

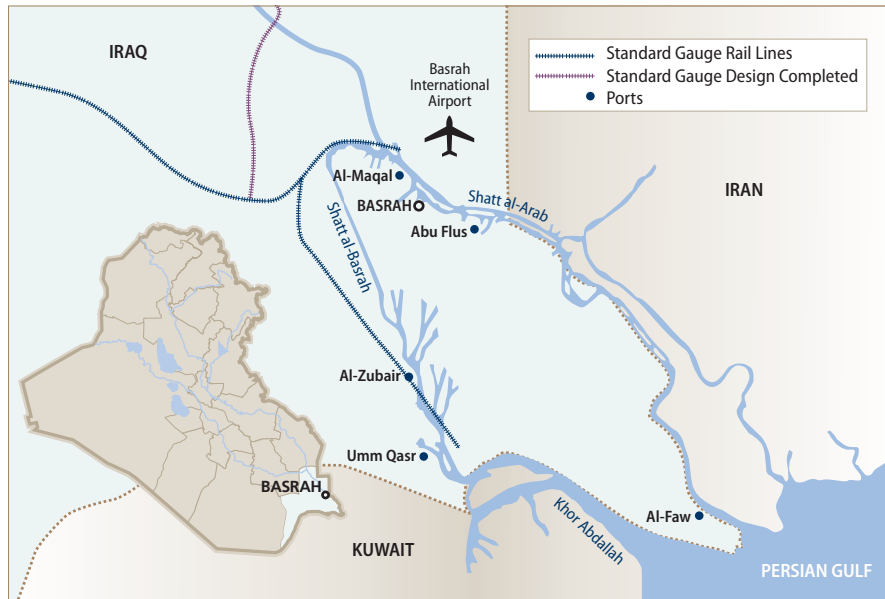
FOCUS ON BASRAH

Background

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

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

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



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

Security

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

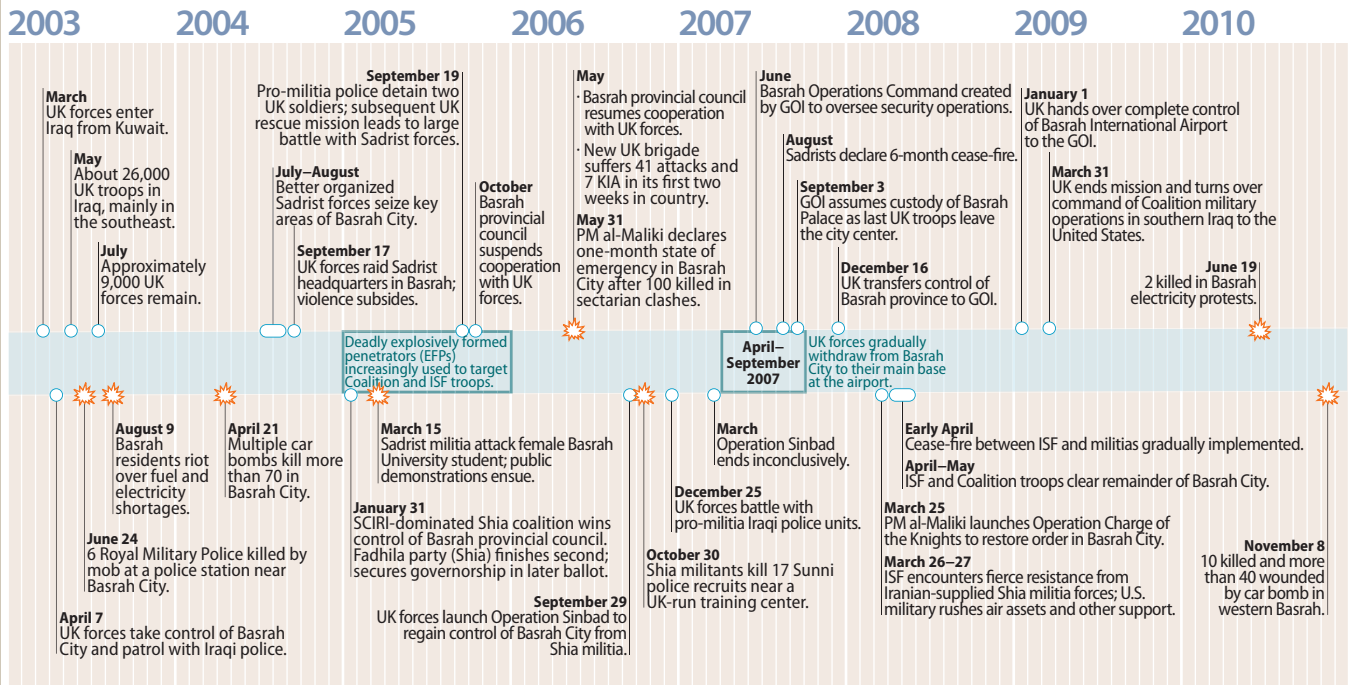


Basrah Palace. (UK MOD Crown Copyright 2004)

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

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

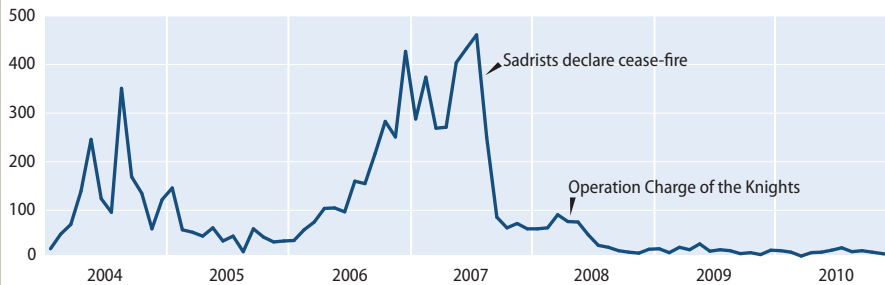
FIGURE A
BASRAH: SECURITY TIME LINE, 2003–2010



