



Special Inspector General for Iraq Reconstruction

Quarterly Report to the
United States Congress

[October 30, 2011]

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

SIGIR Mission Statement

Regarding U.S. relief and reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective:

- oversight and review through comprehensive audits, inspections, and investigations
 - advice and recommendations on policies to promote economy, efficiency, and effectiveness
 - prevention, detection, and deterrence of fraud, waste, and abuse
 - information and analysis to the Congress, the Secretary of State, the Secretary of Defense, and the American people
-

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

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



Ambassador James Jeffrey meets with Kirkuk Governor Najmaldin Karim in mid-October 2011. (U.S. Embassy-Baghdad photo)



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MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

I am pleased to present this 31st Quarterly Report to the U.S. Congress and the Secretaries of State and Defense.

Sixty days from now, the mission of the U.S. Forces-Iraq will come to an end. This historic moment will close the books on nearly nine years of U.S. military engagement in Iraq. This moment also inaugurates a new phase in the strategic partnership between the United States and Iraq. Substantial U.S. financial assistance will continue, albeit at levels lower than in previous years. But a more cooperative and collaborative aspect will eventually embrace this crucially important relationship as the State Department's plans and programs develop.

The Iraq that the U.S. military leaves is fundamentally changed from the foundering state that existed in the spring of 2003. Iraq's economy, then at a stand-still, is expected to grow at a robust 9.6% this year; inflation is low; the national budget is 40% larger than it was three years ago; and oil production in 2011 will almost certainly set a post-2003 record. But Iraq still suffers from daily attacks, with Iraqi Security Forces personnel and senior Government of Iraq leaders regularly subject to assassination attempts. This painful reality underscores the continuing need for Iraq to strengthen its military, police, and rule-of-law institutions. Section 1 of this Report features detailed perspectives on the security situation drawn from recent interviews with top officials at the Ministries of Interior and Defense.

There were political clashes within the GOI this quarter over competing versions of the long-awaited new hydrocarbon law, a contentious issue that fundamentally divides the GOI and the Kurdistan Regional Government (KRG). This Report's Focus on the Kurdistan Region provides details on what has been a largely successful reconstruction program in that part of northern Iraq, notwithstanding the unsettling issues that currently daunt relations between the GOI and KRG.

SIGIR's Audits Directorate surpassed the 200-report milestone this quarter. Three notable audits stand out from the seven summarized in Section 5 of this Report:

- **Development Fund for Iraq (DFI).** This audit accounted for the disposition of most of the \$6.6 billion that remained in DFI accounts at the time the Coalition Provisional Authority dissolved in June 2004. SIGIR found that most of the money was held at the U.S. Federal Reserve Bank of New York and the Central Bank of Iraq. Two future audits will examine the use of billions more in DFI funds by the Department of Defense.
- **Falluja Waste Water Treatment System.** In assessing the most important project in the strategically crucial Anbar province, SIGIR found that outcomes fell far below the project's initial goals. The unstable security environment in Anbar, poor planning, and inadequate funding and oversight led to significant cost overruns and lengthy construction delays; and many workers lost their lives.
- **Police Development Program.** SIGIR's review of this important police training program in Iraq makes a number of suggestions for improvement, including developing a baseline assessment of the capabilities of the Iraqi police, preparing a more detailed plan to deliver assistance, and obtaining specific "buy-in" from the GOI.

SIGIR's investigators were exceptionally productive this quarter as well. Their work led to:

- the sentencing of a retired U.S. Army colonel to one year in prison for accepting bribes
- the sentencing of a former lieutenant colonel to 18 months in prison for accepting illegal gratuities from multiple Iraqi contractors and for stealing from Iraqi fuel reserves
- the sentencing of a former U.S. Army sergeant first class to four years probation for conspiring to steal generators that were later sold on the black market
- a guilty plea by a U.S. Marine Corps gunnery sergeant to two counts of conspiracy to steal more than 70 electrical generators from two U.S. bases near Falluja
- a guilty plea by a former U.S. Army Corps of Engineers civilian employee to conspiring to receive bribes from Iraqi contractors

In the coming weeks, I will embark on my 31st trip to Iraq. While there, I will present the findings of SIGIR's DFI audit to a panel of senior GOI officials. As SIGIR's results demonstrate, the U.S. reconstruction program still requires robust oversight, a responsibility that I and my professional staff will continue to carry out through 2012.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stuart Bowen, Jr.", followed by a period. The signature is written in a cursive, flowing style.

Stuart W. Bowen, Jr.

SIGIR SUMMARY OF PERFORMANCE

SIGIR SUMMARY OF PERFORMANCE AS OF OCTOBER 30, 2011

AUDITS	CUMULATIVE	LAST 12 MONTHS
Reports Issued	201	24
Recommendations Issued	477	52
Savings if Agencies Implement SIGIR Recommendations to:		
Put Funds to Better Use (\$ Millions)	\$586.62	\$12.0
Disallow Costs SIGIR Questioned (\$ Millions)	\$635.83	\$114.56

INSPECTIONS^a

Project Assessments Issued	170	-
Limited On-site Assessments Issued	96	-
Aerial Assessments	909	38

INVESTIGATIONS

Investigations Initiated	569	47
Investigations Closed or Referred	468	64
Open Investigations	101	101
Arrests	35	4
Indictments	68	21
Convictions	57	20
Monetary Results (\$ Millions)	\$154.8	\$83.4

HOTLINE CONTACTS, AS OF SEPTEMBER 30, 2011

Email	407	12
Fax	18	0
Mail	30	2
Referrals	26	0
SIGIR Website	187	22
Telephone	83	5
Walk-in	112	0
Total Hotline Contacts	863	41

OTHER PRODUCTS

Congressional Testimony	33	2
Lessons Learned Reports Issued	5	0
Quarterly Reports	31	4

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



SECTION 1

SIGIR Observations	1
October 2011: Transforming the U.S.-Iraq Strategic Partnership	2
U.S. Reconstruction Presence, Funding, and Oversight	2
Security	7
Governance	9
Economy	10
Electricity	11
Corruption and Public-sector Inefficiency	11
SIGIR Oversight	12
Commission on Wartime Contracting	15

SECTION 2

Funding for Iraq Reconstruction	17
Funding Overview	18
U.S. Funding	19
Iraqi Funding	28
International Support	30

SECTION 3

Contracting for Iraq Reconstruction	31
U.S.-funded Contractors and Grantees in Iraq	32
Contracting Actions, Projects, and Grants	35
Final Report of the Commission on Wartime Contracting	37

SECTION 4

Developments in Iraq	39
Governance	40
Security	51
Rule of Law	62
Economy	70
Public Services	81

SECTION 5

SIGIR Oversight	107
SIGIR Audits	108
SIGIR Investigations	117
SIGIR Hotline	129
SIGIR Website	130
Legislative Update	131

SECTION 6

Other Agency Oversight	133
Introduction	134
Other Agency Oversight Reports	135
Other Agency Investigations	138

Special Feature

Focus on the Kurdistan Region	89
-------------------------------	----

Endnotes	140
-----------------	------------

Sources and Notes for the Insert	150
---	------------

Acronyms and Definitions	150
---------------------------------	------------

*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.

TABLE OF CONTENTS

APPENDICES

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

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

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

OCTOBER 2011: TRANSFORMING THE U.S.-IRAQ STRATEGIC PARTNERSHIP	2
U.S. RECONSTRUCTION PRESENCE, FUNDING, AND OVERSIGHT	2
SECURITY	7
GOVERNANCE	9
ECONOMY	10
ELECTRICITY	11
CORRUPTION AND PUBLIC-SECTOR INEFFICIENCY	11
SIGIR OVERSIGHT	12
COMMISSION ON WARTIME CONTRACTING	15

SECTION

1

OCTOBER 2011: TRANSFORMING THE U.S.-IRAQ STRATEGIC PARTNERSHIP

On New Year's Day 2012, the U.S. relief and reconstruction mission in Iraq will enter a new phase. Under the guiding polestar of the U.S.-Iraq Strategic Framework Agreement, the defining characteristic of this new phase will be the State Department's complete responsibility for the full constellation of continuing efforts to assist the Iraqi government's economic, security, and governance institutions. Reaching this event horizon in the U.S. program means that the U.S.-Iraq partnership is evolving into a relationship that will more closely resemble the bilateral ties the United States enjoys with other sovereign nations.

On October 21, President Obama announced that all remaining U.S. troops in Iraq will be withdrawn by December 31, 2011, pursuant to the U.S.-Iraq Security Agreement. When the last of the remaining U.S. soldiers depart Iraq at the end of the year, the military will be virtually absent from the country for the first time since March 2003. The Department of Defense (DoD) exit is significant, in part, because it marks the end of the Commander's Emergency Response Program (CERP) in Iraq, which contributed more than \$4 billion to relief and reconstruction efforts. A limited cadre of uniformed personnel will continue to serve in country within the Office of Security Cooperation-Iraq (OSC-I); but this training-and-assistance organization reports to the U.S. Ambassador, not to a Commanding General.

Several long-planned changes in the U.S. Mission's assistance structure occurred this quarter. On October 1, the Department of State (DoS) Bureau of International Narcotics and Law Enforcement Affairs (INL) began its police-assistance program. This effort distinctly differs from the

military-managed training regime that preceded it. A recent SIGIR audit, summarized in Section 5 of this Report, examined the planning for DoS's new Police Development Program (PDP). It identified several steps the Department could take to improve the program's posture.

This quarter also brought the inauguration of the OSC-I, which will provide long-term assistance to the still-developing Iraqi Security Forces (ISF). Another milestone recently reached was the conclusion of the Provincial Reconstruction Team (PRT) program in Iraq. U.S. Embassy-Baghdad's Office of Provincial Affairs, which had managed the PRTs for the past four years, closed its doors in late August; and the last PRT was shuttered in early September. At its apogee in 2008, the program comprised 31 PRTs across Iraq.

On October 21, President Obama announced that all remaining U.S. troops in Iraq will be withdrawn by December 31, 2011.

U.S. RECONSTRUCTION PRESENCE, FUNDING, AND OVERSIGHT

The DoS Police Development Program

Since 2003, the United States has spent approximately \$8 billion to train, staff, and equip Iraq's police forces. This quarter, INL formally initiated the new PDP, which will provide mentoring and assistance in organizational management to senior police officials across Iraq. SIGIR's new audit on the PDP found that DoS should assess the baseline capabilities of Iraq's police forces and develop a more detailed training plan, including better metrics and goals. Notably, a senior Ministry of Interior (MOI) official recently told SIGIR that he had serious doubts about the usefulness of the entire program.¹

INL significantly downsized the PDP since its original conception two years ago, reducing the number of police advisors from an initially planned 350 to the current 115. Final decisions on the number of personnel and sites will not be made



Ongoing renovation work at Forward Operating Base Shield, the main PDP basing area.



USF-I and Iraqi Police officials marking the end of a two-year partnership between the U.S. military and the MOI at the Iraqi Police Criminal Justice Center in Baghdad in August 2011. (DoD photo)

Just 12% of funds allocated to the PDP will be used to pay for the advising, mentoring, and developing of the Iraqi police.

until after FY 2012 appropriations are known. However, INL expects the FY 2012 program to cost between \$500 million and \$900 million, with the annual cost per advisor averaging as much as \$6 million.² According to information provided to SIGIR by DoS, just 12% of funds allocated to the PDP will be used to pay for the advising, mentoring, and developing of the Iraqi police, while 88% will go to security, life-support, and other costs.³

A recent visit by SIGIR officials to Forward Operating Base (FOB) Shield in Baghdad (the main PDP basing area) revealed some of the program's continuing challenges:⁴

- **Uncertain real-estate rights.** The U.S. government has secured a provisional land-use agreement for the real estate at FOB Shield, but it still requires approval by the Government of Iraq (GOI).
- **Incomplete facilities.** FOB Shield is undergoing renovation, with existing buildings being demolished to make way for a new housing area. The construction work will not be completed until April 2012.
- **Vaguely defined advisory roles.** The police advisors' roles are quite generally defined and fundamentally differ from those of the previous U.S. Forces-Iraq (USF-I) trainers. They will mentor more senior Iraqi police officials in leadership methods, offering suggestions to MOI

managers on how to resolve the police force's pressing operational challenges.

One potentially important benefit from the PDP program could be the development of closer ties with key MOI leaders, which is vital to ensuring good lines of communication between the MOI and the Embassy. For an Iraqi perspective on the PDP, see the summary of SIGIR's recent meeting with Iraq's Senior Deputy Minister of Interior.

Office of Security Cooperation-Iraq

On October 1, 2011, Lieutenant General Robert Caslen, Jr., became the OSC-I Chief. General Caslen previously served in Iraq as the Commanding General, Multi-National Division-North. OSC-I manages security cooperation efforts in support of the GOI, including the U.S.-Iraq Foreign Military Sales (FMS) program. The organization currently operates out of ten offices, five of which are located near Iraqi military bases (Kirkuk, Tikrit, Umm Qasr, Taji, and Besmaya).⁵ Figure 1.1 shows OSC-I staffing, by location. For more information on OSC-I and the FMS program, see the Security subsection of this Report.

Post-PRT Provincial Engagement

The closure of the final PRT in Iraq in September ended a six-year civilian-military program that engaged local officials across Iraq in governance

Perspectives on Policing from the Senior Deputy Minister of Interior

This quarter, SIGIR met with Senior Deputy Minister of Interior Adnan al-Asadi to discuss the current state of the MOI and obtain his thoughts on the PDP. After spending several years in exile in Denmark, he returned to Iraq after the fall of Saddam Hussein and almost immediately joined the new government.

An experienced official who has spent more than seven years in the senior ranks of the GOI working on security matters, and a long-standing ally of the Prime Minister, he runs the ministry's day-to-day operations. Significant topics discussed during the October meeting included:

- **The PDP.** Al-Asadi was explicit about the limitations of ongoing U.S. assistance to the MOI. Although grateful for the continued U.S. commitment to Iraqi security and confident about the future of relations between the two countries, he expressed grave doubts as to the efficacy of the PDP, rhetorically asking, "What tangible benefit will Iraqis see from this police training program? With most of the money spent on lodging, security, support, all the MOI gets is a little expertise, and that is if the program materializes. It has yet to start." He noted that DoS preparations for the PDP have been discussed for more than a year. He suggested that the United States "take the program money and the overhead money and use it for something that can benefit the people of the United States, because there will be very little benefit to the MOI from the \$1 billion." The Senior Deputy Minister added that if the PDP were to be terminated right now, such a step would not affect the MOI from a practical point of view, adding that "the training

discussed is more focused on secondary issues, like administration, finance, information technology, and planning. I don't need it. I won't ask for it. But if you provide it, it will be a benefit and will add to our Ministry." He also remarked that some MOI officials have grandiose expectations about the scope of assistance to be provided under the PDP, incorrectly envisioning it as similar to the massive U.S. assistance provided to the MOD. He ascribed these erroneous views to their fundamental misapprehensions about the program's limited scope.

- **U.S. Military Withdrawal.** When asked what effect the end of USF-I's mission will have on the MOI, al-Asadi replied that it would have no impact because of the ministry's self-sufficiency. He stated that the MOI has conducted independent operations since 2008, and will continue to do so after U.S. troops depart, attributing this capability to the shared sacrifices of U.S. and Iraqi forces over the past eight years. He added that the MOI "capitalized on the support from U.S. forces and created an independent entity that is now able to function on its own, unlike the MOD, which still needs assistance from the U.S. military." The Senior Deputy Minister noted that U.S. support was helpful to the MOI's continued development after 2008, citing training, equipment, and services procured via the FMS program, as well as limited support from USF-I as having been of significant assistance to the ministry during this period.
- **MOI's relationship with the Ministry of Defense.** With almost 650,000 personnel, the MOI is Iraq's largest security agency, dwarfing the MOD, which is about 43% as large (with a force strength of approximately 280,000). Though nominally having



SIGIR Deputy Inspector General meeting with Senior Deputy Minister of Interior Adnan al-Asadi on October 8, 2011.

external defense as its mission, MOD units have been deeply involved in internal-security operations over the past several years, forced by the unstable security situation to fight in Iraq's cities and towns. One of al-Asadi's priorities is to collaborate with the MOD to clarify the two ministries' respective roles. His goal is to return primary responsibility for internal security to the MOI. The MOI now has primacy over security in certain areas, such as Muthanna, that have seen little insurgent violence, but the MOD continues to lead joint security efforts in some more dangerous cities, including Baghdad. Al-Asadi noted that the GOI has established an interagency committee to evaluate the security situation in each province and determine the appropriate apportionment of responsibilities between the MOI and MOD.

- **MOI Reforms.** On the issue of accountability, al-Asadi was particularly proud that, three months ago, the MOI began to post job openings on its website and accept applications online. Since then, the MOI has received 30,000 applications. He stated that, in his opinion, this served as an effective way of reducing the bribe taking known to occur when applications were submitted in person. Now, he said, applicants are being chosen on merits and qualifications, not on party affiliation.

Perspectives on Security from the MOD Chief of Staff

Three days after meeting with Senior Deputy Minister of Interior al-Asadi, SIGIR visited with the MOD Chief of Staff, General Babakir Zibari. With more than four decades of military experience, General Zibari, a Kurd, is one of Iraq's most experienced soldiers. After briefly serving in the Iraqi Army (IA) in the early 1970s, he sought refuge in the north, joining the Kurdish armed resistance to the regime in Baghdad. In 1991, General Zibari was one of the leaders in the short-lived Kurdish rebellion against Saddam Hussein. During Operation Iraqi Freedom, he led his *Peshmerga* units alongside U.S. forces, defeating Ba'athist formations across northern Iraq. General Zibari is a recipient of the U.S. Legion of Merit, a military award often given to distinguished foreign soldiers.

In a wide-ranging interview with SIGIR, General Zibari discussed:

- **Internal security operations after December 2011.** On Iraq's ability to conduct independent internal-security missions after the scheduled withdrawal of the U.S. military in December, General Zibari stated that it was possible the Iraqi Security Forces may be able to execute such missions satisfactorily. He noted that the ISF is significantly more capable of providing for Iraq's internal security than for its external security.
- **Defending Iraq's borders after the departure of U.S. troops.** He estimated that it will take several more years before Iraq can provide for its external defense without assistance from international partners. General Zibari suggested that the MOD will be unable to execute the full spectrum of external-defense missions until sometime between 2020 and 2024, citing GOI funding shortfalls as the main

reason for the delay. To illustrate this point, he cited the long-standing plan to purchase U.S.-built F-16 aircraft, noting that the deal was delayed last year to dedicate additional resources to public-welfare programs. He said that while the order is now finalized, he does not expect to take delivery of the first plane for several years.

- **The Iraqi Air Force (IqAF).** General Zibari emphasized the necessity of building up the IqAF, observing that "an army without an air force is exposed" and that, at the moment, the IqAF is not capable of supporting ground combat operations. He stated that Iraq will not be able to defend its own air space until 2020, at the earliest.
- **MOD's relationship with the MOI.** MOD's objective is to build a small but powerful IA that is capable of defending the state and securing the borders. But MOD forces continue to play a significant role in assisting the Iraqi police with security operations in several key cities, including Baghdad and Mosul. Provinces where the MOI is in charge of most security functions include Tameem, Diyala, Salah Al-Din, and Anbar—although IA units continue to provide assistance to the police in these provinces, when requested. General Zibari stated that the IA is eager to return to its primary duty: protecting Iraq from external aggression.
- **Regional relations.** Summarizing the GOI's relations with neighboring states, he said that, "while we have no enemies, we also have no real friends." He mentioned the recent dispute with Kuwait over the construction of new port facilities at the head of the Gulf as one example of how a small state can still cause Iraq significant problems. General Zibari also surveyed relations with Iraq's other neighbors, noting the unique challenges presented by



MOD Chief of Staff Babakir Zibari during a meeting with SIGIR officials in October 2011.

relations with Saudi Arabia, Iran, Syria, and Turkey.

- **U.S.-funded security-sector reconstruction projects.** General Zibari spoke highly of the U.S. contribution to rebuilding the MOD. In his view, "the reconstruction programs have provided useful facilities for us... From an operational point of view, the assets are great, they work." He stated that the Foreign Military Sales program has been beneficial to the MOD, saying, "even though it is expensive, it provides us a means of getting high-quality equipment." He added that the GOI's contracting capacities were still too immature to handle such sophisticated transactions, noting that "if we did this ourselves, some contractors would not be able to deliver."
- **Corruption.** General Zibari stated that corruption remains one of the main challenges facing the ministry. For example, he cited a case involving an IA soldier who he had previously punished for corruption, only to see him subsequently resurface and request a transfer to the duty station where he had committed the offenses that led to his punishment. He noted that senior MOD officials are attempting to institutionalize reforms that would make it easier to deter and detect corruption, but added that the process is an ongoing one.



Lt. Gen. Caslen (center) assuming command of NATO Training Mission-Iraq from Lt. Gen. Ferriter (right) at a change-of-command ceremony led by USF-I Commanding General Lloyd Austin (left) on October 1, 2011. The ceremony also marked the official activation of OSC-I. (DoD photo)

and economic capacity-building and fostered a variety of development and assistance programs. The Iraq Strategic Partnership Office has taken responsibility for the remaining PRT projects, with the Embassy's Political Section now responsible for provincial outreach.

