. GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2011," 2/23/2011, Articles 1–2.

138. GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2011," 2/23/2011, Article 2.

139. GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2011," 2/23/2011, Article 1; GOI, MOF, "2011 Iraq Budget Schedules," 5/16/2011, Schedule 1.

140. GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2011," 2/23/2011, Article 1; U.S. Treasury, response to SIGIR data call, 7/5/2011. The average oil price for 2011 was derived by dividing total revenues by the number of barrels exported. Not all oil export revenue accrues to the GOI; 5% is paid in war reparations to Kuwait. Reparations paid to Kuwait for 2011 totaled $1.92 billion through 6/30/2011. Crude oil production and export figures calculated by NEA-I and U.S. Treasury freqently differ because of different methodologies.

141. U.S. Treasury, response to SIGIR data call, 7/5/2011.

142. GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2011," 2/23/2011, Article 1; GOI, MOF, "2011 Iraq Budget Schedules," 5/16/2011, Schedule A. Anticipated revenue sources include: $65.11 billion (94%) from Other Income, including Sales of Oil (of which $61.43 billion is from oil exports); $2.33 billion (3%) from Taxes; $1.05 billion (2%) from Grants; $907 million (1%) from Sales of Non-financial Assets; and $76 million (0%) from Social Contributions.

143. U.S. Treasury, response to SIGIR data call, 7/5/2011.

144. UNSCR 1956, 12/15/2010, www.uncc.ch/resolutio/res1956.pdf, accessed 6/14/2011; UNSCR S/2011/290, "Note Verbale Dated 29 April 2011 from the Permanent Mission of Iraq to the United Nations Addressed to the President of the Security Council," 5/9/2011; IAMB, www.iamb.info/, accessed 6/23/2011.

145. UNSCR 1956, 12/15/2010, www.uncc.ch/resolutio/res1956.pdf, accessed 6/14/2011; UNSCR S/2011/290, "Note Verbale Dated 29 April 2011 from the Permanent Mission of Iraq to the United Nations Addressed to the President of the Security Council," 5/9/2011; IAMB, www.iamb.info/, accessed 6/23/2011.

146. GOI, COFE, www.cofe-iq.net/pages/e_home.htm, (accessed 6/23/2011); IAMB, www.iamb.info/, accessed 6/23/2011; IAMB, press release, "Statement by the International Advisory and Monitoring Board of the Development Fund for Iraq," 5/9/2011, www.iamb.info/pr/Press%20release%20for%20April%202011%20IAMB%20meeting.pdf, accessed 7/7/2011.

147. UNSCR 1483, 5/22/2003, www.uncc.ch/resolutio/res1483.pdf, accessed 6/15/2011.

148. White House, Office of the Press Secretary, "Notice from the President Regarding the Continuation of the National Emergency with Respect to the Stabilization of Iraq," 5/17/2011, www.whitehouse.gov/the-press-office/2011/05/17/notice-president-regarding-continuation-national-emergency-respect-stabi, accessed 6/24/2011.

149. DoS, NEA-I, responses to SIGIR data calls, 4/5/2011, 4/7/2011, and 7/12/2011.

150. "Agreement Between the United States of America and the Republic of Iraq On the Withdrawal of United States Forces from Iraq and the Organization of Their Activities during Their Temporary Presence in Iraq," 11/17/2008. The SA was signed on November 17, 2008, and entered into force on January 1, 2009; "Strategic Framework Agreement for a Relationship of Friendship and Cooperation between the United States of America and the Republic of Iraq," 11/17/2008. The SFA was signed on November 17, 2008, and entered into force on January 1, 2009.

151. The White House, briefing by Press Secretary Jay Carney, 7/5/2011, www.whitehouse.gov/the-press-office/2011/07/05/press-briefing-press-secretary-jay-carney-752011, accessed 7/7/2011.

152. OSD, response to SIGIR data call, information paper, 9/19/2009; U.S. Embassy-Baghdad, response to SIGIR data call, 4/1/2011.