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

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

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



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



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

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

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

still occurs. Notable recent security incidents include:¹⁸⁴

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

ISF Readiness

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

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

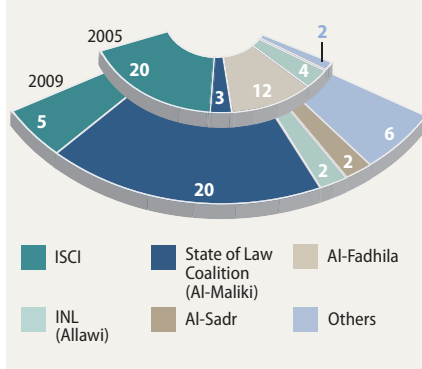
Governance

Elections

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

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

FIGURE C
BASRAH PROVINCIAL ELECTION RESULTS



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

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

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

Regionalism

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

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

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

Life in Basrah

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

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

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

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

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

Standard of Living

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

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

Displaced Persons

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

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

Economic Development

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

Al-Rumaila Oil Field: A Case Study

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

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

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

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

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

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

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

Unemployment

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

Hydrocarbons

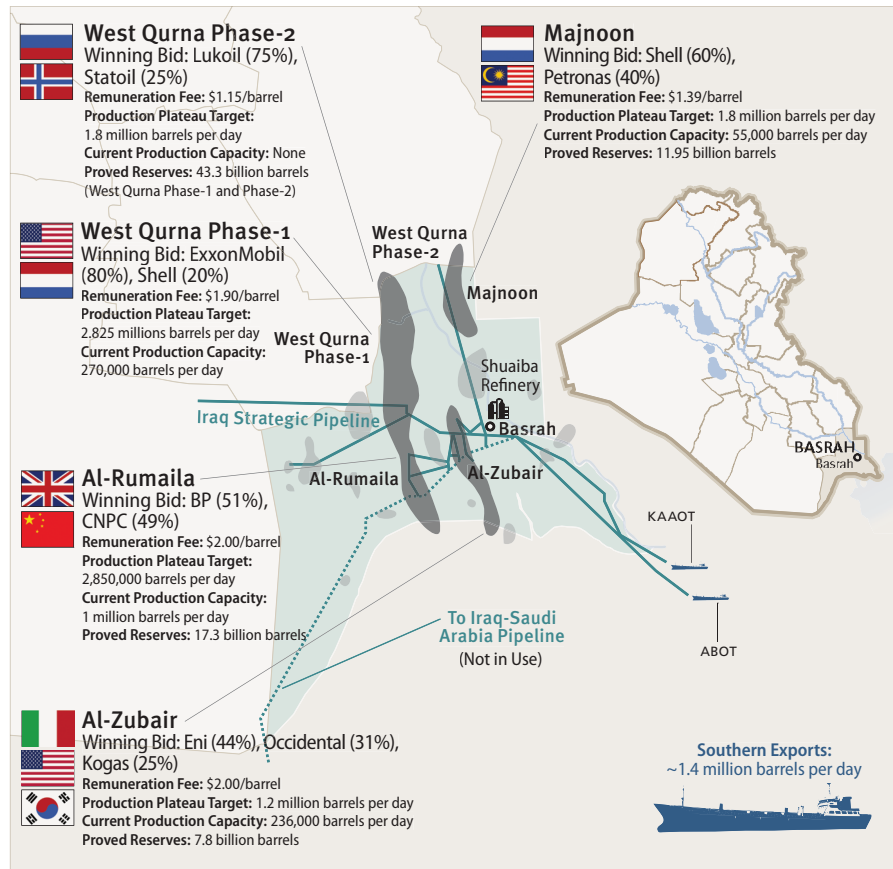
In 2009, Iraq conducted two rounds of bidding for oil services contracts. More than 20 international companies participated, and 10 contracts were ultimately awarded. Figure D shows the winning bidders for the major fields in the vicinity of Basrah.

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



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

FIGURE D
KEY OIL FIELDS AND INFRASTRUCTURE IN BASRAH PROVINCE



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

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

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

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

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

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

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

Problems with Petrodollars

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

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

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

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

Electricity

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