U.S. Reconstruction Funding and the End of the CERP in Iraq

The United States has appropriated or otherwise made available \$61.83 billion for Iraq reconstruction efforts since 2003, primarily through five major funds.

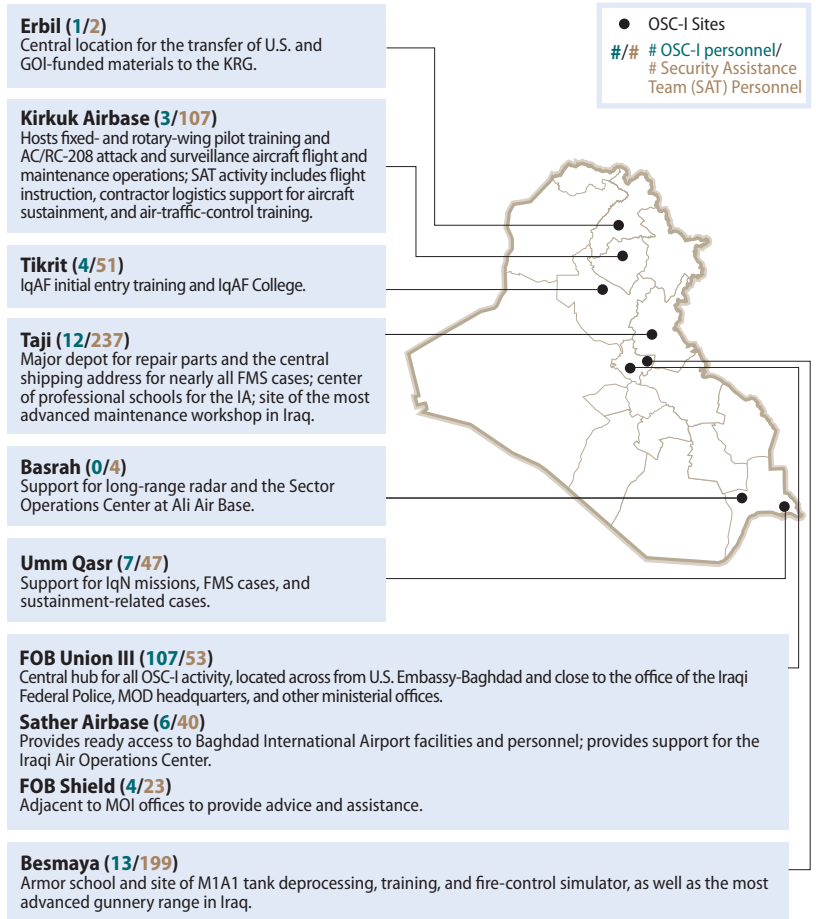
According to USF-I, the CERP program was officially closed out in Iraq at the end of September. CERP funding is not available for obligation to new projects. Figure 1.2 shows current and requested funds that may be used for new projects from the five major funds.⁶ For more on U.S. reconstruction funding, see Section 2 of this Report.

Data Gaps

As the U.S. civilian reconstruction program diminishes and the USF-I prepares to finally withdraw, the number of regular sources that SIGIR uses to inform this Quarterly Report continues to decrease, including:

- **Iraq Status Report.** Since 2004, DoS published this wide-ranging survey of political, economic,

FIGURE 1.1
OSC-I SITES



Source: OSD, response to SIGIR data call, 10/3/2011.

FIGURE 1.2
MAJOR U.S. FUNDS: CURRENT AND REQUESTED AMOUNTS FOR NEW PROJECTS, AS OF 9/30/2011

\$ Billions

FUND	NOT OBLIGATED	FY 2012 REQUESTED
Iraq Security Forces Fund (ISFF)		1,394
International Narcotics Control and Law Enforcement (INCLE)	220	1,000
Economic Support Fund (ESF)	301	326
Iraq Relief and Reconstruction Fund (IRRF)	0	
Commander's Emergency Response Program (CERP)	0	

Note: Does not include \$154 million of obligated ISFF, ESF, and INCLE funds that are still within the period for reobligation to new projects.

and reconstruction data on a weekly or bi-weekly basis. This quarter, the report ceased production.

- **Electricity Reports.** At the end of July 2011, USF-I issued the final ITAO/ESD *Electric Daily Performance Report*, bringing to an end the U.S. government's only published source of detailed daily data on supply and demand in Iraq's electric-power sector.
- **Gallup polling.** Since late 2007, the U.S. military had contracted with the Gallup organization to survey Iraqi public opinion on a wide range of topics. This September, the contract concluded and polling ceased.

SIGIR is adapting to these losses by developing primary sources within the GOI.

SECURITY

Iraqi casualty totals this quarter were about the same as those seen during April 1–June 19, 2011.

DoD recently reported that at least 335 Iraqi civilians and 207 ISF personnel were killed in acts of terrorist violence from June 20 to September 23, 2011—almost 6 persons per day⁷—down about 20% from 681 Iraqi civilians and ISF personnel killed during the same period in 2010.⁸

U.S. Military Presence

August 2011 marked the first month since 2003 in which no U.S. military personnel were killed in Iraq.⁹ Five U.S. troops were killed during the course of the entire quarter.¹⁰ Indirect-fire attacks and roadside bombs remain a threat. On October 12, three U.S. soldiers were injured by a Katyusha rocket attack on a U.S. base in the southern province of Missan.

As of mid-October, approximately 39,500 U.S. troops remained in Iraq, with that number dropping by the day.¹¹ USF-I still occupies 18 bases, down 96% from a 2008 zenith of 505.¹² Between



U.S. soldier speaks with an Iraqi Police officer at a checkpoint in Baghdad. (DoD photo)

April and October 2011, the number of individuals in Iraq employed by DoD contractors dropped by more than 27,000.¹³

Drawing down the remaining forces is an immense logistical challenge. During one week in early October, 399 convoys with 13,909 trucks were used to remove troops and equipment from Iraq.¹⁴ As of January 2012, a small contingent of military personnel will remain in Iraq to serve under the auspices of OSC-I.¹⁵

Continuing Security Challenges

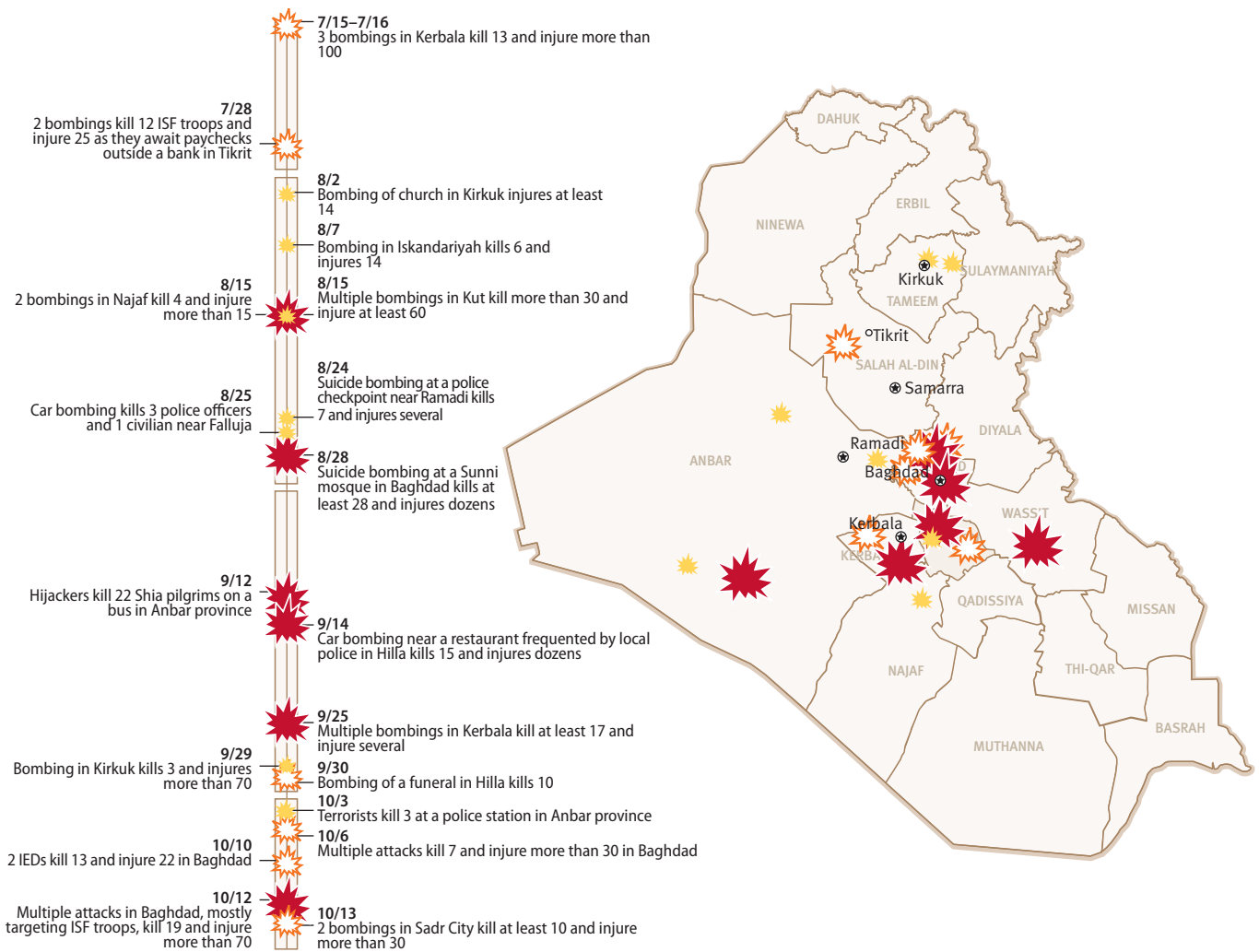
August 15 reportedly marked the deadliest single day of insurgent violence in 2011. Multiple attacks across Iraq killed more than 70 people and wounded over 300. Two weeks later, a suicide bomber linked to al-Qaeda in Iraq (AQI) attacked Baghdad's largest Sunni mosque during a Ramadan prayer service, killing more than two dozen worshippers.

Terrorists also targeted Iraqi Shia this quarter. On September 12, a bus filled with Shia pilgrims traveling through Anbar province was hijacked by militants who killed 22 passengers. Figure 1.3 displays some of the most significant recent violent incidents in Iraq.¹⁶

The targeted killing of GOI officials and political leaders continued this quarter. The total number of assassinations, however, dropped slightly from the previous quarter. From July 20 to October 15,

During one week in early October, 399 convoys with 13,909 trucks were used to remove troops and equipment from Iraq.

FIGURE 1.3
SIGNIFICANT SECURITY INCIDENTS, 7/15/2011–10/15/2011



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

Source: SIGIR analysis of GOI and U.S. government documents and open-source information in Arabic and English, 7/2011–10/2011.

2011, at least 40 senior GOI personnel and Iraqi community leaders were assassinated, down from the 44 senior officials killed mid-April to mid-July 2011. (SIGIR's estimate of attempted and successful assassinations excludes lower-ranking GOI personnel.) The Security subsection of this Quarterly Report provides additional information on assassinations that took place this quarter.¹⁷

The Commanding General of U.S. forces in northern Iraq recently stated that AQI and other insurgent groups are increasingly turning to criminal activities, including bank robberies and extortion schemes, to finance their operations because the flow of foreign funds—and foreign fighters—into the country has apparently diminished. USF-I officials ascribed these positive developments, in

part, to the increasing capability of ISF units operating near the Syrian border, but noted that the ISF still receives significant intelligence assistance from the U.S. military—assistance that will diminish over time.¹⁸

ISF Developments

As the MOI Senior Deputy Minister and the MOD Chief of Staff informed SIGIR during recent interviews, the Iraqi police forces are currently unable to secure all of Iraq's urban areas without assistance from the Iraqi Army. The GOI is conducting a province-by-province assessment to determine when the MOI can assume complete responsibility for security in all of Iraq's major cities.

Of the myriad organizations comprising the ISF, the Counter-Terrorism Force, which received a significant amount of U.S. training, equipment, and assistance, is widely regarded as the most capable.¹⁹

The status of other ISF components is mixed:

- **Iraqi Army (IA).** The IA has made notable progress in building a capacity to defend Iraq's borders from potential outside attacks. This is partly the result of a “dramatic shift” over the past 10 months by U.S. military advisors toward training efforts focusing on traditional defensive operations. The IA has conducted battalion-level live-fire exercises with some regularity. One U.S. general described their proficiency to be “as good as some American infantry battalions.” The IA, however, continues to lack necessary logistical and intelligence capabilities—areas that OSC-I will focus on improving in the coming year.²⁰
- **Iraqi Air Force (IqAF).** This quarter, the GOI made its first payment on the \$1.5 billion FMS order of 18 U.S.-made F-16 aircraft. But it will be several more years before the IqAF can secure its own air space and provide reconnaissance and close fire-support for IA ground units.²¹
- **Iraqi Navy (IN).** In August, the IN accepted 2 new Swift Boats from the U.S. Navy, bringing to 5 the number of these patrol boats it has received under an FMS purchase of 12 vessels.²² Bearing responsibility for safeguarding Iraq's coastal and



A U.S. Air Force F-16 aircraft, similar to the aircraft purchased by the GOI for the Iraqi Air Force. (DoD photo)

offshore oil installations, the IN constitutes an integral part of the ISF. But its ability to provide the regular and rigorous maintenance essential to keeping these craft at sea and on patrol remains an open question.

In addition to the regular ISF, the Sons of Iraq (SOI) continue to operate in nine provinces. These security personnel—many of whom were former Sunni insurgents—now number about 48,000. The SOI program transitioned from U.S. to Iraqi control in 2009, with the understanding that the GOI would endeavor to find government jobs for SOI members. This placement effort, however, has stalled. Currently, the GOI is considering reforming aspects of the program to ensure that SOI in provinces such as Anbar receive the same pay as their better-compensated compatriots in Baghdad.²³

GOVERNANCE

New Leaders for Key Agencies

In late September, the acting Commissioner of the Commission of Integrity (COI), Judge Raheem al-Ugaili, “retired” suddenly, returning to a position in the judiciary. In a letter to the CoR Integrity Committee explaining his decision, Judge Raheem cited political interference with COI corruption investigations as one of the driving factors behind his decision.²⁴ He was replaced as acting

The Iraqi police forces are currently unable to secure all of Iraq's urban areas without assistance from the Iraqi Army.

Commissioner by Judge Alla'a Jwad Hameed. Like the MOI and MOD, the COI has managed to operate for more than three years with an acting head, making modest progress in the challenging fight against public corruption.²⁵

On October 10, the Council of Representatives (CoR) voted to confirm Abdul Kareem Aftan as the new Minister of Electricity.²⁶ He replaces the former head of the Ministry of Electricity, who departed in mid-August amid a public scandal related to contracts for "emergency" power plants that have yet to be built.²⁷

Legislative Developments

In late July, Prime Minister Nuri al-Maliki moved forward with a plan to shrink his cabinet, eliminating many Minister of State positions. These positions had provided a place on the Council of Ministers (CoM) for their occupants, with little real capacity or responsibility attached to them. The Governance subsection of this Report contains a new organizational chart of the GOI's reformed structure and senior leadership.

This quarter, the CoR again considered establishing the National Council for Higher Policies (NCHP), the creation of which was a key part of the "Erbil Agreement" entered into last December to resolve the nine-month post-election deadlock. An essential element of the Erbil Agreement was that former Prime Minister Ayad Allawi, whose party garnered a plurality of the seats in the last election, be appointed head of the NCHP. This has not happened, causing resentment and dissension among some Iraqi political factions.²⁸

In late September, the CoR passed new laws reorganizing two of Iraq's three primary anticorruption agencies, the COI and the Board of Supreme Audit (BSA). Under these new laws, the CoR, and not the Prime Minister, will possess the power to select these agencies' future leaders.²⁹

In the coming months, the CoR will debate the GOI budget for 2012. The CoM has begun to draft a preliminary budget proposal for next year, with initial versions totaling more than \$100 billion,

based on oil-price projections ranging from \$80 to \$90 per barrel.³⁰ If a final budget law resembling these initial drafts is approved by the CoR, it would be significantly larger than this year's \$82.6 billion budget.

ECONOMY

The Iraqi economy remains one of the fastest growing in the world. This quarter, however, the International Monetary Fund downward revised its 2011 growth forecast for Iraq from 12.2% to 9.6%.

Maintaining robust growth in 2012 will depend on the continued prosperity of Iraq's oil and gas industry. This quarter's oil production levels averaged 2.56 million barrels per day (MBPD), virtually the same as last quarter's average. Iraq exported 2.18 MBPD, bringing in receipts of \$19.6 billion, a 2.3% decline from last quarter's record. Despite this modest decline, Iraqi oil receipts for the first eight months of 2011 exceeded the receipts for all of 2010.³¹ To achieve the GOI's stated goal of producing more than 12 MBPD by 2017, the GOI must overcome several obstacles, including Iraq's weak infrastructure, its lack of a new hydrocarbon law, and its relatively insecure working environment.

This quarter, the CoM approved a draft hydrocarbon law, which, if adopted by the CoR, would grant the Prime Minister significant power over the oil and gas sector. But this draft is far from being enacted, and it was vociferously denounced by Kurdish leaders, who view it as an encroachment on the Kurdistan Region's efforts to exploit its natural resources. Underscoring Kurdish-Arab tensions on the oil front, Deputy Prime Minister for Energy Affairs Hussein al-Shahristani declared illegal the more than 40 oil and gas contracts entered into between the Kurdistan Regional Government (KRG) and foreign companies.³²

Notwithstanding this dispute, the Ministry of Oil moved forward at the operational level this

The Iraqi economy remains one of the fastest growing in the world.

quarter with a variety of modernization initiatives, including:³³

- finalizing a contract with South Korea's Kogas to develop the large Akkas gas field near the Syrian border, which is estimated to contain 5.6 trillion cubic feet of gas
- signing initial agreements with an Italian firm to construct a refinery in Kerbala province and an Egyptian company to build a new refinery in Ninewa province
- entering into a memorandum of understanding with Iran and Syria to build a \$10 billion pipeline that, if constructed, would export natural gas to Europe
- qualifying 46 firms to participate in the upcoming fourth energy-licensing round that will award exploration contracts for 12 gas and oil fields that, to date, have gone largely unexamined by modern surveying techniques

The vulnerability of Iraq's hydrocarbon infrastructure remains a concern. In early October, two explosions damaged one of the primary southern pipelines, briefly halting production at al-Rumaila, Iraq's largest oil field. As the GOI and its international partners modernize and expand Iraq's oil and gas infrastructure in the coming years, the challenges faced by MOI's 31,000-strong Oil Police force in securing the country's far-flung facilities will multiply.

ELECTRICITY

Iraq must improve its electricity situation. Excepting the Kurdistan Region (and portions of Tameem province), power shortages persist across most of the country, affecting about 80% of the population. Cognizant of the need to provide a steady supply of electricity to the national grid, the GOI prioritized the development of its electricity sector. However, despite fast-tracking new projects and committing significant financial resources

to new programs, the MOE has been unable to significantly close the supply-demand gap.

In a May meeting with SIGIR, Deputy Prime Minister for Energy al-Shahristani expressed the hope that the GOI could close that gap by the summer of 2012. He indicated that the MOE would expedite construction of 50 smaller projects that could add about 5,000 megawatts to the national grid by that time. Simultaneously, the MOE would continue to move forward with the long-planned construction of several larger power plants.³⁴

The fast-track plan to build 50 small plants encountered problems from the start. First, the plan was scaled down to 40 plants. Second, the three firms the MOE contracted with to build them proved unable to deliver, and the ensuing scandal forced the Minister of Electricity to resign. As of September 30, no contracts had been signed and none of these plants have been built.³⁵ Acknowledging these shortfalls, the new Minister of Electricity moderated expectations recently and made no public promises about the amount of electricity the MOE might add to the national grid by next summer.

CORRUPTION AND PUBLIC-SECTOR INEFFICIENCY

Public-sector corruption exacerbates every problem in Iraq. In describing the electricity sector as "a great area of failure," CoR Speaker Osama al-Nujaifi stated in October that corruption has spread through the GOI "like an octopus," with its tentacles exercising a particularly strong grip on the MOE.³⁶ In recent months, the GOI has enacted a series of reforms aimed at strengthening Iraq's anticorruption institutions, including passing new legislation for the COI and BSA, establishing a new anticorruption court in Baghdad, and repealing Article 136(b) of the Iraqi Criminal Procedure

CoR Speaker Osama al-Nujaifi stated that corruption has spread through the GOI "like an octopus."

Code (which had allowed ministers to immunize their subordinates from investigation for fraud). Despite these much-needed changes, it will likely be years before the reforms have noticeable effect.