153. For details and sources of information for U.S. appropriations, obligations, and expenditures, see Section 2 of this Quarterly Report.

154. Patrick Kennedy, Under Secretary of State for Management, testimony before CWC hearing on Department of State Contracting: CWC's 2nd Interim Report, the QDDR, and Iraq Transition, 6/6/2011, p. 29; U.S. Embassy-Baghdad, meeting with SIGIR, 7/22/2011.

155. USACE, response to SIGIR data call, Iraq Transition Coordinator, 7/19/2011.

156. USACE, press release, "USACE's Gulf Region District Transfers Lead Construction Responsibilities in Iraq," 6/8/2011, www.grd.usace.army.mil/news/releases/NR11-06-08.pdf, accessed 7/18/2011.

157. USACE, response to SIGIR data call, 7/1/2011; GRD, "United States Army Corps of Engineers Gulf Region District," www.grd.usace.army.mil/10-history.asp, accessed 7/18/2011.

158. USACE, response to SIGIR data call, 7/1/2011; USACE, GRD, press release, "USACE's Gulf Region District Transfers Lead Construction Responsibilities in Iraq," 6/8/2011, www.grd.usace.army.mil/news/releases/NR11-06-08.pdf, accessed 7/18/2011.

159. U.S. Embassy-Baghdad, information provided to SIGIR, 6/2011.

160. U.S. Embassy-Baghdad, response to SIGIR data call, 7/7/2011.

161. U.S. Embassy-Baghdad, OPA, information provided to SIGIR, 7/23/2011.

162. U.S. Embassy-Baghdad, information provided to SIGIR, 7/2011.

163. U.S. Embassy-Baghdad, press release, "Opening of U.S. Consulate General—Basrah," 7/5/2011, iraq.usembassy.gov/press2011/openingof-usconsulategeneral.html, accessed 7/18/2011.

164. U.S. Embassy-Baghdad response to SIGIR data call, 7/13/2011.

165. SIGIR, *Quarterly Report to the United States Congress*, 4/30/2011, p. 47.

166. U.S. Embassy-Baghdad, information provided to SIGIR, 6/24/2011.

167. "Department of State Planning for the Transition to a Civilian-led Mission in Iraq" (Report Number MERO-I-11-08, May 2011), Middle East Regional Office, Office of Inspector General, U.S. Department of State, pp. 37–38.

168. Patrick Kennedy, Under Secretary of State for Management, testimony before CWC hearing on Department of State Contracting: CWC's 2nd Interim Report, the QDDR, and Iraq Transition, 6/6/2011.

169. SIGIR Audit 10-008, "Long-Standing Weaknesses in Department of State's Oversight of DynCorp Contract for Support of the Iraqi Police Training Program," 1/25/2010.

170. USF-I, response to SIGIR data call, 7/5/2011.

171. USF-I, response to SIGIR data call, 7/15/2011.

172. USF-I, responses to SIGIR data calls, 7/5/2011 and 7/13/2011.

173. USF-I, responses to SIGIR data calls, 7/5/2011 and 7/15/2011.

174. SIGIR, *Quarterly Report to the United States Congress*, 4/30/2011, p. 45.

175. USF-I, response to SIGIR data call, 7/5/2011.

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Major U.S. Reconstruction Assistance to Iraq, by Area, as of 6/30/2011 and Major U.S.-funded Reconstruction Programs Supporting Iraq's Economic Recovery: ABO, responses to SIGIR data call, 7/14/2011 and 7/15/2011; DoS, response to SIGIR data call, 4/5/2007; INL, response to SIGIR data call, 7/15/2011; NEA-I, responses to SIGIR data calls, 4/12/2011, 4/15/2011, 6/20/2011, 6/24/2011, and 6/27/2011; OUSD(C), responses to SIGIR data calls, 4/10/2009 and 7/15/2011; SIGIR Audit 11-007, "Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Cancelled Funds,"12/28/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USACE, response to SIGIR data call, 7/5/2011; USAID, responses to SIGIR data calls, 7/8/2010 and 7/7/2011; USTDA, response to SIGIR data call, 4/2/2009; IRMS, *Global Benchmark*, 9/3/2010; TFBSO, response to SIGIR data call, 1/4/2011.