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

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

Agriculture

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

Basrah province has three types of agricultural production:²²³

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



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

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

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

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

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

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

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

Investment

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

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

Barriers to Foreign Investment

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



SIGIR meeting with representatives of Basrah’s Farmers Union.









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

Archaic Laws Hinder Efficient Land Use

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

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

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

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

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

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

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

Challenges to Building the Rule of Law

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

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

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

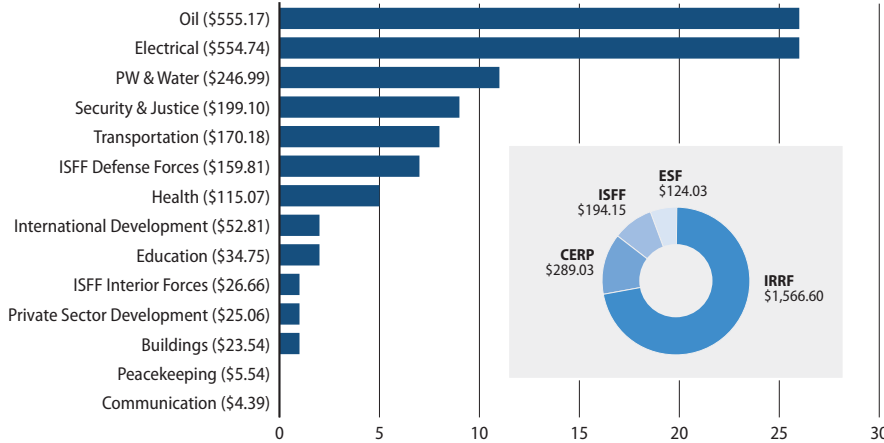
Corruption also remains a problem in Basrah. In December, local police officials reported that 199 persons wanted on charges of administrative or financial corruption had been arrested in Basrah during 2010.²³² The GOI's Commission of Integrity (COI) has traditionally found it difficult to operate in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

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

Reconstruction

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

FIGURE E
U.S.-FUNDED INFRASTRUCTURE PROJECTS IN BASRAH PROVINCE, BY CATEGORY AND FUND
 % of \$2,173.81 Million



Note: Numbers affected by rounding.

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

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

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

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

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

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

SIGIR Oversight

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

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



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

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

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



to dock at the port, thereby increasing the amount of

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

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



significant judicial centers. SIGIR's inspection in 2008 found

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

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

TABLE B
SIGIR OVERSIGHT IN BASRAH AREA, 2005–2009

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

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