Iraq's anticorruption agencies have moved this quarter to increase their own transparency. The COI released its "Annual Report for 2010" at www.nazaha.iq, which notes the progress the agency has made in tackling small-scale corruption, while cautioning that its capacity to pursue cases against high-level officials remains limited. And the BSA recently released its annual report via its website, www.bsairaq.net, noting that many GOI agencies suffer from poor record keeping and weak internal controls. The BSA's findings included:³⁷

- instances of GOI entities accumulating as much as five years or more of unexpended funds without returning these funds to the Ministry of Finance, as required by law
- the co-mingling of funds across budget years and expenditure categories
- more than 15,000 cases of fraud, including the taking of double salaries by GOI officials and frequent pension fraud

The BSA has also begun publishing its financial and performance audits, including a recent review of the State Company for Battery Industries (one of Iraq's state-owned enterprises). It found that this company, with 2,138 employees, produced 158 batteries in 2010. This amounts to about 13 workers per battery, meaning that each battery had a production cost of about \$100,000. The per-unit market price of these batteries is about \$60.³⁸

SIGIR OVERSIGHT

Audits

This quarter, SIGIR issued seven audits, passing the 200 mark in total reports produced to date. Since 2004, SIGIR's Audits Directorate has published 201 reports, including these released in October:

- **DoS Police Development Program.** Although this audit was initially impaired by DoS's lack of cooperation, resulting in limited access to officials and documentation, SIGIR was able to reach several significant conclusions that raise serious concerns about the PDP's long-term viability. First, SIGIR found that DoS does not have a current assessment of the capabilities of the Iraqi police forces. Second, DoS has not drafted a detailed plan providing specifics on what is to be accomplished, including intermediate and long-term milestones, benchmarks to assess progress, and transparency of and accountability for costs and performance outcomes. Third, current DoS spending plans indicate that only 12% of program funds will be used to assist directly the Iraqi police. Finally, DoS has yet to secure sufficient written commitments from the GOI regarding either its support for the PDP or its planned financial contributions, even though DoS written policy guidelines require GOI matching contributions and congressional language appropriating funds for Iraq assistance specifies the use of these guidelines.
- **Development Fund for Iraq (DFI).** SIGIR was able to account for the DFI funds remaining when the Coalition Provisional Authority (CPA) was dissolved in June 2004, finding sufficient evidence that most of the \$6.6 billion remaining in DFI accounts at the time of the CPA's dissolution was properly deposited into accounts at the Federal Reserve Bank of New York and the Central Bank of Iraq. However, the CPA did not always follow its own policies and procedures governing the transfer and deposit of U.S. currency once it arrived in Baghdad.
- **Falluja Waste Water Treatment System.** In this review of one of the costliest U.S.-funded reconstruction projects, SIGIR found that heavy fighting in Falluja, poor planning, unrealistic cost estimates, and inadequate funding led to significant cost overruns and lengthy construction delays; and many workers lost their lives. After seven years and the expenditure of more than

DoS has yet to secure sufficient written commitments from the GOI regarding either its support for the PDP or its planned financial contributions.

It is difficult to conclude that the project was worth the cost in lives and reconstruction funds.

\$100 million, the backbone of a wastewater treatment system is now in place. It currently serves approximately 38,000 residents, far less than the 183,000 that was envisioned in 2004. Additionally, the absence of information or analysis on whether progress was made toward achieving any of the project's secondary goals, such as stabilizing Falluja, makes an assessment of this project's worth or wisdom difficult. Although the GOI has since assumed financial and operational responsibility for the system's build-out, it is difficult to conclude that the project was worth the cost in lives and reconstruction funds.

- **Contracts Terminated by U.S. Central Command Contracting Command (C3).** From June 2008 through April 2011, C3 terminated 16 reconstruction contracts—far fewer than the 981 contracts terminated by C3's predecessor, the Joint Contracting Command-Iraq/Afghanistan, from January 2005 through mid-2008. C3 officials informed SIGIR that this reduction is attributable to a much smaller reconstruction program, improvements in contract management systems, and improved contractor performance. Of the 16 contracts terminated, 10 were because the services were no longer needed, and 6 were terminated for cause or default due to poor contractor performance. SIGIR identified potential waste of more than \$16.6 million in two contracts. In one case, poor planning led to the expenditure of \$16 million on the construction of the Al Ghizlani Location Command—a facility that conferred little, if any, benefit upon the Iraqi Army.
- **Indirect Costs of Managing Private Security Contracts in Iraq.** SIGIR examined six non-profit organizations that received U.S. awards for work in Iraq to determine the indirect costs they charged for managing their private-security contracts. As more money is charged as an indirect cost, less is available for program activities. SIGIR found that the organizations charged widely varying indirect costs for managing security contracts in Iraq that appeared to require a similar level of effort. For some organizations,

the indirect costs charged may be unreasonable relative to the actual administrative costs necessary to support the program. For instance, one organization charged \$5,225 for managing its \$3.18 million Iraq security contract, while another charged more than \$900,000 to manage its \$5.39 million security contract.

- **SIGIR Recommendations Made to Three DoD Agencies.** Earlier this year, SIGIR issued two reports examining the status of SIGIR recommendations previously made to USAID and DoS. As part of this ongoing effort to determine whether agencies have acted to remedy deficiencies identified by SIGIR, this report followed up on the status of 26 audit recommendations made to three DoD agencies that remained open as of July 31, 2011. The agencies reviewed were U.S. Central Command, USF-I, and the U.S. Army Corps of Engineers (USACE). As a result of information received from these agencies, and data developed during other SIGIR reviews, SIGIR closed 24 of the 26 open recommendations. Two recommendations remain open because USACE could not determine their status. SIGIR is continuing to follow up on the two open recommendations.
- **Status of INCLE Funds Allocated for Iraq Reconstruction.** This report found no significant issues related to INCLE obligations and expenditures for Iraq reconstruction. For FY 2006 to FY 2010, SIGIR found that INCLE funds for Iraq set forth in the DoS Budget Summary reports to the Congress matched the amounts reported in the INL program reviews and DoS's Global Financial Management System. During this time, funds totaling almost \$1.1 billion have been allocated for INL programs in Iraq. As of June 30, 2011, approximately \$845 million of the \$1.1 billion had been obligated and \$717 million had been expended. The majority of the unobligated and unexpended funds were allocated for FY 2010. There were no expired funds as of June 30, 2011, and \$223 million had not been obligated.

For more on these audits, see section 5 of this Report.

Investigations

To date, SIGIR investigative work has resulted in 68 indictments, 57 convictions, and approximately \$154.8 million in fines, forfeitures, and other monetary penalties. This quarter, significant investigative accomplishments included:

- On July 19, 2011, Francisco Mungia pled guilty to one count of conspiracy for his role in laundering approximately \$150,000 in bribes received by a U.S. Marine Corps (USMC) contracting officer in Iraq.
 - On July 29, David Pfluger, a former U.S. Army lieutenant colonel, was sentenced to 18 months in prison for accepting illegal gratuities from multiple Iraqi contractors and for stealing from Iraqi fuel reserves. Pfluger was also sentenced to three years of supervised release and ordered to pay \$24,000 in restitution. While serving in Iraq as the “Mayor” of FOB Ridgway, Pfluger accepted cash, jewelry, and clothing from various contractors. In return, he improperly accorded these contractors special privileges, including encouraging the granting of contracts to them, relaxing security procedures for them, and providing them with fuel from Iraqi fuel reserves.
 - On August 5, a former U.S. Army sergeant was charged with receiving more than \$12,000 in stolen funds. The money had been stolen by another U.S. Army soldier who was deployed to Iraq in 2008 and mailed to the former U.S. Army sergeant. The funds were a cash payment intended for an Iraqi contractor who failed to appear to collect the money.
 - On August 9, a U.S. contractor in Iraq was indicted for lying to federal agents during the course of an investigation. The agents are investigating a fraud scheme involving the theft and resale of generators in Iraq to various entities, including the U.S. government. The contractor is currently incarcerated in Texas.
 - On August 10, Eric Hamilton, a USMC gunnery sergeant, pled guilty to two counts of conspiracy to steal more than 70 electrical generators from two U.S. bases near Falluja in 2008.
- He conspired with another USMC officer to facilitate the theft of the generators by Iraqi contractors. Hamilton admitted that he identified the generators to be stolen by painting identifying markings on them and provided the Iraqi contractors with the access they needed to steal the generators. He also entered into a separate scheme with another Iraqi contractor to facilitate that contractor’s theft of electrical generators from the base. In return, Hamilton received more than \$124,000 from his co-conspirators. He faces a maximum of five years in prison and three years of supervised release.
- On August 16, Levonda Selph, a retired U.S. Army colonel, was sentenced to one year in prison for her role in a bribery scheme. In addition to her prison term, she was sentenced to three years of supervised release and ordered to pay a \$5,000 fine and \$9,000 in restitution. While serving as the head of a contract-selection board in Iraq, Selph accepted fraudulent bids from a contracting firm and helped that firm to win the contract. For improperly assisting this firm, she received a trip to Thailand and other items of value.
 - On September 19, Thomas Manok, a former USACE employee, pled guilty to conspiring to receive bribes from Iraqi contractors in exchange for recommending that these contractors receive contracts and other payments. In one instance, he received \$10,000 from a contractor involved in constructing a kindergarten and girls’ school in the Abu Ghraib neighborhood of Baghdad. At sentencing, Manok faces a maximum of five years in prison.
 - On October 5, Robert Nelson, a former U.S. Army sergeant first class, was sentenced to four years probation, of which the first six months will be home confinement, for conspiring to steal U.S. Army equipment. While serving in Mosul, Iraq in 2008, he assisted a U.S. Army translator in the theft of eight generators, which were then sold on the local black market. Nelson admitted receiving half of the proceeds of the

A USMC gunnery sergeant pled guilty to two counts of conspiracy to steal more than 70 electrical generators from two U.S. bases near Falluja.

sales, totaling more than \$44,000—all of which the court ordered him to pay back in restitution.

As of September 30, 2011, SIGIR had 101 ongoing investigations.

COMMISSION ON WARTIME CONTRACTING

This quarter, the Commission on Wartime Contracting in Iraq and Afghanistan (CWC) issued its final report, bringing to an end its three-year examination of the U.S. government's use of contracting in Southwest Asia. Drawing on a diverse array of sources, including SIGIR reports and testimony, the CWC estimated that between \$31 billion and \$60 billion in U.S. taxpayer funds were vulnerable to waste, fraud, and abuse during the past decade. Among the reasons for these abuses cited by the CWC were poor contract management, inadequate planning, and insufficient government oversight.³⁹

The CWC report included more than two dozen recommendations aimed at reforming the manner



The Inspector General discusses contingency contracting reform at a CWC hearing.

in which the U.S. government uses contractors during contingency operations. Several of these suggested changes explicitly echo recommendations previously made by SIGIR, including establishing a permanent inspector general (IG) for contingency operations, developing a deployable cadre of contingency-contracting experts, and improving interagency coordination regarding the use of private security contractors. On September 9, 2011, more than a dozen members of the House of Representatives introduced a bill to create a special IG for contingency operations.⁴⁰ The bill was referred to the Committees on Foreign Affairs, Armed Services, and Oversight and Government Reform for further action. ♦

Several of these suggested changes explicitly echo recommendations previously made by SIGIR.

FUNDING FOR IRAQ RECONSTRUCTION

FUNDING OVERVIEW	18
U.S. FUNDING	19
IRAQI FUNDING	28
INTERNATIONAL SUPPORT	30

SECTION

2

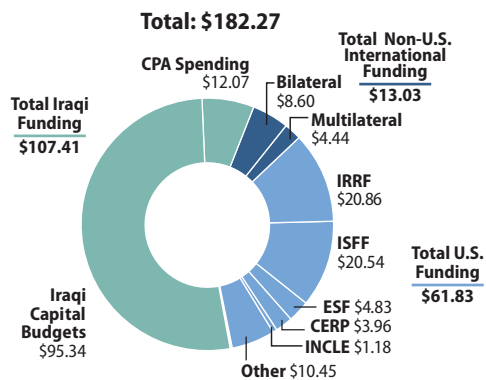
FUNDING OVERVIEW

As of September 30, 2011, \$182.27 billion had been made available for the relief and reconstruction of Iraq through three main sources:⁴¹

- U.S. appropriations—\$61.83 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

For an overview of these funding sources, see Figure 2.1. For a historical comparison of U.S., Iraqi, and international support for Iraq reconstruction, see Figure 2.2.

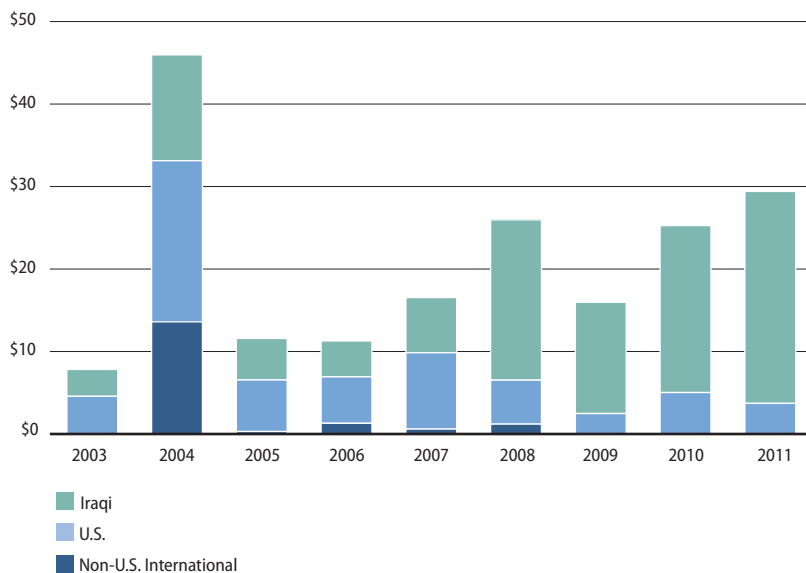
FIGURE 2.1
FUNDING SOURCES, 2003–2011
\$ Billions



Note: Data not audited. Numbers affected by rounding.

Sources: See Figure 2.2.

FIGURE 2.2
U.S., IRAQI, AND NON-U.S. INTERNATIONAL SUPPORT FOR RECONSTRUCTION, 2003–2011
\$ Billions



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

Sources: P.L. 108-7; P.L. 108-11; P.L. 108-106; P.L. 108-287; P.L. 109-13; P.L. 109-102; P.L. 109-148; P.L. 109-34; P.L. 109-289; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-118; P.L. 111-212; P.L. 112-10; ABO, response to SIGIR data call, 10/18/2011; BBG, response to SIGIR data call, 3/7/2011; DCAA, response to SIGIR data call, 10/4/2011; DRL, response to SIGIR data call, 4/12/2011; ECA, response to SIGIR data call, 4/14/2010; INL, response to SIGIR data call, 10/14/2011; Justice Management Division, response to SIGIR data call, 10/4/2011; NEA-I, responses to SIGIR data call, 10/4/2010, 10/6/2010, 4/15/2011, 9/30/2011, 9/28/2011, 9/30/2011, and 10/6/2011; OMB, response to SIGIR data call, 6/21/2010; OTA, "Office of Technical Assistance Overview," 12/30/2005, ustreas.gov/offices/international-affairs/assistance/, accessed 10/16/2009; OUSD(C), responses to SIGIR data call, 10/4/2010 and 10/14/2011; PM, response to SIGIR data call, 7/6/2011; TFBDO, response to SIGIR data call, 1/4/2011; USACE, response to SIGIR data calls, 10/6/2008 and 10/4/2011; USAID, responses to SIGIR data calls, 1/12/2009, 4/8/2009, 10/11/2011, and 10/12/2011; USAID, "Congressional Budget Justification: Foreign Assistance Summary Tables, FY 2009–2011," U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009; GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2011," 2/23/2011, Article 2; GOI, MOF, information provided to SIGIR, 6/27/2011; U.S. Treasury, responses to SIGIR data calls, 1/4/2008 and 4/9/2009; "GOI Budget" (as approved by TNA and written into law December 2005); GOI, Presidency of the Iraqi Interim National Assembly, "The State General Budget for 2005," 2005; GOI, "Budget Revenues and Expenses 2003, July–December," 2003; SIGIR Audit 11-007, "Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Cancelled Funds," 12/28/2010; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–7/2011.

U.S. FUNDING

Budget authority for the FY 2011 CERP expired on September 30, 2011, and CERP funding is not available for obligation to new projects in Iraq.

Since 2003, the United States has appropriated or otherwise made available \$61.83 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.⁴²

Of that total, \$51.38 billion has been made available through five major funds:⁴³

Active Funds

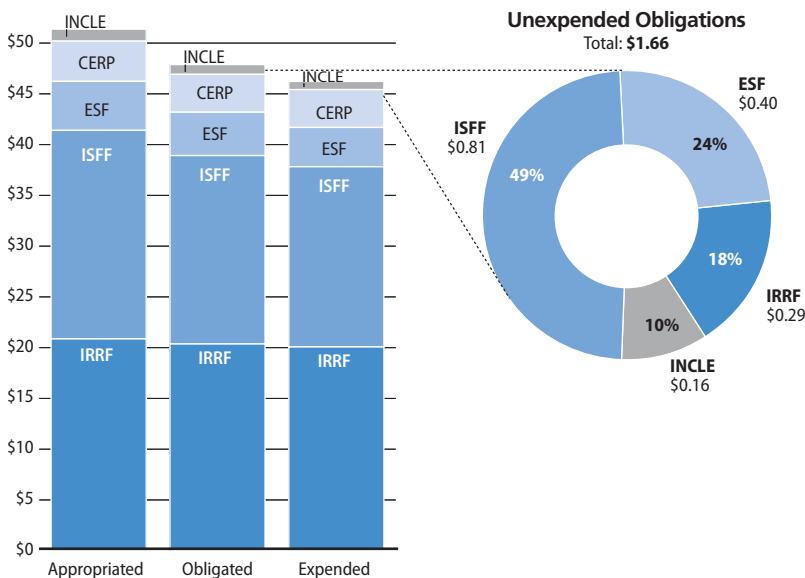
These funds are available for obligation to new projects.⁴⁴

- Iraq Security Forces Fund (ISFF)—\$20.54 billion appropriated, with \$1.39 billion available for obligation to new projects
- Economic Support Fund (ESF)—\$4.83 billion allocated, with \$301 million available for obligation to new projects
- International Narcotics Control and Law Enforcement (INCLE)—\$1.18 billion appropriated, with \$220 million available for obligation to new projects

Inactive Funds

- Iraq Relief and Reconstruction Fund (IRRF)—\$20.86 billion appropriated, none of which is available for obligation to new projects
- Commander’s Emergency Response Program (CERP)—\$3.96 billion allocated, none of which is available for obligation to new projects

FIGURE 2.3
STATUS OF MAJOR U.S. FUNDS, AS OF 9/30/2011
\$ 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, 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.

As of September 30, 2011, \$5.16 billion remained unexpended from the five major funds.⁴⁵ As discussed later in this section, budget authority for the FY 2011 CERP expired on September 30, 2011, and CERP funding is not available for obligation to new projects in Iraq. The IRRF previously expired for new obligations, and SIGIR no longer discusses the IRRF in detail in this section of the Quarterly Report. In FY 2011, \$58 million was expended from the IRRF, including \$20 million in the quarter ending September 30. For a discussion of the status of the IRRF, see SIGIR’s April 2011 Quarterly Report.

The Congress also made \$10.45 billion available through several smaller funding streams.⁴⁶

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.

FUNDING FOR IRAQ RECONSTRUCTION

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
	2003	2004	2005	2006	2007	2008	2009
MAJOR FUNDS							
Iraq Relief and Reconstruction Fund (IRRF 1 and IRRF 2) ^a	2,475	18,389					
Iraq Security Forces Fund (ISFF)			5,490	3,007	5,542	3,000	1,000
Economic Support Fund (ESF) ^b				1,469	1,554	562	542
Commander's Emergency Response Program (CERP) ^c		140	718	708	750	996	339
International Narcotics Control and Law Enforcement (INCLE)				91	170	85	20
Subtotal	2,475	18,529	6,208	5,275	8,017	4,643	1,901
OTHER ASSISTANCE PROGRAMS							
Migration and Refugee Assistance (MRA) and Emergency Refugee & Migration Assistance (ERMA)	40				78	278	260
Natural Resources Risk Remediation Fund (NRRRF) ^d	801						
Iraq Freedom Fund (Other Reconstruction Activities) ^e	700						
P.L. 480 Food Aid (Title II and Non-Title II)	368		3			24	
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	24		7		45	85	51
Democracy Fund (Democracy)					190	75	
Iraq Freedom Fund (TFBSO)					50	50	74
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) ^f					19	16	36
Department of Justice (DoJ)	37		6	11	23	25	7
Child Survival and Health Programs Fund (CSH)	90						
Education and Cultural Exchange Programs (ECA)				7	5	7	7
Overseas Humanitarian, Disaster and Civic Aid (OHDACA)	9	15	3				
International Affairs Technical Assistance				13	3		
U.S. Marshals Service ^g			1	3	2	2	1
International Military Education and Training (IMET)					1	2	2
Alhurra-Iraq Broadcasting		5					
Subtotal	2,069	21	20	33	416	563	437
RECONSTRUCTION-RELATED OPERATING EXPENSES							
Diplomatic and Consular Programs ^h							
Coalition Provisional Authority (CPA) ⁱ		908					
Project and Contracting Office (PCO) ^j				200	630		
USAID Operating Expenses (USAID OE)	21		24	79	37	41	48
U.S. Contributions to International Organizations (CIO)						38	30
DoD OSC-I Support							
Iraq Freedom Fund (PRT Administrative Costs)					100		
Subtotal	21	908	24	279	767	79	78
RECONSTRUCTION OVERSIGHT							
Special Inspector General for Iraq Reconstruction (SIGIR)		75		24	35	3	44
Defense Contract Audit Agency (DCAA) ^k				16	14	14	13
USAID Office of the Inspector General (USAID OIG)	4	2	3		3	7	4
DoS Office of the Inspector General (DoS OIG)				1	3	4	6
DoD Office of the Inspector General (DoD OIG)				5		21	
Subtotal	4	77	3	46	55	48	67
Total	4,569	19,535	6,255	5,634	9,255	5,333	2,483

^a The Congress initially appropriated \$18,649 million to IRRF 2, but earmarked \$210 million to be transferred to other accounts for programs in Jordan, Liberia, and Sudan. In FY 2006, the Congress transferred approximately \$10 million into the IRRF from the ESF. In FY 2008, P.L. 110-252 rescinded \$50 million.