Photos not credited on the graphic: Oil sector photo courtesy of BP; others, Task Force for Business and Stability Operations, tfbso.defense.gov/www/photo-essay.aspx#iraq, 7/2011.

ACRONYMS AND DEFINITIONS

This section contains all of the abbreviations and acronyms found in this Report.

Acronym	Definition
AAB	Advise and Assist Brigade (USF-I)
AAFES	U.S. Army and Air Force Exchange Service
ABO	U.S. Army Budget Office
ABOT	al-Basrah Oil Terminal
ACCO	Anti-Corruption Coordination Office (U.S. Embassy-Baghdad)
AFAA	U.S. Air Force Audit Agency
AFCEE	U.S. Air Force Center for Engineering and the Environment
AIC	Anbar Investment Commission
Amanat	Baghdad mayoralty
AMC	U.S. Army Materiel Command
AMERCO	American Equipment Company
AQI	al-Qaeda in Iraq
ARCENT	U.S. Army Central
ATA	Antiterrorism Assistance Program (DoS)
BBG	Broadcasting Board of Governors
BPA	blanket purchase agreement
BPD	barrels per day
BRU	Bank Reconciliation Unit
BSA	Board of Supreme Audit
BTA	Business Transformation Agency
C3	U.S. CENTCOM Contracting Command
CAG	community action group
CAP	Community Action Program (ESF)
CAPGENT	Canadian Alliance for Power Generation Equipment
CBI	Central Bank of Iraq
CCC-I	Central Criminal Court of Iraq
CEFMS	Corps of Engineers Financial Management System
CENTCOM	U.S. Central Command
CERP	Commander's Emergency Response Program

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Acronym	Definition
CID-MPFU	U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit
CIDNE	Combined Information Data Network Exchange
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CIO	Contributions to International Organizations (United States)
CMC	CERP Management Cell
CMC	Communications and Media Commission
CNPC	China National Petroleum Corporation
COFE	Committee of Financial Experts (Board of Supreme Audit)
COI	Commission of Integrity
COIN	counterinsurgency
COM	Chief of Mission
CoM	Council of Ministers
COR	contracting officer's representative
CoR	Council of Representatives (GOI)
COSIT	Central Organization for Statistics and Information Technology (GOI)
CPA	Coalition Provisional Authority
CRS	Congressional Research Service (Library of Congress)
CSC	CERP Steering Committee
CSH	Child Survival and Health Programs Fund
CSP	Community Stabilization Program (USAID)
CTA	Case Tracking Application (funded through ESF)
CWC	Commission on Wartime Contracting in Iraq and Afghanistan
CWG	CERP Working Group
D&CS	Democracy & Civil Society Program (ESF)
DAD	Development Assistance Database (United Nations Development Program)
DARPA	Defense Advanced Research Projects Agency
DATT	Iraqi Defense Attache
DBE	Department of Border Enforcement (GOI)
DCA	U.S. Defense Contract Agency

Continued next column

Acronym	Definition
DCAA	U.S. Defense Contract Audit Agency
DCG-A&T	Deputy Commanding General for Advising and Training
DCG-Support	Deputy Commanding General for Support
DCIS	Defense Criminal Investigative Service
DCMA	Defense Contract Management Agency
DEDC	Diyala Economic Development Center
DEI	Diyala State Company for Electrical Industries
Democracy	Democracy Fund
DFAS	U.S. Defense Finance and Accounting Service
DFI	Development Fund for Iraq
DG	Deputy General (USF-I) and Director General (Iraqi)
DG	Director General
DHHS	Department of Health and Human Services
DIA	Defense Intelligence Agency
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DoD	Department of Defense
DoD OIG	Department of Defense Office of Inspector General
DoDACC	Department of Defense Activity Address Codes (U.S. Army Central Command)
DoI	Department of Interior
DoJ	Department of Justice
DoL	Department of Labor
DoS	Department of State
DoS OIG	Department of State Office of Inspector General
DOT	Department of Transportation
DPM	Deputy Prime Minister
DRL	Bureau of Democracy, Human Rights, and Labor (DoS)
DRN	document reference number (used for USF-I CERP Project Tracker)
DS	Diplomatic Security (DoS)
EBO	Embassy Branch Office
ECA	Bureau of Educational and Cultural Affairs (DoS)