^b P.L. 108-11 provided \$10 million for war crimes investigations and \$40 million to reimburse the ESF account for resources advanced to fund supplies, commodities, and services prior to the conflict in Iraq.

^c Generally, the Congress does not appropriate the CERP to a specific country, but rather to a fund for both Iraq and Afghanistan. SIGIR reports DoD's allocation to the CERP for Iraq as an appropriation.

^d Includes funds transferred from the Iraq Freedom Fund (IFF).

^e Includes funds appropriated to the IFF by P.L. 108-11, Title I, and transferred to reconstruction activities, with the exception of funds transferred to NRRRF, which are recorded under that fund.

^f The \$20 million reported for FY 2009 was appropriated by P.L. 111-8.

^g DoJ reported that \$1.98 million was made available in FY 2006 under P.L. 109-108.

^h Diplomatic and Consular Programs includes FY 2010 supplemental funding to support U.S. Embassy-Baghdad in establishing an enduring provincial presence.

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

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

^k DCAA reported that \$24 million was made available under P.L. 111-118 and P.L. 111-212.

	FY 2010			FY 2011		STATUS OF FUNDS		
	P.L. 111-117	P.L. 111-118	P.L. 111-212	P.L. 112-10	TOTAL APPROPRIATED	OBLIGATED	EXPENDED	EXPIRED
	12/16/09	12/19/09	7/29/10	4/15/11				
MAJOR FUNDS								
Iraq Relief and Reconstruction Fund (IRRF 1 and IRRF 2)					20,864	20,360	20,068	504
Iraq Security Forces Fund (ISFF)			1,000	1,500	20,539	18,559	17,752	586
Economic Support Fund (ESF)	383			326	4,835	4,266	3,867	268
Commander's Emergency Response Program (CERP)		263		44	3,958	3,728	3,728	230
International Narcotics Control and Law Enforcement (INCLE)	52		650	115	1,183	963	802	0
Subtotal	435	263	1,650	1,984	51,379	47,875	46,216	1,589
OTHER ASSISTANCE PROGRAMS								
Migration and Refugee Assistance (MRA) and Emergency Refugee & Migration Assistance (ERMA)	300		16	280	1,252	1,243	1,151	
Natural Resources Risk Remediation Fund (NRRRF)					801	801	801	
Iraq Freedom Fund (Other Reconstruction Activities)					700	680	654	
P.L. 480 Food Aid (Title II and Non-Title II)					395	395	395	
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	33		9	17	272	255	232	
Democracy Fund (Democracy)					265	265	245	
Iraq Freedom Fund (TFBSO)					174	86	65	
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)	30			30	131	62	62	
Department of Justice (DoJ)	9			9	127	116	112	
Child Survival and Health Programs Fund (CSH)					90	90	90	
Education and Cultural Exchange Programs (ECA)	7			7	40			
Overseas Humanitarian, Disaster and Civic Aid (OHDACA)					27	27	10	
International Affairs Technical Assistance					16	16	14	
U.S. Marshals Service					9	9	9	
International Military Education and Training (IMET)	2			2	9	9	6	
Alhurra-Iraq Broadcasting					5	5	5	
Subtotal	382		25	345	4,313	4,058	3,852	
RECONSTRUCTION-RELATED OPERATING EXPENSES								
Diplomatic and Consular Programs	1,122		1,030	1,119	3,271			
Coalition Provisional Authority (CPA)					908	832	799	
Project and Contracting Office (PCO)					830			
USAID Operating Expenses (USAID OE)	52			46	349			
U.S. Contributions to International Organizations (CIO)	33			31	132			
DoD OSC-I Support				129	129			
Iraq Freedom Fund (PRT Administrative Costs)					100			
Subtotal	1,207		1,030	1,326	5,720	832	799	
RECONSTRUCTION OVERSIGHT								
Special Inspector General for Iraq Reconstruction (SIGIR)	23			22	225	213	203	
Defense Contract Audit Agency (DCAA)		24		30	111	111	111	
USAID Office of the Inspector General (USAID OIG)	7				29			
DoS Office of the Inspector General (DoS OIG)	7			5	26			
DoD Office of the Inspector General (DoD OIG)					26			
Subtotal	37			57	416	324	314	
Total	2,060	263	2,705	3,712	61,828	53,090	51,181	1,589

Sources: P.L. 108-7; P.L. 108-11; P.L. 108-106; P.L. 108-287; P.L. 109-13; P.L. 109-102; P.L. 109-148; P.L. 109-34; P.L. 109-289; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-118; P.L. 111-212; P.L. 112-10; ABO, response to SIGIR data call, 10/18/2011; INL, response to SIGIR data call, 10/14/2011; USAID, responses to SIGIR data call, 10/11/2011 and 10/12/2011; USACE, response to SIGIR data call, 10/4/2011; NEA-I, responses to SIGIR data call, 9/28/2011 and 9/30/2011; OUSD(C), response to SIGIR data call, 10/4/2011; SIGIR Audit 11-007, "Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Cancelled Funds," 12/28/2010; USACE, response to SIGIR data call, 10/6/2008; USAID, responses to SIGIR data calls, 1/12/2009 and 4/8/2009; DRL, response to SIGIR data call, 4/12/2011; TFBSO, response to SIGIR data call, 1/4/2011; USAID, "U.S. Overseas Loans and Grants [Greenbook]," 2008, gbk.eads.usaidallnet.gov/query.do?_program=eads/gbk/countryReport&unit=N, accessed 4/15/2010; OMB, response to SIGIR data call, 6/21/2010; NEA-I, responses to SIGIR data calls, 10/4/2010, 10/6/2010, 4/15/2011, and 9/30/2011; 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/international-affairs/assistance/, accessed 10/16/2009; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009; Justice Management Division, response to SIGIR data call, 10/4/2011; PM, response to SIGIR data call, 7/6/2011; BBG, response to SIGIR data call, 3/7/2011; USAID, "Congressional Budget Justification: Foreign Assistance Summary Tables, FY 2009-2011"; DCAA, response to SIGIR data call, 10/4/2011.

Recent Congressional Action

In its budget request for FY 2012, the Administration requested nearly \$6.83 billion for foreign assistance and operating expenses for Iraq—nearly twice as much as was appropriated for FY 2011.⁴⁷ As of October 21, that request was still being considered by the Congress.

This quarter, the Congress passed two FY 2012 continuing appropriations acts that provided short-term funding for government operations in Iraq. The first (P.L. 112-33) provided budget authority for four days, through October 4, 2011.⁴⁸ The second (P.L. 112-36) provided budget authority for an additional 45 days, through November 18, 2011 (or sooner if superseded by another appropriations act).⁴⁹

The FY 2012 continuing appropriations acts generally fund activities at FY 2011 rates, with several exceptions. In particular, pursuant to P.L. 112-36, Section 117, Department of Defense (DoD) contingency operations in Iraq are funded at rates no greater than those permitted for such purposes in the House-passed version of the FY 2012 DoD appropriations act.⁵⁰ Section 9005 of that act provides CERP funding for Afghanistan only,⁵¹ despite an Administration request for \$25 million in FY 2012 CERP appropriations for Iraq. The committee report clarified that the intent of the Committee was to specifically deny funding for the CERP in Iraq. According to the report, “funds to deliver CERP projects in Iraq in the first fiscal quarter of fiscal year 2012 were not justified to the Committee.”⁵²

Budget authority provided by these continuing appropriations is not included in the appropriations totals in this Report.

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

TABLE 2.2

ISFF: STATUS OF FUNDS, BY MINISTRY AND SUB-ACTIVITY GROUP AS OF 9/30/2011

\$ Millions

MINISTRY	SUB-ACTIVITY GROUP	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Defense	Equipment	4,904.6	4,786.6	37.7	33.3
	Infrastructure	3,074.7	2,971.9		
	Sustainment	2,441.3	2,264.5	94.1	87.2
	Training	660.4	617.0	50.4	89.7
	Subtotal	11,081.0	10,639.9	182.2	210.3
Interior	Training	2,660.7	2,581.0	1.7	16.6
	Equipment	1,978.4	1,866.7	26.6	31.7
	Infrastructure	1,346.9	1,259.9		
	Sustainment	633.3	581.6	4.3	13.4
	Subtotal	6,619.3	6,289.2	32.6	61.7
Varies	Related Activities	858.5	823.1	1.9	1.6
Total		18,558.9	17,752.2	216.7	273.5

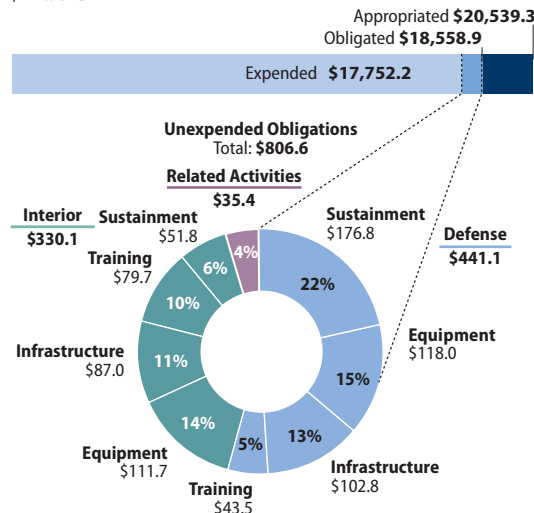
Note: Data not audited. Numbers affected by rounding.

Sources: OUSD(C), responses to SIGIR data calls, 7/15/2011 and 10/4/2011.

FIGURE 2.4

ISFF: STATUS OF FUNDS, AS OF 9/30/2011

\$ Millions



The intent of the Committee was to specifically deny funding for the CERP in Iraq.

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, 10/4/2011.

(MOD) and Ministry of Interior (MOI) in developing the Iraqi Security Forces (ISF) and increasing ministerial capacity. This includes \$1.50 billion

TABLE 2.3
ESF: STATUS OF FUNDS, BY TRACK AND PROGRAM, AS OF 9/30/2011
 \$ Millions

TRACK	PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Security	Community Stabilization Program	619.0	617.7	-0.3	9.1
	PRT/PRDC Projects	596.1	567.7	1.4	8.7
	Local Governance Program	455.8	431.1	15.3	8.9
	Community Action Program	397.4	359.9	3.1	20.8
	PRT Quick Response Fund	285.3	260.3	9.1	10.3
	Infrastructure Security Protection	194.2	193.6		
	Subtotal	2,547.7	2,430.4	28.5	57.8
Political	Tatweer National Capacity Development	309.4	308.4		4.4
	Democracy and Civil Society	264.3	206.7	3.7	7.4
	Iraqi Refugees	95.0	94.8		0.4
	Economic Gov. II, Policy and Reg. Reforms	83.9	83.9	-1.1	
	Administrative Reform	52.3	1.9	52.3	1.9
	Ministerial Capacity Development	44.8	36.6	7.1	1.0
	Regime Crimes Liaison Office	33.0	28.3		
	Elections Support	23.9	13.8	10.0	
	Monitoring and Eval.	13.4	7.2		0.9
Subtotal	920.1	781.8	72.0	16.0	
Economic	O&M Sustainment	275.2	274.5		0.5
	Inma Agribusiness Development	169.8	139.6	20.0	5.7
	Tijara Provincial Economic Growth	136.1	93.0	18.3	7.4
	Targeted Development Program	60.4	50.8		0.5
	Plant-Level Capacity Dev. & Tech. Training	50.4	50.3		
	Primary Health Care Program	41.7	2.8	2.5	2.3
	Izdihar Private Sector Development	32.8	32.2		
	Financial Sector Development	31.6	11.3		5.1
Subtotal	798.0	654.4	40.8	21.5	
Total	4,265.8	3,866.6	141.4	95.2	

Note: Data not audited. Numbers affected by rounding.

Sources: NEA-I, responses to SIGIR data calls, 4/12/2011, 6/24/2011, 6/27/2011, 9/28/2011, and 9/30/2011; USACE, responses to SIGIR data calls, 7/5/2011 and 10/4/2011; USAID, responses to SIGIR data calls, 7/7/2011, 10/11/2011, and 10/12/2011.

provided by P.L. 112-10, which will remain available for obligation until September 30, 2012.⁵³

As of September 30, 2011, \$807 million of obligated ISFF funds had not been expended. An additional \$1.98 billion had not been obligated, but \$586 million of this amount has expired, leaving \$1.39 billion available for obligation to new projects from P.L. 112-10.⁵⁴

Budget authority for the \$1.00 billion FY 2010 ISFF appropriation, which was provided by P.L. 111-212, expired on September 30, 2011. USF-I obligated \$922 million (92%) from that appropriation; \$78 million (8%) expired for new obligations.⁵⁵

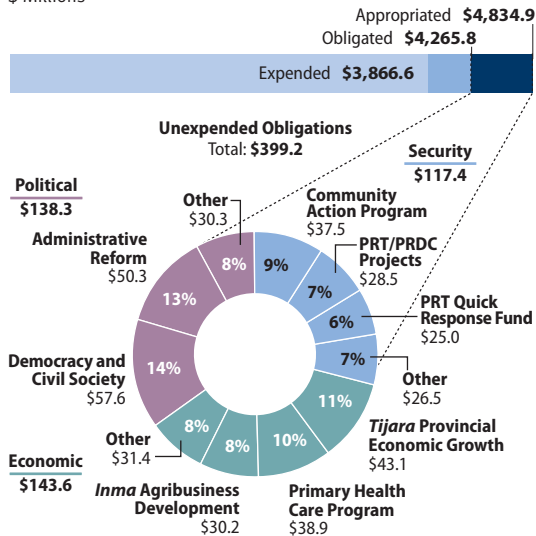
For the status and quarterly change of ISFF obligations and expenditures, by ministry and sub-activity group, see Table 2.2. For the status of the ISFF, including a breakdown of unexpended obligations, see Figure 2.4.

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.⁵⁶ This

Budget authority for the \$1.00 billion FY 2010 ISFF appropriation expired on September 30, 2011.

FIGURE 2.5
ESF: STATUS OF FUNDS, AS OF 9/30/2011
\$ Millions



Note: Data not audited. Numbers affected by rounding.

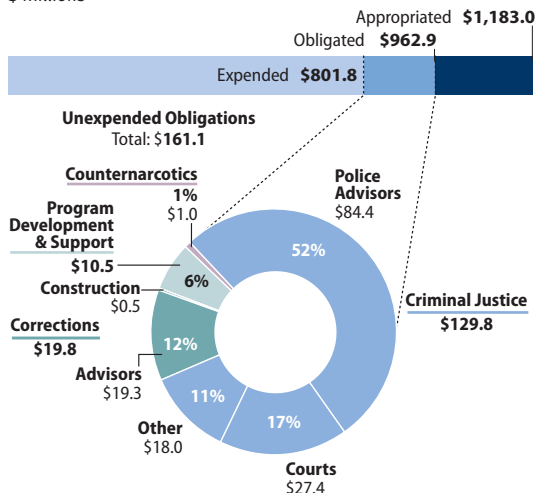
Sources: P.L. 109-102; P.L. 109-234; P.L. 110-28; P.L. 110-92; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 112-10; USAID, responses to SIGIR data call, 10/11/2011 and 10/12/2011; USACE, response to SIGIR data call, 10/4/2011; NEA-I, responses to SIGIR data call, 9/28/2011 and 9/30/2011.

includes nearly \$326 million provided by P.L. 112-10, which will remain available for obligation until September 30, 2012.⁵⁷ The Congress is currently considering the Administration's FY 2012 ESF request of \$326 million.⁵⁸

As of September 30, 2011, \$399 million of obligated ESF funds had not been expended. An additional \$569 million had not been obligated, but \$268 million of this amount has expired, leaving \$301 million available for obligation to new projects.⁵⁹

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 2.3. This quarter, DoS did not provide requested data on GOI cost-sharing for ESF-funded projects.

FIGURE 2.6
INCLE: STATUS OF FUNDS, AS OF 9/30/2011
\$ 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, 10/14/2011.

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.⁶⁰ This includes approximately \$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, 2012.⁶¹

As of September 30, 2011, \$161 million of obligated INCLE funds had not been expended. An additional \$220 million had not been obligated, nearly all of which is available for new projects. In total, \$381 million in available budget authority remained unexpended for the INCLE.⁶²

For the status and quarterly change of the INCLE, by sector and program, see Table 2.4. For the status of the INCLE, including a breakdown of unexpended obligations, see Figure 2.6.

In total, \$381 million in available budget authority remained unexpended for the INCLE.

FY 2010–FY 2011 INCLE Spend Plans

In the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10), the

TABLE 2.4
INCLE: STATUS OF FUNDS, BY SECTOR AND PROGRAM, AS OF 9/30/2011
 \$ Millions

SECTOR	PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Criminal Justice	Police Advisors	555.2	470.8	97.6	65.2
	Courts	109.3	82.0	4.9	5.1
	Public Integrity	31.7	23.9	2.0	0.1
	Rule of Law Advisors	26.1	18.2	0.1	0.8
	Major Crimes Task Force	13.5	11.8	0.4	1.4
	Justice Integration	6.8	6.2	0.0	0.1
	Legal Framework	2.5	2.5	0.0	0.0
	Subtotal	745.1	615.3	104.9	72.8
Corrections	Advisors	97.3	77.9	6.7	6.2
	Construction	83.7	83.2	0.0	1.0
	Subtotal	181.0	161.1	6.7	7.2
Program Development and Support		35.8	25.4	1.3	3.5
Counternarcotics		1.0	0.0	0.0	0.0
Total		962.9	801.8	112.9	83.4

Note: Data not audited. Numbers affected by rounding.

Sources: INL, responses to SIGIR data calls, 7/15/2011 and 10/14/2011.

TABLE 2.5
FY 2011 INCLE SPEND PLAN
 \$ Millions

ACTIVITY	ALLOCATION
Stabilization Operations and Security Sector Reform	106.1
Rule of Law and Human Rights	6.0
Counternarcotics	2.5
Total	114.6

Note: Date not audited. Numbers affected by rounding.

Source: INL, response to SIGIR data call, 10/7/2011.

DoS has not updated its original spend plans for FY 2010 INCLE funding despite significant changes in the planned scope of the Police Development Program over the last year.

Congress required the Department of State (DoS) to provide a spend plan to the Appropriations Committees before FY 2011 funds were obligated. The INCLE portion, in its entirety, reads: “International Narcotics [Control] and Law Enforcement (INCLE) funding will enable the Department of State to assume responsibility from the Department of Defense for the Police Development Program in Iraq, with an increased focus on solidifying the Iraqi civilian leadership’s management and technical skills needed for police development.

Complementary initiatives undertaken by the Department of Justice strengthen other components of Iraq’s judicial sector.”⁶³ For available allocation details, see Table 2.5.

DoS has not updated its original spend plans for FY 2010 INCLE funding despite significant changes in the planned scope of the Police Development Program (PDP) over the last year.⁶⁴ This quarter, SIGIR released audits of the PDP and the status of INCLE funds. For details, see Section 5 of this Report. Additional information on the PDP is also provided in Section 1.

Commander’s Emergency Response Program

From 2004 to 2011, the Congress provided \$3.96 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.⁶⁵

In total, as of September 30, 2011, USF-I and its predecessors obligated \$3.73 billion and expended \$3.73 billion of CERP funds. As of that date, nearly \$230 million had expired.⁶⁶

For the status and quarterly change of the CERP, by project category, as of September 30, 2011, see Table 2.6.