Continued next column

Acronym	Definition
ECA	Education and Cultural Exchange Programs
EDA	excess defense articles (U.S. Military)
EFP	explosively formed penetrator (Iranian-supplied)
EIA	Energy Information Administration (DoE)
ENI	Eni International Resources (Italian oil and refinery company)
EPC	engineering, procurement, and construction (projects or contracts)
ERMA	Emergency Refugee & Migration Assistance
ESF	Economic Support Fund
EUJUST LEX	European Union Integrated Rule of Law Mission for Iraq
FAO	Food and Agriculture Organization (United Nations)
FBI	Federal Bureau of Investigation
FEPP	Foreign Excess Personal Property program
FMF	Foreign Military Financing
FMR	Financial Management Regulation (DoD)
FMS	Foreign Military Sales
FOB	forward operating base
FPS	Facilities Protection Service (GOI)
FRBNY	Federal Reserve Bank of New York
FSD	Financial Sector Development Program (ESF)
FY	fiscal year
GAO	U.S. Government Accountability Office
GDP	gross domestic product
GE	General Electric
GIEWS	Global Information and Early Warning System
GIS	Geographic Information System (*Tatweer*)
GOI	Government of Iraq
GRD	Gulf Region District (USACE)
GSA	General Services Administration
H.R.	House Resolution
HJC	Higher Judicial Council
HQDA	Headquarters, U.S. Department of the Army

Acronym	Definition
IA	Iraqi Army
IACA	International Anti-Corruption Academy
IAF	Iraqi Air Force
IAMB	International Advisory and Monitoring Board (UN-created for Iraq)
IAO	Iraq Area Office (USACE MED)
IAU	Inter-Agency Information and Analysis Unit (UN)
ICAA	Iraq Civil Aviation Authority
ICE	U.S. Immigration and Customs Enforcement
I-CERP	Iraq Commander's Emergency Response Program
ICF-SME	Iraqi Company for Financing Small-Medium Enterprises
ICITAP	International Criminal Investigative Training Assistance Program (DoJ)
IDA	International Development Association (World Bank)
IDA	International Disaster Assistance (USAID humanitarian trust fund)
IDFA	International Disaster and Famine Assistance
IDP	internally displaced person
IEA	International Energy Agency
IED	improvised explosive device
IFF	Iraq Freedom Fund
IFMIS	Iraq Financial Management Information System
IG	inspector general
IHEC	Independent High Electoral Commission
IIGC	Iraq Inspectors General Council
IJ	investigative judge
IMET	International Military Education and Training program
IMF	International Monetary Fund
INA	Iraqi National Alliance
INCLE	International Narcotics Control and Law Enforcement account (INL)
ING	Iraqi National Guard
INL	Bureau of International Narcotics and Law Enforcement Affairs (DoS)
Inma	"Growth" in Arabic—Agribusiness Program (USAID)

Acronym	Definition
IOC	international oil company
IOM	International Organization for Migration
IP	Iraqi Police
IPP	independent power producer
IPS	Iraq Payment System
IRAM	improvised rocket-assisted munitions
IRAP	Iraq Rapid Assistance Program (USAID component of QRF 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 - IRRF 1 and IRRF 2
IRS-CI	Internal Revenue Service-Criminal Investigation
ISAM	Iraq Security Assistance Mission
ISCI	Islamic Supreme Council of Iraq
ISF	Iraqi Security Forces
ISFF	Iraq Security Forces Fund
ISOF	Iraqi Special Operations Force (also, Counter-Terrorism Force)
ISP	Infrastructure Security Program
ISPO	Iraq Strategic Partnership Office
ITAM	Iraq Training and Advisory Mission
ITAO	Iraq Transition Assistance Office
ITAO/ESD	Iraq Transition Assistance Office/Electric Services Division
IZ	International Zone
Izdihar	Private Sector Development funds (ESF)
KAAOT	Khawr al-Amaya Oil Terminal
KDP	Kurdistan Democratic Party
km	kilometer
Kogas	Korean Oil and Gas Company
KRG	Kurdistan Regional Government
KRG-MOE	KRG Ministry of Electricity
kV	kilovolt
LGP	Local Governance Program (USAID)
LOA	letters of acceptance

Acronym	Definition
LOGCAP	Logistics Civil Augmentation Program
LPG	liquefied petroleum gas
MAAWS	*Money as a Weapon System* (DoD)
Marla Fund	Marla Ruzicka Iraqi War Victims Fund (IRRF)
MBPD	million barrels per day
MCD	Ministerial Capacity Development Program (DoS or USAID)
MCF	million cubic feet
MCFD	million cubic feet per day
MDA	Missile Defense Agency
MEC	Minimum Essential Capabilities
MED	Middle East District (USACE)
MEES	Middle East Economic Survey
MeK	Mujaheddin e-Khalq
MEPI	Middle East Partnership Initiative
MFI	microfinance institution
MIM	Ministry of Industry and Minerals
MNC-I	Multi-National Corps-Iraq
MNF-I	Multi-National Force-Iraq
MOD	Ministry of Defense
MoDM	Ministry of Displacement and Migration
MOE	Ministry of Electricity (GOI)
MOE IG	Ministry of Electricity Inspector General
MOF	Ministry of Finance
MOH	Ministry of Health
MoHR	Ministry of Human Rights
MOI	Ministry of Interior
MOI IG	Ministry of Interior Inspector General
MOJ	Ministry of Justice
MoPDC	Ministry of Planning and Development Cooperation
MOT	Ministry of Transportation
MRA	Migration and Refugee Assistance
MRAP	Mine Resistant Ambush Protected (armored vehicles)
MW	megawatt
MWh	megawatt-hour
NACS	Iraq's *National Anti-Corruption Strategy for 2010–2014*

Acronym	Definition
NADR	Nonproliferation, Anti-terrorism, Demining, and Related Programs
NCD	National Capacity Development Program (USAID) (also referred to as *Tatweer*)
NCHP	National Council for Higher Policies (GOI)
NCIS	U.S. Naval Criminal Investigative Service
NDAA	National Defense Authorization Act
NDI	National Democratic Institute
NDP	Iraq's *National Development Plan (2010-2014)*
NEA-I	Bureau of Near Eastern Affairs-Iraq (DoS)
NGA	National Geospatial-Intelligence Agency`
NGO	nongovernmental organization
NIC	National Investment Commission (GOI)
NMC	National Media Center (GOI)
NRRRF	Natural Resources Risk Remediation Fund
O&M	Operation and Maintenance funds (U.S. Army)
O&M	operations and maintenance
OCHA	Office for the Coordination of Humanitarian Affairs (UN)
OCO	Overseas Contingency Operations (DoS)
OFDA	Office of Foreign Disaster Assistance (USAID)
OHDACA	Overseas Humanitarian, Disaster and Civic Aid
OIF	Operation Iraqi Freedom
OMB	Office of Management and Budget
OP	Oil Police (GOI)
OPA	Office of Provincial Affairs (U.S. Embassy-Baghdad)
OPDAT	Office of Overseas Prosecutorial Development and Assistance Training (DoS)
OPIC	Overseas Private Investment Corporation
OSC-I	Office of Security Cooperation-Iraq
OSD	Office of the Secretary of Defense