The latest continuing appropriation (P.L. 112-36) specifically denied the Administration’s request for \$25 million in FY 2012 CERP appropriations for Iraq.⁶⁷ Consequently, as of September 30, 2011, when FY 2011 budget authority expired, no CERP funding was available for obligation to new projects.⁶⁸

According to USF-I, the CERP program (as well as the Iraq Commander’s Emergency Response Program, or I-CERP) has been officially closed out, and USF-I has requested the U.S. Army Audit Agency to conduct a thorough audit of the CERP. USF-I also reports that, in accordance with USF-I Fragmentary Order 1679, it is no longer the “owner” of CERP records that predate Operation New Dawn, which

FUNDING FOR IRAQ RECONSTRUCTION

TABLE 2.6
CERP: STATUS OF FUNDS, BY PROJECT CATEGORY, AS OF 9/30/2011
\$ Millions

	PROJECT CATEGORY/FISCAL YEAR	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Status of Funds, by Project Category, According to the USF-I CERP Project Tracker	Water & Sanitation	673.8	227.8	-0.1	3.3
	Protective Measures	490.6	268.1	0.2	0.2
	Electricity	444.7	134.4	0.1	1.7
	Education	428.9	180.2	-0.3	1.2
	Transportation	386.1	150.0	-0.1	0.7
	Civic Cleanup Activities	241.0	117.7	0.1	0.9
	Other Urgent Humanitarian or Reconstruction Projects	224.4	84.8	0.3	0.7
	Agriculture	208.4	76.0		1.1
	Economic, Financial, and Management Improvements	183.4	77.6	-1.0	
	Health Care	152.5	61.7	0.1	1.0
	Rule of Law & Governance	113.4	46.2	-0.1	1.5
	Civic Infrastructure Repair	67.5	23.9		
	Repair of Civic & Cultural Facilities	62.9	27.4	-0.2	
	Civic Support Vehicles	58.5	33.7		1.4
	Condolence Payments	50.8	35.5	0.1	0.1
	Telecommunications	39.6	10.2		
	Temporary Contract Guards for Critical Infrastructure	35.6	35.3		
	Battle Damage Repair	23.8	18.0		
	Food Production & Distribution	21.2	8.2	-0.1	
	Non-FMR	5.8			
	Detainee Payments	1.0	0.6		
Iraqi Hero Payments	0.7	0.7			
Subtotal	3,914.4	1,618.1	-0.8	14.0	
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		
	FY 2008	-91.6	513.5	0.3	0.3
	FY 2009	-9.5	116.2	-0.2	-0.2
	FY 2010	14.2	118.0	-0.2	2.7
	FY 2011			2.4	-6.8
	Subtotal	-186.6	2,109.7	2.4	-3.9
Total, According to ABO Financial Data	3,727.9	3,727.8	1.6	10.1	

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 Financial Management Regulation (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, 7/14/2011, and 10/18/2011; USF-I, response to SIGIR data call, 10/17/2011.

began on September 1, 2010, and that those records have been “transferred to higher headquarters.”⁶⁹ SIGIR has requested records of projects that were funded with FY 2010 CERP and still ongoing after the start of Operation New Dawn, but has been unable to obtain those records.

The “Commander’s Emergency Response Program Narrative” for the quarter ending September 30, 2011, reports that “USF-I focused its efforts on the completion of hundreds of CERP projects from current and prior year appropriations to successfully close the CERP in Iraq.” Although USF-I did not initiate projects valued at more than \$500,000 in FY 2011, it reported that it did complete 28 such projects during FY 2011 that were funded with prior-year CERP appropriations.⁷⁰

As detailed in previous Quarterly Reports, 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 updated only through the end of the fiscal year in which the funds are appropriated, creating a substantial data gap that is evidenced in the difference between ABO financial data and USF-I CERP Project Tracker data, shown in Table 2.6.

According to CMC, ABO provides monthly CERP-Iraq closeout reports to the CERP Steering Committee (CSC). These reports detail the total

number of outstanding projects and the sum of unliquidated obligations, by fiscal year, but they do not track projects on an individual basis.⁷¹

USF-I leadership is briefed weekly on the status of all CERP projects, including those funded by prior-year appropriations. However, USF-I reported that it has not updated the FY 2004–FY 2009 CERP-Iraq project trackers to reflect project completions, modifications, or cancellations—nor does it intend to do so.⁷²

Smaller Funds

The Congress has appropriated or otherwise made available \$10.45 billion in smaller funding streams for Iraq reconstruction. SIGIR has classified them into three categories:⁷³

- Other Assistance Programs—\$4.31 billion
- Reconstruction-related Operating Expenses—\$5.72 billion
- Reconstruction Oversight—\$416 million

As of September 30, 2011, at least \$5.21 billion (50%) of these funds had been obligated, and \$4.97 billion (48%) had been expended.⁷⁴ However, agency reporting is incomplete for the smaller funds, so these values understate actual obligations and expenditures. For details on the status of funds, see Table 2.1. ♦

Although USF-I did not initiate projects valued at more than \$500,000 in FY 2011, it reported that it did complete 28 such projects during FY 2011 that were funded with prior-year CERP appropriations.

IRAQI FUNDING

As of September 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).⁷⁵ This total includes \$25.70 billion for Iraq’s fiscal year 2011 capital budget, which runs concurrently with the calendar year.⁷⁶

GOI Budget and Revenue

As of September 30, 2011, the GOI had received \$56.07 billion in oil receipts for the year, exceeding the amount received in all of 2010. Annual oil receipts to date are 57% more than the \$35.60 billion received during the first nine months of last year and 22% more than the \$45.95 billion projected through September 30, 2011, in the GOI budget.⁷⁷

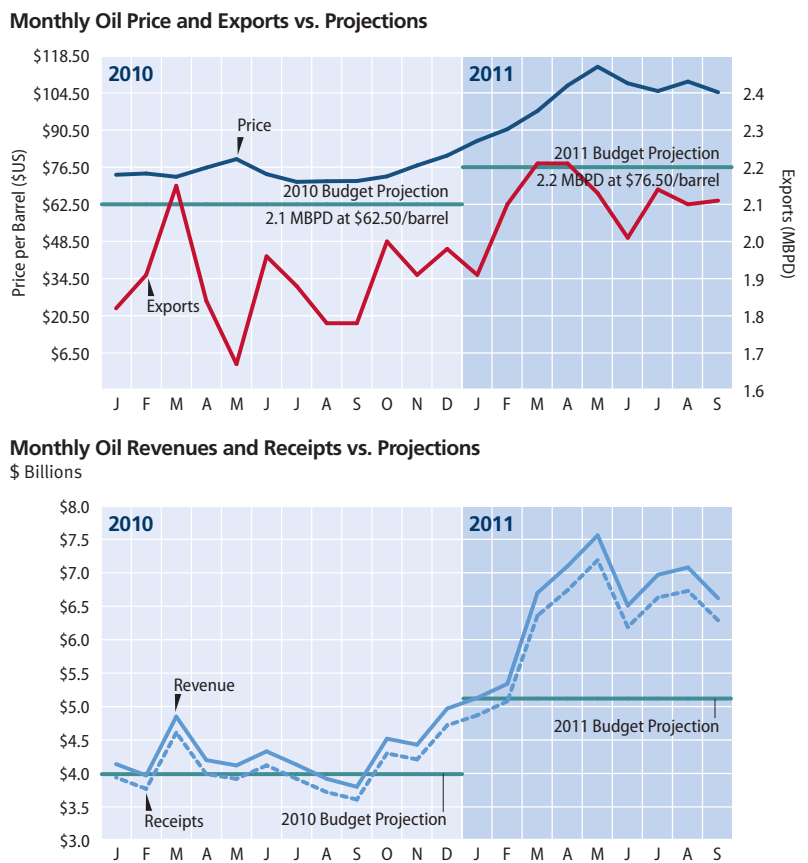
Overall, the 2011 GOI budget estimated that 89% of annual revenue would come from oil exports.⁷⁸ So far this year, price levels and export volumes are both higher than what they were in 2010. As of September 30, 2011, Iraq had received an average of \$102.83 per barrel of oil exported—well above the price of \$76.50 used to project Iraqi oil revenues for 2011 and the average of \$74.56 per barrel received in 2010. The country’s oil export volume averaged 2.1 million barrels per day (MBPD) during the first nine months of the year—4% less than the projected rate of 2.2 MBPD, but more than last year’s average of 1.9 MBPD. Iraq had record-high annual oil receipts of \$58.79 billion in 2008; at the current pace, the GOI will surpass that amount by mid-October.⁷⁹

For details on monthly oil prices, exports, and revenues received versus GOI budget projections, see Figure 2.7.

GOI 2010 Budget Execution

In 2010, the GOI expended approximately \$55.0 billion, or 76% of its approved budget. Ministerial budget execution ranged from the Ministries of Displacement and Migration (91%) and Commerce (88%) at the high end to Communications (34%), Industry and Minerals (32%), and Agriculture (31%) at the low

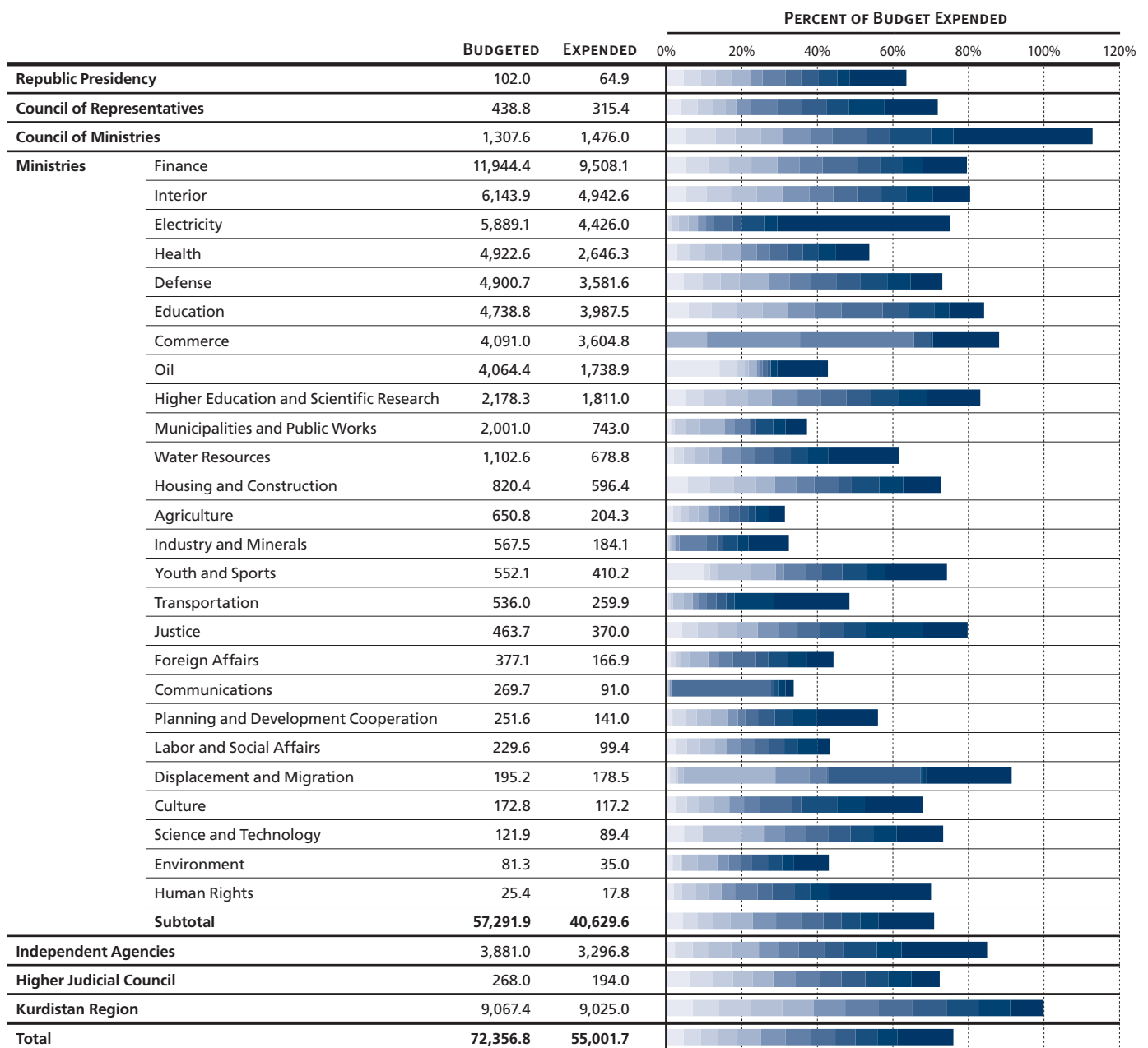
FIGURE 2.7
MONTHLY OIL PRICE, EXPORTS, AND REVENUE VS. GOI BUDGET PROJECTIONS



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 the monthly revenue by monthly exports.

Sources: U.S. Treasury, response to SIGIR data call, 10/11/2011; GOI, CoR, “Federal Public Budget Law for the Fiscal Year 2010,” 1/27/2010; GOI, CoR, “Federal Public Budget Law for the Fiscal Year 2011,” 2/23/2011.

TABLE 2.7
GOI 2010 PUBLIC BUDGET EXECUTION
 \$ Millions



Note: Data not audited. Numbers affected by rounding.

Sources: GOI, Presidential Council, "Federal Public Budget Law for the Fiscal Year 2010," 2/10/2010; GOI, CBI, Statistics & Research Department, "Annual Bulletin, 2010," 2011, pp. 64–65, www.cbi.iq/documents/Annual_2010f.pdf, accessed 10/8/2011.



end. The Kurdistan Regional Government expended 100% of its allocation.⁸⁰ For details, see Table 2.7.

Development Fund for Iraq

A SIGIR audit of the Development Fund for Iraq (DFI) published this quarter concluded that most of the \$6.6 billion in previously unaccounted-for funds was transferred to the Central Bank of Iraq (CBI) by the CPA when the CPA was dissolved in June 2004. Those funds can now be accounted for, including \$4.7 billion that was held at the Federal Reserve Bank of New York (FRBNY) and another \$1.7 billion located in the CBI's DFI Baghdad account. DoD took control of the remaining \$217.7 million, which was stored in the presidential palace vault in central Baghdad at the

time the CPA was dissolved. SIGIR is uncertain under what authority DoD assumed control of the \$217.7 million and plans to report on DoD's accounting for these and other follow-on DFI funds in January 2012.⁸¹

An earlier SIGIR audit of DFI funds published in July 2010 had been unable to locate either paper or electronic records to determine what had happened to the \$6.6 billion after the CPA was dissolved.⁸²

As part of the latest audit, SIGIR reviewed procedures for all 21 cash shipments from the FRBNY to Baghdad between April 2003 and June 2004 and found three instances in which large amounts of U.S. currency flown to Baghdad were not properly deposited into the CBI's DFI Baghdad account as required by the CPA Policies and Procedures Manual.⁸³ For additional details on the most recent audit, see Sections 1 and 5 of this Quarterly Report. ♦

Most of the \$6.6 billion in previously unaccounted-for funds can now be accounted for.

INTERNATIONAL SUPPORT

According to the DoS Bureau of Near Eastern Affairs-Iraq, there was no change this quarter in the status of non-U.S. international support. As of September 30, 2011, international 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.⁸⁴ ♦

CONTRACTING FOR IRAQ RECONSTRUCTION

U.S.-FUNDED CONTRACTORS AND GRANTEES IN IRAQ	32
CONTRACTING ACTIONS, PROJECTS, AND GRANTS	35
FINAL REPORT OF THE COMMISSION ON WARTIME CONTRACTING	37

SECTION

3

U.S.-FUNDED CONTRACTORS AND GRANTEEES IN IRAQ

As of September 30, 2011, 53,447 employees of U.S.-funded contractors and grantees supported the Department of Defense (DoD), Department of State (DoS), U.S. Agency for International Development (USAID), and other U.S. agencies in Iraq, according to data available in the Synchronized Predeployment and Operational Tracker (SPOT). SPOT also indicates that the number of such individuals declined significantly this quarter, dropping by 16,010 (23%) from the 69,457 who were registered in Iraq at the end of last quarter.⁸⁵

SPOT is the common database designated by DoD, DoS, and USAID to be used as the system of record for statutorily required contract, funding instrument, and personnel information in Iraq and Afghanistan. It is operated by a program management office within DoD. All three agencies have issued directives requiring contractors to enter mandated information, and officials from each agency have used SPOT to obtain information on individual contracts and contractor employees. In addition, DoD and DoS officials have used SPOT

SPOT indicates that the number of U.S.-funded contractors declined significantly this quarter, dropping by 23%.

TABLE 3.1
CONTRACTOR AND GRANTEE EMPLOYEES IN IRAQ, BY TYPE OF SERVICE PROVIDED AND AGENCY, AS OF 10/6/2011

CATEGORY	SERVICE PROVIDED	AGENCY					TOTAL	QUARTERLY CHANGE
		ARMY	C3	STATE	USAID	OTHER		
Support Services	Security Guards and Patrol Services	131	9,561	2,418			12,110	-1,148 (-9%)
	Facilities Support Services	640	105	332		647	1,724	-381 (-18%)
	Security Systems Services (except locksmiths)		40	15			55	-335 (-86%)
	Other	25,465	165	3		387	26,020	-8,429 (-24%)
	Subtotal	26,236	9,871	2,768		1,034	39,909	-10,293 (-21%)
Professional, Scientific, and Technical Services	Translation and Interpretation Services	2,244	72	36		138	2,490	-783 (-24%)
	Engineering Services	506		29		739	1,274	-424 (-25%)
	Administrative Management and General Management Consulting Services	84	21	20	771	30	926	-981 (-51%)
	Other	194	83	258		447	982	-52 (-5%)
	Subtotal	3,028	176	343	771	1,354	5,672	-2,240 (-28%)
Miscellaneous	Support Activities for Air Transportation	202	139	476		268	1,085	185 (21%)
	Sewage Treatment Facilities; Finish Carpentry; Facilities Support; Appliance Repair and Maintenance		702				702	-298 (-30%)
	Police Protection			447			447	-269 (-38%)
	Satellite Telecommunications	231					231	-103 (-31%)
	Specialty Trade Contractors	4	178	1			183	-596 (-77%)
	Other	1,575	801	372	133	1,679	4,560	-2,062 (-31%)
	Subtotal	2,012	1,820	1,296	133	1,947	7,208	-3,143 (-30%)
Not Specified		4	325	3		326	658	-334 (-34%)
Total		31,280	12,192	4,410	904	4,661	53,447	-16,010 (-23%)

Note: Data not audited.

Sources: OUSD(AT&L), SPOT Program Support, responses to SIGIR data calls, 7/5/2011 and 10/7/2011.

U.S.-FUNDED CONTRACTORS AND GRANTEES IN IRAQ

TABLE 3.2
CONTRACTOR AND GRANTEE EMPLOYEES IN IRAQ, BY AGENCY AND NATIONAL ORIGIN, AS OF 10/6/2011

AGENCY		THIRD-COUNTRY NATIONAL	U.S. CITIZEN	IRAQI NATIONAL	TOTAL	QUARTERLY CHANGE
Department of Defense	Department of the Army (Army)	16,909	13,039	1,332	31,280	-9,934 (-24%)
	CENTCOM Contracting Command (C3)	9,111	1,481	1,600	12,192	-3,321 (-21%)
	Department of the Air Force (Air Force)	1,077	628	8	1,713	-385 (-18%)
	U.S. Transportation Command (USTRANSCOM)	168	7	560	735	-111 (-13%)
	Army and Air Force Exchange Service (AAFES)	498	17	35	550	-192 (-26%)
	Defense Contract Management Agency (DCMA)	6	473	1	480	-68 (-12%)
	Department of the Navy (Navy)		304		304	-259 (-46%)
	U.S. Special Operations Command (USSOCOM)		256		256	6 (2%)
	DoD Joint Program Office MRAP		148		148	-44 (-23%)
	Department of Defense (DoD)	22	44	12	78	-38 (-33%)
	Washington Headquarters Service (WHS)	58		4	62	23 (59%)
	Defense Logistics Agency (DLA)	39	14		53	-4 (-7%)
	Defense Information Systems Agency (DISA)	1	50		51	-2 (-4%)
	Defense Intelligence Agency (DIA)		49		49	-34 (-41%)
	Space and Missile Defense Command (SMDC)		27		27	-37 (-58%)
	Air Force Center for Engineering and the Environment (AFCEE)	1	15		16	2 (14%)
	National Geospatial-Intelligence Agency (NGA)		14		14	-18 (-56%)
	Defense Contract Agency (DCA)		11		11	-9 (-45%)
	Missile Defense Agency (MDA)		10		10	0 (0%)
	Office of the Secretary of Defense (OSD)		8		8	0 (0%)
	Defense Advanced Research Projects Agency (DARPA)		6		6	-4 (-40%)
	Army Materiel Command (AMC)		5		5	2 (67%)
	Business Transformation Agency (BTA)				0	-7 (-100%)
	Defense Contract Audit Agency (DCAA)				0	-1 (-100%)
	Defense Finance and Accounting Service (DFAS)				0	-1 (-100%)
	Subtotal		27,890	16,606	3,552	48,048
Other	Department of State (DoS)	1,097	3,279	34	4,410	-393 (-8%)
	U.S. Agency for International Development (USAID)	36	42	826	904	-1,161 (-56%)
	Department of Energy (DoE)		32		32	11 (52%)
	General Services Administration (GSA)		28		28	-26 (-48%)
	Department of Justice (DoJ)		25		25	-4 (-14%)
	Society of Environmental Toxicology and Chemistry (SETAC)				0	-1 (-100%)
	Subtotal		1,133	3,406	860	5,399
Total		29,023	20,012	4,412	53,447	-16,010 (-23%)

Note: Data not audited.

Sources: OUSD(AT&L), SPOT Program Support, responses to SIGIR data calls, 7/5/2011 and 10/7/2011.

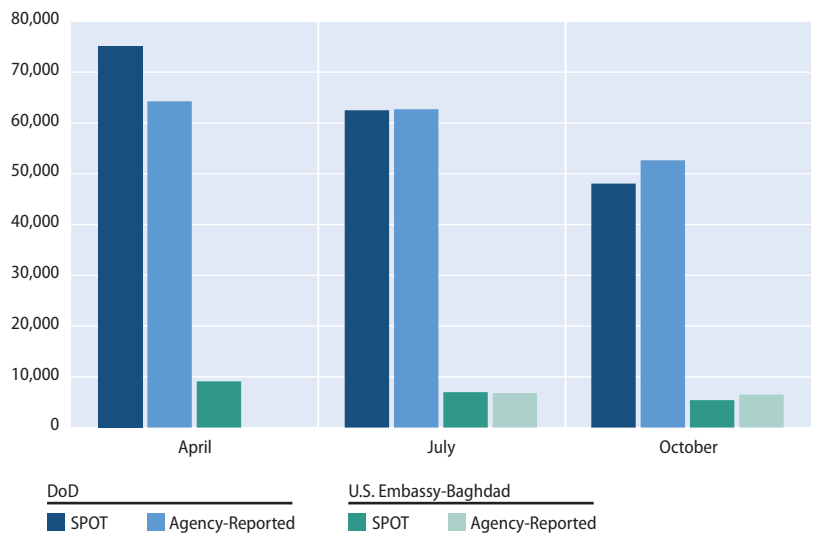
data to inform operational planning for contractor support, especially to prepare for the withdrawal of U.S. forces.⁸⁶

According to the Government Accountability Office (GAO), however, SPOT has significant weaknesses and inconsistencies. In its review of a joint contracting report issued by DoD and DoS for 2010, GAO found that only DoS used SPOT as its source for contractor personnel data, and that DoD and USAID considered other sources to be more authoritative. None of the agencies used SPOT as the system of record for contract and assistance instruments or to record the number of contractor personnel killed and wounded.⁸⁷

Notwithstanding the limitations of SPOT, SIGIR has found it to be the most timely and complete source of contractor personnel data available for its Quarterly Report. For several quarters in the recent past, DoS had been unable or unwilling to provide data on its contractor personnel to SIGIR, and data supplied by DoD has generally been three months out of date. SPOT's utility would be further increased if DoD, DoS, and USAID resolved the major remaining challenges identified by GAO:⁸⁸

- linking SPOT with agency information systems for contract and assistance instrument management
- providing a reliable means of obtaining information on orders and sub-awards
- reliably distinguishing security contractors from other contractor personnel
- using SPOT to track the number of contractor personnel killed and wounded

FIGURE 3.1
CONTRACTORS AND GRANTEES IN IRAQ: COMPARISON OF SPOT AND AGENCY-REPORTED PERSONNEL COUNTS, 4/2011–10/2011



Note: Data not audited. SPOT personnel counts classified as “U.S. Embassy-Baghdad” include all non-DoD agencies. U.S. Embassy-Baghdad did not report the number of contractor personnel under Chief of Mission authority in April 2011.

Sources: OUSD(AT&L), SPOT Program Support, responses to SIGIR data calls, 4/25/2011, 7/5/2011, and 10/7/2011; ODASD(Program Support), “CENTCOM Quarterly Contractor Census Report,” 4/6/2011, 7/7/2011, and 10/17/2011; U.S. Embassy-Baghdad, responses to SIGIR data calls, 7/5/2011 and 10/5/2011.

The U.S. Central Command’s Joint Theater Support Contracting Command informed SIGIR that it agrees with these recommendations, but believes that linking SPOT with other agency information systems would be “budget intensive.”⁸⁹

For information on contractors and grantees, by agency and type of service, see Table 3.1. For information on contractors and grantees, by agency and national origin, see Table 3.2. For a comparison of SPOT data and agency-reported data for each of the last three quarters, see Figure 3.1. ♦

None of the agencies used SPOT as the system of record for contract and assistance instruments or to record the number of contractor personnel killed and wounded.

CONTRACTING ACTIONS, PROJECTS, AND GRANTS

As of September 30, 2011, DoD, DoS, and USAID had reported 88,210 contracting actions, projects, or grants, totaling \$40.06 billion in cumulative obligations.⁹⁰ This accounts for 85% of the \$46.91 billion in reported financial obligations from the Iraq Relief and Reconstruction Fund (IRRF), Iraq Security Forces Fund (ISFF), Economic Support Fund (ESF), and Commander’s Emergency Response Program (CERP).⁹¹

This quarter, DoD, DoS, and USAID reported 512 new contracting actions or grants from the IRRF, ISFF, ESF, and CERP, resulting in \$205 million in new obligations and \$292 million in new expenditures.⁹²

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 3.3
CONTRACTING ACTIONS AND GRANTS
\$ Millions

FUND	CURRENT STATUS			CHANGE OVER QUARTER			CONTRACTS REPORTED AS A % OF OBLIGATIONS
	COUNT	OBLIGATED	EXPENDED	COUNT	OBLIGATED	EXPENDED	
ISFF	18,353	\$17,980.6	\$17,366.9	229 (1%)	\$150.2 (1%)	\$164.8 (1%)	97%
IRRF	8,489	\$14,397.2	\$14,324.5	5 (0%)	-\$20.2 (0%)	\$24.2 (0%)	71%
CERP	53,676	\$3,914.44	\$1,618.12	-33 (0%)	-\$0.78 (0%)	\$13.99 (1%)	105%
ESF	7,692	\$3,770.1	\$3,430.3	311 (4%)	\$75.8 (2%)	\$88.7 (3%)	88%
Total	88,210	\$40,062.32	\$36,739.79	512 (1%)	\$205.08 (1%)	\$291.60 (1%)	85%

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

Sources: CEFMS, ESF, IRRF: Construction, IRRF: Non-construction, ISFF, 4/1/2011 and 10/3/2011; USAID, responses to SIGIR data calls, 1/22/2010 and 10/6/2011; ABO, responses to SIGIR data calls, 7/5/2011, 7/14/2011, and 10/18/2011; USF-I, response to SIGIR data call, 10/17/2011.

CONTRACTING FOR IRAQ RECONSTRUCTION

TABLE 3.4
TOP RECONSTRUCTION CONTRACTORS IN IRAQ, AS OF 9/30/2011
 \$ 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	351.9	764.8		1,116.7	351.9	756.5		1,108.3
FluorAMEC, LLC	942.1			942.1	942.1			942.1
AECOM Government Services, Inc.	11.5	953.8		965.3	11.5	907.8		919.3
Parsons Global Services, Inc.	675.6	3.6		679.2	675.6	3.6		679.2
Washington Group International	514.1	164.7		678.8	513.9	163.7		677.5
International Relief and Development			686.3	686.3			671.8	671.8
Parsons Iraq Joint Venture	630.5			630.5	629.9			629.9
Kellogg Brown & Root Services, Inc.	624.5	7.0		631.5	620.0	6.4		626.4
Navistar	68.7	560.7		629.4	68.7	552.5		621.2
American Equipment Company (AMERCO)	0.2	516.9		517.1	0.2	514.4		514.6
Research Triangle Institute			447.3	447.3			437.1	437.1
Iraqi Contractor - 5300	16.6	337.2	10.5	364.3	16.6	325.2	10.5	352.3
ToITest, Inc.	86.1	266.3		352.4	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.	156.6	178.5		335.1	155.8	166.2		322.0
AMEC Earth & Environmental, Inc.	134.4	183.3		317.7	134.4	182.8		317.3
Management Systems International, Inc.			357.1	357.1			306.3	306.3
Innovative Technical Solutions, Inc.	25.6	283.9		309.6	25.6	279.9		305.6
MAC International FZE	177.2	118.6		295.8	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
Symbion Power, LLC	269.2			269.2	269.2			269.2
Anham Joint Venture	258.5	6.3		264.8	258.5	6.3		264.8
Louis Berger International, Inc.			338.7	338.7			264.7	264.7
CHF International	51.4		214.0	265.4	51.3		205.1	256.4
BearingPoint, Inc.	154.4		92.5	246.9	153.3		92.5	245.9
Raytheon Company	2.5	263.9	0.9	267.3	2.5	236.8	0.9	240.2
Siemens	217.9		6.4	224.3	217.9		6.4	224.3
Washington International/Black & Veatch	222.2		0.6	222.8	221.7		0.6	222.2

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

Sources: CEFMS, ESF, IRRF: Construction, IRRF: Non-construction, ISFF, 4/1/2011 and 10/3/2011; USAID, responses to SIGIR data calls, 1/22/2010 and 10/6/2011.

FINAL REPORT OF THE COMMISSION ON WARTIME CONTRACTING

Poor contract planning, management, and oversight have resulted in massive waste and fraud, which the CWC estimated to range from \$31 billion to \$60 billion.

In August, the congressionally chartered Commission on Wartime Contracting in Iraq and Afghanistan (CWC) released its final report to the Congress, “Transforming Wartime Contracting: Controlling Costs, Reducing Risks.”⁹³ According to the CWC, “the tasks that agencies have relied on contingency contractors to perform, coupled with their ineffective management of many contractors in Iraq and Afghanistan, have bred an unhealthy over-reliance that is too risky and costly to repeat.”⁹⁴ Overall, poor contract planning,

management, and oversight have resulted in between \$31 billion and \$60 billion in waste and fraud. The midpoint of that estimate equates to approximately \$12 million every day for the past 10 years.⁹⁵ According to the CWC, “failure to curb contract-related waste, fraud, and abuse is a breach of agencies’ fiduciary duty to efficiently manage budgets and resources. Worse still, it undermines U.S. defense, diplomatic, and development missions.”⁹⁶ For observations and recommendations from the final CWC report, see Table 3.5. ♦

TABLE 3.5
CWC RECOMMENDATIONS FOR TRANSFORMING WARTIME CONTRACTING

ISSUES	RECOMMENDATIONS
<p>“Inherently governmental” rules do not guide appropriate use of contractors in contingencies. Systematic consideration of operational, political, and fiscal risks must be a factor in judging appropriateness, as opposed to assuming that any task not deemed inherently governmental is automatically suitable for performance under a contingency contract. If agencies had trained, experienced, and deployable cadres for stabilization-and-reconstruction functions in high-risk areas of contingency operations, the government would have an alternative to contracting for those functions.</p>	<ol style="list-style-type: none"> 1. Use risk factors in deciding whether to contract in contingencies. 2. Develop deployable cadres for acquisition management and contractor oversight. 3. Phase out use of private security contractors for certain functions. 4. Improve interagency coordination and guidance for using security contractors in contingency operations.
<p>Looming sustainment costs risk massive new waste. Many billions of dollars already spent, including spending on apparently well-designed projects and programs, will turn into waste if the host governments cannot or will not commit the funds, staff, and expertise to operate and maintain them. These losses could easily exceed the contract waste and fraud already incurred. U.S. officials have often not examined programs and projects for sustainability, acquisition strategies have often lacked a detailed assessment of long-term costs and of host nations’ ability and willingness to fund those costs, and there is no current requirement that officials analyze sustainability risks and report their findings and risk-mitigation strategies.</p>	<ol style="list-style-type: none"> 5. Take actions to mitigate the threat of additional waste from unsustainability.
<p>Agencies have not institutionalized acquisition as a core function. Meaningful progress will be limited as long as agencies resist major reforms that would elevate the importance of contracting, commit additional resources to planning and managing contingency contracting, and institutionalize best practices within their organizations.</p>	<ol style="list-style-type: none"> 6. Elevate the positions and expand the authority of civilian officials responsible for contingency contracting at DoS, DoS, and USAID. 7. Elevate and expand the authority of military officials responsible for contingency contracting on the Joint Staff, the combatant commanders’ staffs, and in the military services.
<p>Agency structures and authorities prevent effective interagency coordination. Misalignment of organizational structures and authorities impedes interagency coordination and cooperation for contingency contracting, leading to duplication of effort, gaps in continuity, improper phasing of operations, and waste.</p>	<ol style="list-style-type: none"> 8. Establish a new, dual-hatted senior position at the Office of Management and Budget and the National Security Council to provide oversight and strategic direction. 9. Create a permanent office of inspector general for contingency operations.
<p>Contract competition, management, and enforcement are ineffective. Agencies have failed to set and meet goals for competition and have repeatedly awarded long-term task orders that were not recompeted when competitive conditions improved; extended contracts and task orders past their specified expiration dates, increased ceilings on cost-type contracts and modified task orders and contracts to add extensive new work; favored using existing task- and delivery-order contracts like LOGCAP III over creating more competitive and more targeted contract vehicles; and used cost-reimbursable contract types even though simpler, fixed-price contracts could expand the competitive pool.</p>	<ol style="list-style-type: none"> 10. Set and meet annual increases in competition goals for contingency contracts. 11. Improve contractor performance-data recording and use 12. Strengthen enforcement tools. 13. Provide adequate staffing and resources, and establish procedures to protect the government’s interests.
<p>The way forward demands major reforms. Congress must issue mandates and provide resources for improved planning, management, and oversight capabilities if it expects significant change and real savings in contingency contracting. Given the federal budget outlook, the temptation will be powerful to postpone the investments needed. Congress must resist that temptation and recognize preparedness for emergencies requiring contingency contracting is as much a national-security priority as procuring weapons systems.</p>	<ol style="list-style-type: none"> 14. Congress should provide or reallocate resources for contingency-contracting reform to cure or mitigate the numerous defects described by the CWC. 15. Congress should enact legislation requiring regular assessment and reporting of agencies’ progress in implementing reform recommendations.

Sources: CWC, Final Report to Congress, “Transforming Wartime Contracting: Controlling Costs, Reducing Risks,” 8/2011, Executive Summary, www.wartimecontracting.gov/docs/CWC_FinalReport-lowres.pdf, accessed 10/7/2011; CWC, News Release 49, “Wartime Contracting Commission Releases Final Report to Congress,” 8/31/2011, www.wartimecontracting.gov/index.php/pressroom/pressreleases/203-cwc-nr-49, accessed 10/7/2011.

DEVELOPMENTS IN IRAQ

GOVERNANCE	40
SECURITY	51
RULE OF LAW	62
ECONOMY	70
PUBLIC SERVICES	81
SPECIAL FEATURE: <i>FOCUS ON THE KURDISTAN REGION</i>	89

SECTION

4

GOVERNANCE

This quarter saw fundamental changes in the size and composition of the senior ranks in the Government of Iraq (GOI). New leaders took the helms of key agencies, while Prime Minister Nuri al-Maliki reduced the size of his cabinet—the Council of Ministers (CoM).⁹⁷ Amid these changes, several key pieces of legislation remained under consideration in the Council of Representatives (CoR). But the CoR did pass new anticorruption statutes and continued to debate hydrocarbon legislation. As these legislative maneuverings continued, the major political blocs—Prime Minister al-Maliki’s State of Law (SoL) coalition and former Prime Minister Ayad Allawi’s al-Iraqiya bloc—were unable to reach a lasting accord that would install permanent leaders at the Ministry of Defense (MOD) and Ministry of Interior (MOI).

Significant Political Developments

Contraction of the Cabinet

In response to the late winter wave of protests that swept Iraq, Prime Minister al-Maliki pledged to enact a series of measures in response to the demonstrators’ demands. But most of the promised changes—such as increasing the electricity supply and reducing public corruption—are impractical, if not impossible, to implement in the short term. Reducing the size of the government, however, is more straightforward. To that end, Prime Minister al-Maliki announced in late July that he was culling several cabinet-level posts, most of which were occupied by Ministers of State without specific portfolios. The remaining Ministries of State are for Women’s Affairs (Ibtehal al-Zeiday, SoL), CoR Affairs (Safa al-Safi, SoL), and Provincial Affairs (Turhan Abdullah, al-Iraqiya). The CoR ratified the Prime Minister’s decision on July 30, 2011.

TABLE 4.1
GOI CABINET MEMBERS, BY POLITICAL AFFILIATION, 4/2011 VS. 9/2011

	APRIL	SEPTEMBER
Al-Iraqiya	8	7
State of Law Coalition	10	5
Sadrist Trend	6	5
Kurdistani Alliance	6	4
Al-Fadhila	2	1
Iraqi Turkoman Front	1	1
Islamic Supreme Council of Iraq	2	1
Other	7	6
Total	42	30

Note: The Prime Minister and three Deputy Prime Ministers remain unchanged. Of the members belonging to “Other” political alliances in the current cabinet, one (from Unity of Iraq) is allied with al-Iraqiya, and the other is generally allied with the Kurdistani Alliance.

Sources: GOI, CoM, information provided to SIGIR, 4/20/2011 and 10/2011.

Table 4.1 compares the political affiliations of the GOI before and after the July government contraction. Figure 4.1 shows the composition of the GOI as of October 12, 2011.⁹⁸

New Leaders at Key Agencies

Since late 2010, Prime Minister al-Maliki had served as both acting Minister of Interior and acting Minister of Defense. In August, he selected the Minister of Culture, Sa’adoun al-Dulaimi, to relieve him as the acting Minister of Defense. While al-Maliki is still officially the acting head of MOI, Senior Deputy Minister Adnan al-Asadi manages the day-to-day operations of the ministry. Other recent leadership changes at key GOI agencies include:

- In mid-August, Minister of Electricity Ra’ad al-Ani resigned at the request of Prime Minister al-Maliki, who accused him of engaging in improper contracting practices with regard to a series of deals worth almost \$1.8 billion. Al-Ani is a member the Sunni-dominated al-Iraqiya

Minister of Electricity Ra’ad al-Ani resigned at the request of Prime Minister al-Maliki, who accused him of engaging in improper contracting practices.



Deputy Prime Minister for Energy Affairs Hussein al-Shahristani (left) and former Minister of Electricity Ra'ad al-Ani testify at an August 17 CoR hearing on electricity contracts. (Sharqiya Television)

bloc. He is the second Minister of Electricity to resign in the last 14 months. Reprising his fill-in role from last summer, Deputy Prime Minister for Energy Affairs Hussein al-Shahristani replaced al-Ani as Minister of Electricity on an acting basis. Shahristani's brief tenure came to an end on October 10, when the Prime Minister chose, and the CoR quickly confirmed, al-Iraqiya bloc member Abdul Kareem Aftan to serve as Minister of Electricity.⁹⁹

- In September, the acting Commissioner of the Commission of Integrity (COI) departed from this post, returning to a position in the judiciary. For additional details on this change in leadership at Iraq's chief anticorruption agency, see the Rule of Law section of this report.¹⁰⁰

Pause in Sadrist Attacks on U.S. Military

In mid-September, a spokesman announced that Muqtada al-Sadr had ordered his followers not to attack U.S. troops before the completion of their pullout from Iraq, which is scheduled to occur by December 31, 2011.¹⁰¹ His acolytes cautioned that any U.S. military forces remaining in Iraq in 2012 would be subject to attack from his militia. Al-Sadr and his allies currently control 40 seats in the CoR, including the chairmanship of the CoR Integrity Committee and several ministries, including the key post of Minister of Planning and Development Coordination.¹⁰²

A spokesman announced that Muqtada al-Sadr had ordered his followers not to attack U.S. troops before the completion of their pullout from Iraq.