Acronym	Definition
OTA	Office of Technical Assistance (U.S. Department of the Treasury)
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)
P.L.	Public Law
PA	Paying Agent
PC	Provincial Council
PCO	Project and Contracting Office
PDP	Police Development Program (DoS INL)
PDS	Public Distribution System
PEG	*Tijara* Provincial Economic Growth (USAID) (ESF)
PEZ	Pipeline Exclusion Zone
PFB	Procurement Fraud Branch (Army Legal Services Agency)
PHCP	Primary Health Care Program (ESF)
PIC	Provincial Investment Commission (GOI)
PM	Bureau of Political-Military Affairs (DoS)
PM	Prime Minister
PMO	Prime Minister's Office (and Secretariat) (GOI)
PRDC	Provincial Reconstruction Development Council
PRM	Bureau of Population, Refugees, and Migration (DoS)
PRT	Provincial Reconstruction Team
PRT/PRDC	Provincial Reconstruction Team/ Provincial Reconstruction Development Council
PSC	private security contractor
PUK	Patriotic Union of Kurdistan
PwC	PricewaterhouseCoopers
QRF	Quick Response Fund
QRF-State	Quick Response Fund-State (DoS component of QRF program)
RCLO	Regime Crimes Liaison Office (DoS) (ESF)
RFIs	requests for information (purchase contracts between U.S. and Iraq)
RLAs	Resident Legal Advisors (DoS INL)
RoLC	Rule of Law Coordinator (U.S. Embassy-Baghdad)

Acronym	Definition
ROM	rough order of magnitude (refers to pricing on purchasing contracts between U.S. and Iraq
RTI	Research Triangle Institute
SA	Security Agreement (U.S.-Iraq)
SAT	Security Assistance Team
SBA	Stand-By Arrangement (IMF)
SBDC	Small Business Development Center (Diyala)
SCADA	Supervisory Control and Data Acquisition
SDO	Senior Defense Official
SETAC	Society of Environmental Toxicology and Chemistry
SFA	Strategic Framework Agreement
SIGAR	Special Inspector General for Afghanistan Reconstruction
SIGIR	Special Inspector General for Iraq Reconstruction
SIGPRO	SIGIR Prosecutorial Initiative
SIV	special immigrant visa
SMDC	Space and Missile Defense Command
SOC	South Oil Company (Iraq)
SOE	state-owned enterprise
SOI	Sons of Iraq
SoL	State of Law Coalition (headed by Nuri al-Maliki)
SPOT	Synchronized Predeployment and Operational Tracker
Sunir	Iran Power & Water Equipment and Services Export Company
suq	market (in Arabic)
Tatweer	National Capacity Development Program (USAID)
TBI	Trade Bank of Iraq
TCF	trillion cubic feet
TFBSO	Task Force for Business and Stability Operations (DoD)
Tijara	Provincial Economic Growth Program (USAID)
TNA	Transitional National Assembly
TPAO	Turkish National Oil and Gas Company
Treasury	U.S. Department of Treasury
TSG	The Sandi Group (DynCorp subcontractor)

Acronym	Definition
TWISS	Theater-wide Internal Security Services (DoD)
UK	United Kingdom
UN	United Nations
UNAMI	United Nations Assistance Mission for Iraq
UNCC	United Nations Compensation Commission
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	United Nations High Commissioner for Refugees
UNODC	United Nations Office on Drugs and Crime
UNOPS	United Nations Office of Project Services
UNSC	United Nations Security Council
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 OE	U.S. Agency for International Development Operating Expenses
USAID OIG	U.S. Agency for International Development Office of Inspector General
USCIRF	U.S. Commission on International Religious Freedom
USD(P)	Under Secretary of Defense (Policy)
USETTI	U.S. Equipment Transfer to Iraq program
USF-I	U.S. Forces-Iraq
USMC	U.S. Marine Corps
USSOCOM	U.S. Special Operations Command
USTRANSCOM	U.S. Transportation Command (DoD)
VP	vice president
WFP	World Food Programme (UN)
WHS	Washington Headquarters Service (DoD)
WTO	World Trade Organization

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