Legislative Update

National Council for Higher Policies

Prime Minister al-Maliki and former Prime Minister Allawi agreed in late 2010 to create a new National Council for Higher Policies (NCHP), which was intended to be a high-level policy body with a voice in security, economic, and diplomatic matters. But almost a year after the two top finishers in the March 2010 elections decided, in principle, to establish the NCHP, the enabling legislation needed to form it remains stalled in the CoR. In addition, former Prime Minister Allawi, who is supposed to chair the NCHP as compensation for relinquishing his claim to the Prime Minister's office, remains ambivalent about taking the post.¹⁰³

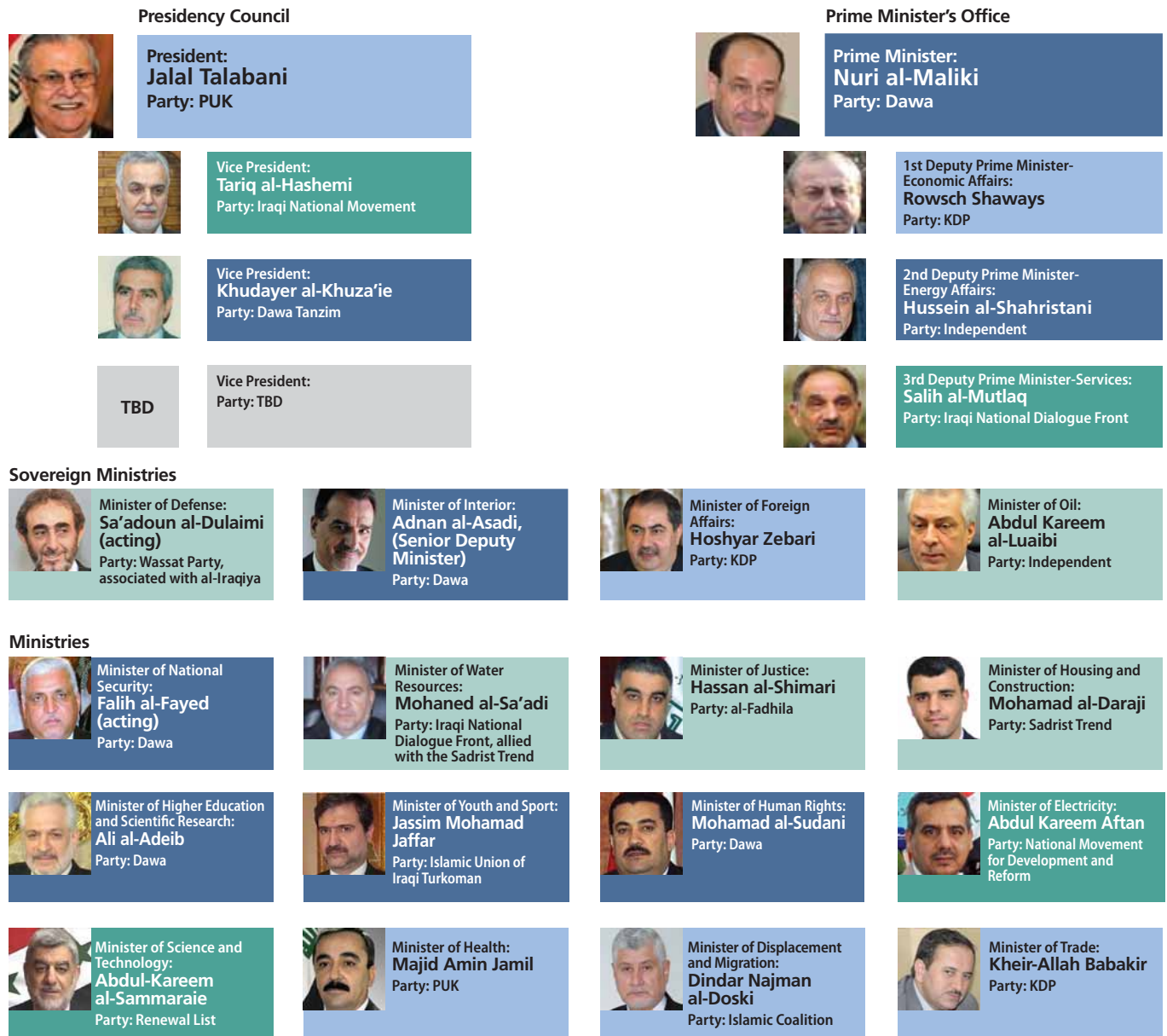
Hydrocarbon Law

This quarter, Prime Minister al-Maliki and the Kurdistan Regional Government (KRG) continued to differ over who controls Iraq's hydrocarbon resources—the federal government in Baghdad, or the regional and provincial governments. In mid-August, the CoR Oil and Energy Committee proposed its own draft hydrocarbon law. By introducing a bill independent of the CoM, the backers of this draft law asserted the CoR's right to offer new legislation without going through the CoM.

In mid-September, the CoM approved its own draft version of the law and submitted it to the CoR for consideration. The CoM maintains that the draft is appropriate under the Iraqi Constitution,

DEVELOPMENTS IN IRAQ

FIGURE 4.1
GOVERNMENT OF IRAQ, SENIOR OFFICIALS, AS OF 10/12/2011



Coalition Affiliation
(at time of appointment)

- State of Law** ▶ The State of Law Coalition is a Shia-Sunni political bloc led by PM Nuri al-Maliki.
- Kurdistani Alliance** ▶ The Kurdistani Alliance is a coalition of the two main Kurdish parties: the Patriotic Union of Kurdistan (PUK) and the Kurdistan Democratic Party (KDP).
- Al-Iraqiya** ▶ Al-Iraqiya is a largely secular, Sunni-dominated bloc led by former PM Ayad Allawi. It won the most seats in the March 2010 CoR elections.
- Iraqi National Alliance** ▶ The Iraqi National Alliance is a Shia political bloc consisting primarily of the Islamic Supreme Council of Iraq (ISCI) and the Sadrist Trend.
- Other/Independent** ▶ Includes members of various minor parties, who may from time to time ally themselves with the major blocs.

Council of Representatives



Speaker:
Osama al-Nujaifi
Party: al-Hadba



1st Deputy:
Qusay al-Suhail
Party: Sadrist Trend



2nd Deputy:
Arif Tayfor
Party: KDP



Minister of Finance:
Rafi al-Eissawi
Party: National Future Gathering



Minister of Planning:
Ali Yousif al-Shukrie
Party: Sadrist Trend



Minister of Labor:
Nasar al-Rubaie
Party: Sadrist Trend



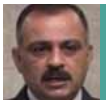
Minister of Tourism and Antiquities:
Liwa Smeisim
Party: Sadrist Trend



Minister of Municipalities and Public Works:
Adel Radhi
Party: Sadrist Trend



Minister of Transportation:
Hadi al-Amiri
Party: ISCI



Minister of Industry and Minerals:
Ahmed al-Karbouli
Party: Renewal List



Minister of Agriculture:
Izzuldin al-Doula
Party: al-Hadba



Minister of Education:
Mohamad Tamim
Party: Iraqi National Dialogue Front



Minister of Communication:
Mohamad Tawfiq Allawi
Party: Iraqi National Accord



Minister of the Environment:
Sargon Sliwah
Party: Assyrian Democratic Movement



Minister of State for Women's Affairs:
Ibtehal al-Zeiday
Party: Dawa



Minister of State of CoR Affairs:
Safa al-Safi
Party: Independent



Minister of State of Provincial Affairs:
Turhan Abdullah
Party: Iraqi Turkoman Front

Sources: GOI, CoR, www.Parliament.iq/dirrasd/2010/sort.pdf; GOI, CoM, information provided to SIGIR, 1/7/2011, 4/20/2011, and 10/2011; SIGIR analysis of GOI and U.S. government documents and open-source information in Arabic and English, 11/2010–10/2011.

which it interprets as giving control over all hydrocarbon resources to the national government.

In early October, DPM for Energy Affairs al-Shahristani reiterated his contention that contracts entered into by the KRG are illegal and that companies operating there, such as Hess Corporation, should remain banned from operating in the rest of Iraq.¹⁰⁴ But KRG President Masoud Barzani voiced his objections to the CoM-approved draft, claiming that it accorded too much control over Iraq's oil sector to the Office of the Prime Minister. In his statement condemning the CoM draft, President Barzani claimed that it constitutes a "breach of trust conducted in an authoritarian manner that is designed to impose a centralized method and to consolidate dictatorial economic decision making and place the reins of all in the hands of a few."¹⁰⁵ In commenting on the CoR draft, the KRG Minister of Natural Resources told SIGIR that, in his opinion, it requires amending but is far more acceptable than the CoM draft.¹⁰⁶ Before becoming law, the CoM draft must still be approved by the CoR, where various hydrocarbon bills have languished since 2007. For further details on these issues, see the Focus on the Kurdistan Region and Economy subsections of this Report.

CoR Activities

This quarter, the CoR took several other noteworthy actions:

- In mid-September, several members of the increasingly vocal Integrity Committee announced their intention to work for the reinstatement of the recently retired COI Commissioner, Judge Raheem al-Ugaili. Their efforts were unsuccessful.¹⁰⁷
- In late September, CoR member Sheik Sabah al-Saadi of the Shia al-Fadhila party, an outspoken critic of government corruption since his break with Prime Minister al-Maliki several years ago, confirmed that a warrant had been issued for his arrest on the grounds that he insulted the Prime Minister. The CoR is currently studying whether to remove his immunity from prosecution, which is automatically afforded him because of his status as a parliamentarian.¹⁰⁸
- On September 24, the CoR passed laws reorganizing the COI and the Board of Supreme Audit, two of Iraq's three primary anticorruption agencies. The new laws give the CoR—not the CoM—the authority to appoint the heads of these agencies. The Rule of Law subsection of this Report analyzes these two new laws.¹⁰⁹

Upcoming Legislative Priorities

In addition to continuing discussions regarding the NCHP and hydrocarbon laws, the CoR may consider several other key issues in the coming months, including:¹¹⁰

- legislation affecting the nature of the continuing U.S.-Iraqi relationship
- the status of Kirkuk and the surrounding areas
- legislation pertaining to water resources
- relations with bordering states, especially Kuwait and Iran
- possible constitutional amendments
- economic reforms aimed at attracting non-hydrocarbon-related foreign investment and refurbishing Iraq's industrial sector
- tariff reform
- final census preparations
- a new law for Iraq's inspectors general
- initial plans for upcoming elections, including for the Provincial Councils and for the CoR

U.S. Capacity-development Programs

Two key long-term capacity-development programs ended this quarter, and the U.S. Agency for International Development (USAID) began one related project, and expects to soon begin another, aimed at strengthening Iraq's national and provincial governments. Three additional ongoing capacity-development programs funded by USAID and the Department of State (DoS) continued this quarter with the goals of improving

DPM for Energy Affairs al-Shahristani reiterated his contention that contracts entered into by the KRG are illegal.

the efficiency of government at the national and district levels and promoting democracy and the development of civil society.¹¹¹

New Programs

Iraq National and Provincial Administrative Reform Project

In June, USAID launched the Iraq National and Provincial Administrative Reform Project (called *Tarabot*, or “linkages,” in Arabic) with \$151 million from the ESF. The new initiative follows the long-running National Capacity Development Program (called *Tatweer*, or “development,” in Arabic), which was concluded on July 31, 2011. Like *Tatweer*, *Tarabot* aims to support the GOI by strengthening federal, provincial, and sub-provincial government entities while working to increase provincial control over public-policy decision making and government resources. The project is scheduled to conclude in 2015.¹¹²

Whereas the outgoing *Tatweer* program attempted to support the GOI at the national level by working to reform the national civil service, preparing a national development plan, and instituting a social security database, the new *Tarabot* project plans to expand that support to the provinces. According to USAID, the aim is to help the GOI empower provincial and sub-provincial governments by instituting legal and institutional reforms, establishing policies governing civil service, and developing lines of communication—or “linkages”—between the central government and the provinces.¹¹³ Specifically, *Tarabot* plans to help reform the civil service, institute national policy management, and promote decentralized administration.¹¹⁴ This quarter, *Tarabot* completed several start-up tasks, including:¹¹⁵

- meeting with the Prime Minister’s Chief of Staff to discuss hiring of senior advisors
- meeting with the Minister of Women’s Affairs to discuss the impact of proposed policies and laws on women

- meeting with Iraqi non-governmental organizations and business unions
- meeting with members of the Iraqi academic community

Governance Strengthening Project

This quarter, USAID was in the final stages of awarding a contract to implement the Governance Strengthening Project (GSP), a \$131 million ESF-funded effort that aims to continue the work of the Local Governance Program (LGP), which ended in September. The project will aim to develop Iraq’s provincial governments amid concerns raised in evaluations of the LGP about the ability of the central government to devolve power to the provinces.¹¹⁶

While Iraq’s Constitution lays the foundation for decentralized governance, there is still a strong centralized approach. According to the Iraq Partners Forum, a body chaired by the UN and the World Bank, national plans have not been linked to provincial development plans, and Iraq has yet to make structural changes needed to improve the “architecture” and “machinery” of government to support further decentralization of authority. For instance, there are no criteria to ensure equitable distribution of government services and resources at the provincial level.¹¹⁷

The GSP seeks to bolster development of a decentralized Iraqi government through three objectives, which USAID formulates as follows:¹¹⁸

- **Law Reform.** Legal and regulatory decentralization reforms clarify the authorities and responsibilities of provincial and local governments.
- **Institutional Strengthening.** Targeted provincial and local governments institutionalize core authorities and responsibilities.
- **Executive Oversight.** Targeted provincial and local elected officials hold executive ministries accountable for improved services.

Whereas the outgoing LGP sought to assist popularly elected Provincial Council Members, Governors, and their staffs to implement the

According to the Iraq Partners Forum, Iraq has yet to make structural changes needed to improve the “architecture” and “machinery” of government to support further decentralization of authority.

Provincial Powers Act, the GSP seeks to assist targeted provincial bodies to more effectively respond to community needs. USAID reported that it envisions the GSP working in tandem with the other new project, *Tarabot*. The first aims to help the provincial government become a responsive, democratically accountable entity, while the second seeks to strengthen the links between provincial offices and federal ministries.¹¹⁹

Ongoing Programs

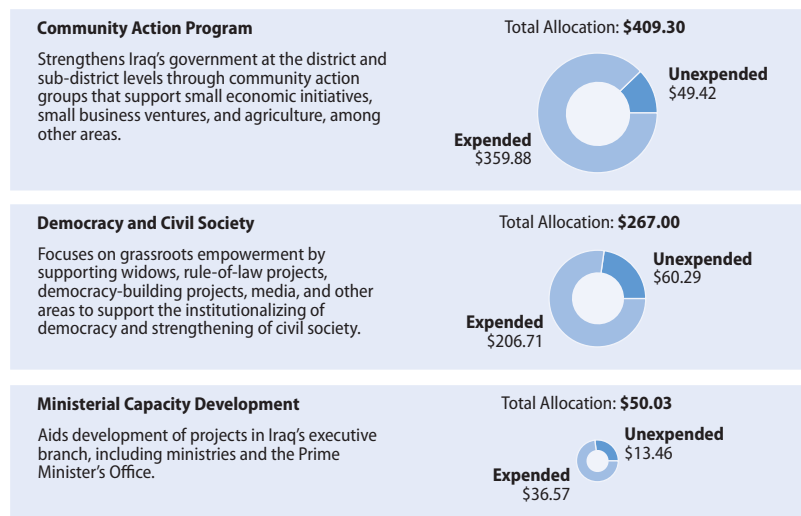
Three additional USAID- and DoS-funded capacity-development programs continued this quarter:

- Community Action Program III.** The USAID-administered program worked with four organizations—ACDI/VOCA (Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance), Cooperative Housing Foundation International, International Relief and Development, and Mercy Corps—to implement grassroots projects designed to build infrastructure, aid internally displaced persons, and distribute aid through the Marla Ruzicka Iraqi War Victims Fund, which dispenses money to Iraqis killed or injured during U.S. or coalition operations.¹²⁰
- Ministerial Capacity Development (MCD).** The DoS-administered program continued this quarter with three projects aimed at creating a database for real estate registry offices (discussed further in the Rule of Law subsection of this Report); developing water-sharing agreements with Syria, Iran, and Turkey; and creating an environment conducive to investment. However, DoS reported expending funds for only the first project; funds were not spent this quarter on the other two projects.¹²¹
- Democracy and Civil Society.** The DoS Bureau of Democracy, Human Rights, and Labor reported this quarter that its Iraq portfolio comprises 46 grants, totaling \$186 million. Eight of the grants, totaling \$24.6 million, were for human rights projects; and there were 22 ongoing democracy and governance programs, valued at \$144 million.

FIGURE 4.2

ONGOING U.S.-FUNDED CAPACITY-DEVELOPMENT PROGRAMS

\$ Millions



Sources: NEA-I, response to SIGIR data call, 9/28/2011; USAID, responses to SIGIR data call, 10/11/2011 and 10/12/2011.

The other 16 grants, worth \$15.8 million, are for efforts that address women's issues.¹²²

Figure 4.2 provides a status of funding and descriptions of major completed and ongoing activities for these programs.

Provincial Development

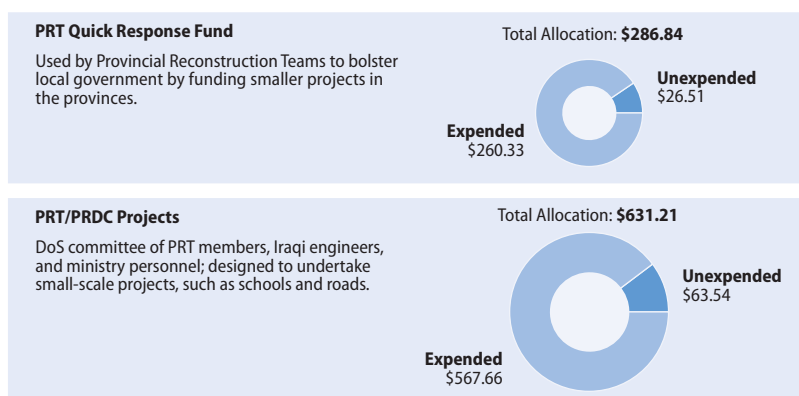
U.S. Embassy-Baghdad's Office of Provincial Affairs (OPA) shut down on August 26, and the last Provincial Reconstruction Team (PRT), based in Diyala province, closed on September 10. For further information on the closure of the PRTs, see Section 1 of this Report.

QRF and PRDC Projects

With the end of the PRT program in Iraq, reconstruction in the provinces is now being overseen by the Iraq Strategic Partnership Office, including ongoing provincial development projects that draw on the ESF Quick Response Fund (QRF) and the Provincial Reconstruction Development Council (PRDC) program.¹²³ This quarter, U.S. Embassy-Baghdad reported that the PRDC continued to support 23 projects valued at \$46.8 million, including

U.S. Embassy-Baghdad's Office of Provincial Affairs shut down on August 26, and the last Provincial Reconstruction Team closed on September 10.

FIGURE 4.3
U.S.-FUNDED QRF AND PRDC PROGRAMS
\$ Millions



Sources: NEA-I, response to SIGIR data call, 9/28/2011; USACE, response to SIGIR data call, 10/4/2011; USAID, response to SIGIR data call, 10/11/2011.

repairs of provincial health clinics, installation of hospital equipment, upgrades at courthouses, and building schools, among other efforts.¹²⁴ All projects are scheduled to be completed by September 30, 2012, though the Embassy reports that efforts to provide medical equipment for the Basrah Children’s Hospital, home connections to the Falluja Waste Water Treatment System, and repairs to the Rusafa Courthouse may extend beyond that date.¹²⁵

DoS completed 103 QRF projects valued at \$14.5 million, with \$10.2 million disbursed during the quarter toward those projects; additionally, 33 new QRF projects valued at \$4.6 million were approved this quarter.¹²⁶ Figure 4.3 shows funds obligated and expended for QRF and PRDC projects completed and ongoing this quarter.

Stability Development Roadmap

Prior to closing, OPA released its final Stability Development Roadmap (SDR) this quarter. OPA had used the SDR to measure how susceptible each Iraqi province might be to civil unrest by assessing factors—such as a lack of electricity or perceived levels of government corruption—that might spark riots or demonstrations. U.S. Embassy-Baghdad said it then used this tool to help the GOI identify

and remove barriers to stability and development and to use Iraqi resources to maximize stability.¹²⁷

This quarter, U.S. Embassy-Baghdad reported that the most recent SDR, covering the period April–June 2011, found that the risk of instability remained high due to public anger over a lack of public services, government ineffectiveness, and to a lesser extent, rule of law and security. While most provinces registered improvements in at least some metrics, overall ratings remained poor. Most provinces rated “very unstable” for perceived lack of basic services, which included metrics that measured access to sewage, potable water, and electricity, among others. Similarly, most provinces rated “very unstable” in metrics that measured government accountability and budget execution. In the economics category, most provinces were deemed “very unstable” in perceptions of unemployment, training opportunities, and education. Despite continued lack of security, metrics in this category fared relatively well—suggesting that Iraqis were unlikely to resort to civil unrest due to a lack of security. Only Baghdad was rated “very unstable,” and provinces along the disputed Arab-Kurdish “fault line” and near the southern border with Iran were rated “moderately stable.” The remaining provinces were rated “stable.”¹²⁸

Internally Displaced Persons and Refugees

This quarter, several thousand people fled from villages in the Kurdistan Region because of fighting between Iranian forces and militant groups encamped in Iraq.¹²⁹ Although precise figures remain difficult to obtain, the United Nations High Commissioner for Refugees (UNHCR) estimates that nearly 1.3 million people displaced since the 2006 Samarra Mosque bombing remained internally displaced as of August 2011, including more than 467,000 people living in 380 settlements for internally displaced persons (IDPs). The remaining

Several thousand people fled from villages in the Kurdistan Region because of fighting between Iranian forces and militant groups encamped in Iraq.

IDPs have found shelter in apartments, abandoned buildings, or with relatives.¹³⁰

In the first eight months of 2011, UNHCR estimates that more than 101,000 IDPs and 39,000 refugees returned home. Almost 44,000 returned during the month of August, which was more than twice the number of returnees in each of the preceding three months.¹³¹ The Deputy Minister for Displacement and Migration attributed the higher returns in August primarily to the fourfold increase in government assistance to returning families—from \$855 to \$3,419—that was put into effect earlier this year. But he also cited turmoil elsewhere in the region, especially in Yemen and Libya, as a factor behind the return of refugees.¹³² Figure 4.4 shows total refugee and IDP returns by month from January 2009 through August 2011.

Syria continues to be the largest recipient in the region for Iraqi refugees, despite ongoing violence in parts of that country. As of September 30, 2011, UNHCR had registered 121,507 Iraqi refugees in Syria and 33,753 Iraqi refugees in Jordan, though estimates of the actual numbers of Iraqi refugees residing in both countries are much greater.¹³³

U.S. Support for IDPs and Refugees

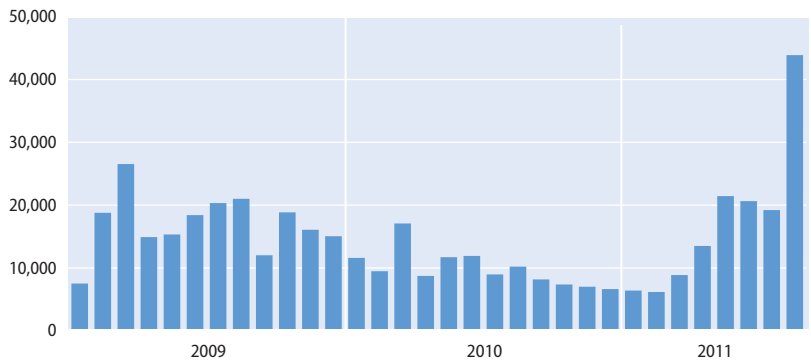
DoS and USAID continued this quarter to administer support programs for IDPs and refugees through several entities, including the USAID Office of Foreign Disaster Assistance (OFDA). Additionally, the DoS Bureau of Population, Refugees,



Iraqi IDPs in tents set up by the UNHCR in the Gojar region near the border with Iran. (UNHCR photo)

FIGURE 4.4

TOTAL REFUGEE AND IDP RETURNS, BY MONTH, 1/2009–8/2011



Note: Beginning in 2010, the Ministry of Displacement and Migration increased assistance to refugee and IDP families and eliminated the need for returning refugees to provide a PDS card number.

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

and Migration (PRM) continued its program to resettle Iraqi refugees and Special Immigrant Visa (SIV) holders who qualified to relocate to the United States.¹³⁴

DoS Activities

PRM reported that, as of July, it had worked with UNHCR to rehabilitate or reconstruct 728 shelters to support IDP families in 2011, with a particular focus on Baghdad and Diyala provinces, which see the largest numbers of returnees. A PRM-funded cash-for-work program, carried out by the World Food Programme (WFP), provided short-term employment for 10,062 people in Diyala and Baghdad during 2011 by putting them to work on small infrastructure rehabilitation projects. PRM also assisted UNHCR in efforts to rehabilitate water and sanitation systems and worked with the International Organization for Migration (IOM) and WFP to help returning refugees and IDPs reintegrate into their host communities. The IOM program includes in-kind grants, assistance in developing business plans, and small-scale infrastructure projects designed to have a quick impact on the local economy.¹³⁵

Almost 44,000 returned during the month of August, which was more than twice the number of returnees in each of the preceding three months.

USAID Activities

OFDA reported this quarter that it had provided support to Iraqi IDPs and vulnerable populations by distributing essential emergency relief supplies, providing emergency shelter, improving access to water and sanitation services, and supporting livelihood and economic recovery opportunities.

OFDA also reported it had strengthened humanitarian coordination and information sharing, increased food security through agriculture and livestock-rearing programs, and promoted children's psychosocial health through child-friendly spaces and teacher training. According to OFDA, it expended more than \$23.8 million throughout Iraq in FY 2011, including approximately \$1.25 million to support livelihoods and water, sanitation, and hygiene services for vulnerable populations in Diyala and Baghdad provinces. OFDA said that the funds benefited more than 617,000 people nationwide.¹³⁶

Refugee Resettlement in the United States

As of September 30, 2011, more than 66,200 Iraqi refugees and SIV holders had resettled in the United States through two separate programs: 61,672 resettled as refugees, and at least 4,613 resettled with SIVs (DoS only tracks SIV holders who elect resettlement and placement benefits through PRM). This quarter, 2,509 Iraqis resettled as refugees, and 79 resettled with SIVs. With 14,620 refugees, California has absorbed the highest number of Iraqis. Michigan, Texas, and Arizona also took in more than 4,000 refugees each. Texas has taken in the highest number of SIV holders, at 938.¹³⁷

GOI Support for IDPs and Refugees

The new GOI Minister of Displacement and Migration refocused efforts this quarter on integrating IDPs into their adopted areas of refuge in Iraq. The new strategy represents a policy departure from the previous aim of aiding only those IDPs who sought to return to their places of origin, and reflects the realization that many IDPs are unlikely to return to their original homes because of lingering security concerns and inaccessible property.¹³⁸ The Ministry

of Displacement and Migration (MoDM) also reported that it has been working to establish local reconciliation councils to improve the conditions of the displaced. According to PRM, the ministry has begun working with international organizations to try to provide employment and low-cost housing for IDPs as well.¹³⁹

In August, the MoDM announced that it had stopped giving cash grants to IDPs, claiming the monetary aid was no longer necessary in light of the success of the program and the improved security situation in Iraq. The ministry noted, however, that IDPs continue to experience psychological barriers to returning to their places of origin. Although the cash grant program has ended, the ministry indicated that it will continue efforts to provide low-cost housing and employment, regardless of whether IDPs choose to integrate in their current location or return home.¹⁴⁰ According to the Deputy Minister, MoDM also has a program designed to help returnees who find that their own homes have been taken over by squatters. Under this program, the squatters are ordered to move out of the home but also provided with six months of rent.¹⁴¹

The MoDM worked this quarter with the Iraqi Ministries of Foreign Affairs, Interior, and Transportation, as well as the Red Crescent Society and UNHCR, to monitor the return of Iraqis in neighboring countries. It also opened offices in some neighboring countries to offer assistance to refugees,¹⁴² and it said that it had started providing stipends to displaced Iraqis in Iran, Jordan, and Lebanon.¹⁴³ However, the MoDM noted a lack of information concerning Iraqi refugees in countries where it had not yet opened offices, calling on international organizations to better coordinate efforts to track and provide aid to Iraqi refugees.¹⁴⁴

Iraqi Minority Communities

This quarter, U.S. Embassy-Baghdad reported 13 ongoing minority-directive projects, valued at

The MoDM announced that it had stopped giving cash grants to IDPs, claiming the monetary aid was no longer necessary.

\$2.6 million. An additional 37 minority projects were completed during the quarter valued at \$8.8 million.¹⁴⁵ Additionally, USAID provided \$1.2 million to fund 19 grants through its Access to Justice program, which includes support to Iraq's IDPs and people without identity papers, many of whom are members of minority communities.¹⁴⁶

According to the Minority Rights Group International, a London-based organization, Iraqi minorities suffered fewer attacks so far this year than in previous years, but international agencies reported that significant numbers of minority populations continued to seek refuge in safer areas of Iraq or in neighboring countries.¹⁴⁷ In October, the Patriotic Union of Kurdistan party announced it was offering homes to poor Christian families uprooted by

sectarian violence elsewhere in Iraq, according to the Institute for War and Peace Reporting.¹⁴⁸ Since 2003, the populations of Iraq's minority communities have been drastically reduced in number as community members have fled to safer places. Iraqi Christians have dropped from approximately 1.4 million to less than 600,000, with most seeking refuge in Syria, Lebanon, and Jordan. The number of Sabaeans has shrunk from more than 60,000 to less than 10,000 during the same period.¹⁴⁹ Although the lack of a recent census prevents a clear picture of demographic shifts, nongovernmental organizations estimate that Iraq's ethnic and religious minorities make up no more than 3% of the population.¹⁵⁰ See Table 4.2 for descriptions of Iraq's minority communities and population estimates. ♦

International agencies reported that significant numbers of minority populations continued to seek refuge in safer areas of Iraq or in neighboring countries.

TABLE 4.2
POPULATION ESTIMATES AND DESCRIPTIONS OF MINORITY COMMUNITIES IN IRAQ, 2003 AND 2011

		2003	2011
Christians	Predominantly Assyrian, Chaldean, Armenian, and Syriac; most live in or around the Kurdistan Region; a small number of Armenians live in Basrah.	1.4 million	400,000 to 600,000
Turkmen	Descendants of Ottoman Empire-era soldiers and traders, about 60% of Turkmen are Sunni Muslim and the rest are Shia.	800,000	200,000
Sabaeans	Gnostics who follow John the Baptist, Sabaeans do not accept converts and must live near a river to observe religious rites; concentrated in southern Iraq.	60,000 to 70,000	5,000 to 10,000
Yazidis	Ancient group with religious traditions drawn from Zoroastrianism, Manicheism, Islam, Christianity, and Judaism; Yazidis do not accept converts or marry outside the faith; concentrated around Sinjar Mountain west of Mosul.	600,000 to 700,000	Less than 500,000
Shabaks	Most identify as Shia and the rest as Sunni, but do not observe all pillars of Islam and draw religious traditions from Yazidis and Sufism. Shabaks have lived along the Ninewa Plains since 1502.	400,000 to 500,000	200,000 to 500,000
Feyli Kurds	Ethnically Kurdish Shia, the Feyli live mainly in Diyala province along the Iranian border, in Baghdad, and in Iran. Under Saddam Hussein's regime, they were stripped of Iraqi citizenship.	1 million to 1.5 million	100,000 to 120,000
Kaka'is	Kurds who speak their own dialect, Kaka'is draw religious traditions from Yazidis, Zoroastrianism, and Shia Islam. They live primarily in Kirkuk and Mosul.	200,000	60,000 to 70,000

Note: Some population estimates were obtained from community leaders who met with the Minority Rights Group International; others were taken from SIGIR interviews with community leaders and U.S. government reports.

Sources: DRL, *International Religious Freedom Reports, 2006 and 2010*, www.state.gov/g/drl/irf/2010/148821.htm, accessed 6/5/2011; SIGIR interviews with members of Sabaeen community, 6/29/2011; Minority Rights Group International Report, "Still Targeted: Continued Persecution of Iraq's Minorities," 2010; Minority Rights Group International, information provided to SIGIR, 10/18/2011.

SECURITY

At the peak of the conflict in Iraq, the U.S. military had more than 150,000 troops deployed throughout the country. As of September 30, 2011, the United States had obligated \$26.00 billion, and expended \$24.86 billion for programs and projects to develop the Iraqi Security Forces (ISF).¹⁵¹

Since the start of Operation New Dawn on September 1, 2010, the U.S. Forces-Iraq (USF-I) has transitioned 50 bases to Iraqi control, and it is continuing to draw down the number of U.S. troops present in the country.¹⁵² As of September 30, 2011, approximately 43,500 U.S. troops were operating in Iraq with the interim mission to advise, train, assist, and equip the ISF; conduct targeted counterterrorism operations; and protect ongoing U.S. civilian and military activities.¹⁵³ Under the existing terms of the U.S.-Iraq Security Agreement of 2008,¹⁵⁴ the U.S. military mission in Iraq will end on December 31, 2011. For a timeline of U.S. troop withdrawal, see Figure 4.5.

For more than two years, USF-I has been focused on force withdrawal¹⁵⁵ and the interim mission.

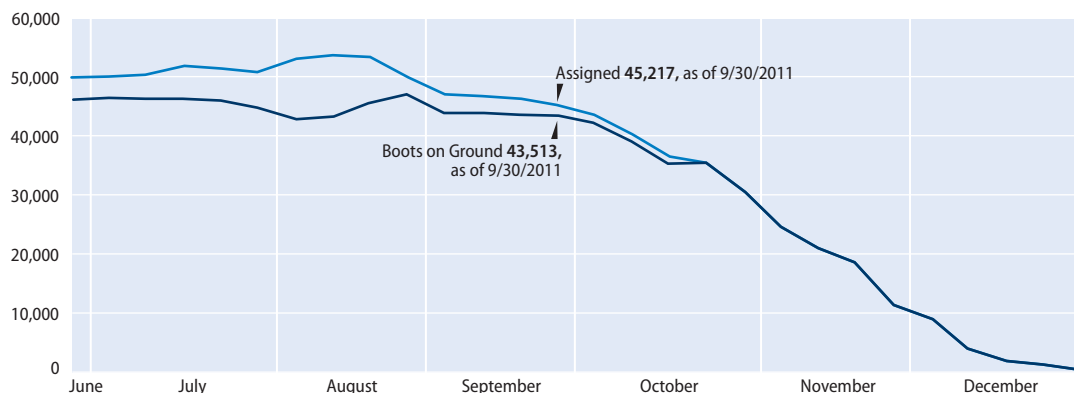


Soldiers from the mortar platoon, Advise and Assist Brigade, 1st Cavalry Division, fire a 120 mm mortar out of an armored mortar carrier at Camp Sparrowhawk, Iraq, in August 2011. (USF-I photo)

Although this has led U.S. forces to be less engaged in kinetic operations, USF-I reported this quarter that troops are operating in “a complex environment” and that “conducting stability operations in a counterinsurgency environment under a security agreement” presented many challenges.¹⁵⁶ Nonetheless, August marked the first month since 2003

August marked the first month since 2003 in which no U.S. military personnel were killed in Iraq.

FIGURE 4.5
SCHEDULE OF USF-I TROOP WITHDRAWAL, 6/25/2011–12/31/2011



Note: “Assigned” is defined as all DoD servicemembers deployed to Iraq, whether currently in Iraq or not. This number does not reflect servicemembers on rest and recuperation leave or on temporary duty outside of Iraq. “Boots on Ground” is defined as all DoD servicemembers deployed to Iraq minus those on rest and recuperation leave or on temporary duty outside of Iraq and servicemembers in Iraq who are assigned to a newly arrived unit conducting Relief in Place /Transfer of Authority with a departing unit.

Source: USF-I, response to SIGIR data call, 10/5/2011.

in which no U.S. military personnel were killed in Iraq. During the course of the quarter, however, five U.S. soldiers were reported killed.¹⁵⁷

The process of withdrawing troops and ending USF-I's mission has been marked by some uncertainty about a continuing role for U.S. troops after December 31, 2011. The U.S. Office of the Secretary of Defense was apparently reticent to limit post-2011 strategic alternatives following the election of a new GOI in 2010.¹⁵⁸ GOI officials had discussed possible training roles for U.S. troops and amendments to the Security Agreement (as well as opposition to amendments). However, on October 21, President Obama announced that U.S. troops will be withdrawing as scheduled under the terms of the existing strategic framework.¹⁵⁹

Bilateral Security Cooperation

Preparations for the security relationship between the United States and Iraq following the end of the USF-I mission have been affected by the magnitude of the drawdown itself as well as the scope and responsibilities of the U.S. agencies overseeing a continuing relationship with GOI security organizations. Two relatively large security activities overseen by U.S. agencies are slated to continue after 2011, and legacy funding to support the ISF will contribute to meeting the GOI's enduring security requirements.

Separately, as the military's Operation New Dawn ends, a U.S. diplomatic mission of unprecedented size and complexity is being stood up. The security requirements for this diplomatic mission—with consulates, embassy branches, training centers, and Office of Security Cooperation-Iraq (OSC-I) sites—are being met without the umbrella of uniformed U.S. troops. Although the security plan for this diplomatic platform and personnel mobility is expected to be refined in the coming months, private security contractors (PSCs) are certain to play a central role. Of the approximately 6,500 contractors currently

under the Embassy's Chief of Mission, 3,000 are security personnel.¹⁶⁰

Office of Security Cooperation-Iraq

The Strategic Framework Agreement between the United States and Iraq provided for security and defense cooperation arrangements to be reached following the withdrawal of U.S. forces. This anticipated an OSC-I to carry out security assistance and security cooperation management functions after 2011. According to the Department of Defense (DoD) Office of Inspector General, however, delays in planning for the OSC-I occurred as higher-echelon and regional commands failed to provide guidance. But lower-echelon officers in Iraq led a planning effort that worked its way up the chain of command.¹⁶¹

DoD reports that the office, as currently approved, has 157 OSC-I personnel (U.S. military, civilian, and locally hired staff) who are actively providing security cooperation and assistance for approximately 64 projected and anticipated Foreign Military Sales (FMS) cases valued at approximately \$500 million.¹⁶² For details of OSC-I staffing, by location, see Section 1 of this Report.

Foreign Military Sales

By January 2012, the OSC-I is expected to support no more than 763 Security Assistance Team (SAT) members at 10 sites in Iraq to administer 368 cases: 183 Iraqi-funded FMS cases, valued at approximately \$7.5 billion, and 185 U.S.-funded pseudo-FMS cases, valued at approximately \$2.4 billion.¹⁶³

Of more than \$2.3 billion in equipment and projects already delivered, the GOI funded more than 64%.¹⁶⁴

Legacy ISFF Funds

According to information provided by the Office of the Under Secretary of Defense (Comptroller), more than \$1.1 billion in FY 2011 Iraq Security Forces Fund (ISFF) appropriations will be available for obligation after the end of USF-I's mission.¹⁶⁵ For the planned obligations, by quarter, of these

U.S. troops will be withdrawing as scheduled under the terms of the existing strategic framework.

TABLE 4.3
FY 2011 ISFF SPEND PLAN (OBLIGATIONS) THROUGH 9/30/2012
 \$ Thousands

FY 2011 ISFF	TOTAL AMOUNT RELEASED	FY 2011		FY 2012				TOTAL OBLIGATIONS	
		3RD QTR	4TH QTR	1ST QTR	2ND QTR	3RD QTR	4TH QTR		
MOD	Sustainment	503,015	20,865	96,060	176,971	133,458	36,660	39,000	503,014
	Equipment	707,773	60,000	178,837	225,779	192,114	31,392	19,652	707,774
	Training	170,546		500	80,890	42,640	35,006	11,510	170,546
	Subtotal	1,381,334	80,865	275,397	483,640	368,212	103,058	70,162	1,381,334
MOI	Sustainment	13,260			13,260				13,260
	Equipment	98,066		30,000	33,700	27,480	3,834	3,052	98,066
	Training	2,340				2,340			2,340
	Subtotal	113,666		30,000	46,960	29,820	3,834	3,052	113,666
QRF	Subtotal	5,000	30		1,250	1,250	1,250	1,220	5,000
ISFF Totals		1,500,000	80,895	305,397	531,850	399,282	108,142	74,434	1,500,000

Source: OUSD(C), response to SIGIR data call, 10/4/2011.

legacy funds—which were provided to sustain, equip, and train the ISF to reach Minimum Essential Capabilities (MEC)—see Table 4.3.

With the exception of items determined by the Secretary of Defense to be included on the U.S. Munitions List (USML), all funds expended for purchases for the ISF are subject to a maximum USG payment of 80% of the cost of the item.¹⁶⁶ However, as all amounts disbursed through September 2011 appear to be for items on the USML, they are subject to the exception, and no GOI “match” is required.¹⁶⁷

Generally, the remaining ISFF outlays appear to be complementary to existing or planned FMS cases. The spend plan anticipates procurement of repair parts and technical expertise for key weapon systems, including: aircraft; maritime vessels; trucks, tanks, and armored personnel carriers; artillery systems; small arms; night-vision devices; logistics systems; critical command control communications and intelligence systems; unmanned aerial vehicle capabilities.¹⁶⁸

OSC-I would also be responsible for implementing \$1 billion in Foreign Military Financing requested for Iraq in 2012. According to the DoS request, which is currently under consideration by the Congress, funds would be used to support



Iraqi Army training in Baghdad on August 10. (GOI photo)

advising, training, and equipping the Iraqi military, including professional military education and planning for joint military exercises.¹⁶⁹

Iraqi Security Forces

According to USF-I, the ISF is “the fastest-growing military, with the highest [operations tempo] in the world for the last eight years.” Iraq is also touted to have “the most capable counterinsurgency force in the Middle East and Central Asia.”¹⁷⁰ The security situation inside Iraq has necessitated a focus on fighting internal threats, but in the last two years, the ISF has begun to build capacity to defend the

Iraq is also touted to have “the most capable counterinsurgency force in the Middle East and Central Asia.”

nation’s sovereignty. More than 920,000 people—about 3% of Iraq’s population—are under arms in the ISF.¹⁷¹

According to USF-I, the ability of the Ministry of Defense (MOD) “to integrate the effects of artillery, armor, and attack aviation with infantry against a conventional force is really at the beginning stages...this will take them some years to develop.” U.S. forces still provide key capabilities—such as intelligence, surveillance, and reconnaissance assets; support for logistics; and air support.¹⁷²

For Iraqi personnel totals, by security force, see Table 4.4.

Aviation Capabilities

The Iraqi Air Force continues to make slow progress toward controlling and defending Iraq’s airspace. Emblematic of Iraq’s efforts to secure air sovereignty was this quarter’s first fully funded FMS case to purchase 18 F-16s, which are to be delivered at a cost of \$1.5 billion.¹⁷³ Ten Iraqi pilots are already undergoing training in the United States and are expected to complete their training by the time the first group of fighter jets is delivered in 2014.¹⁷⁴ Helicopters, a limited number of heavy-lift, fixed-wing aircraft, and light fixed-wing aircraft (as well as trainers) round out the Iraqi Air Force. The FMS program facilitated by the OSC-I is expected to facilitate the continued development of Iraq’s aviation capability.¹⁷⁵

Since the Iraqi pilot training program began in 2008, more than 60 Iraqi pilots have earned their wings under the tutelage of U.S. advisors. The U.S. Air Force reported that the program has also produced 30 instructor pilots who, along with U.S. advisors, will continue to educate students.¹⁷⁶ In late September, the U.S. Air Force training squadron in Iraq flew its last training mission under the current security arrangement, adding 11 new Iraqi trainer pilots to Iraq’s aviation training capability.¹⁷⁷

As of September 30, 2011, the Iraq Training and Advisory Mission-Air (ITAM-Air) had 293 personnel directly engaged in the Train, Advise and Assist mission. An additional 889 personnel

TABLE 4.4
IRAQI SECURITY FORCES, AS OF 10/10/2011

SERVICE	ASSIGNED PERSONNEL	
Ministry of Defense	Iraqi Army	200,000
	Training and Support	68,000
	Air Force	5,053
	Navy	3,650
	Army Air Corps	2,400
Total MOD	279,103	
Ministry of Interior	Iraqi Police	325,000
	Facilities Protection Service	95,000
	Training and Support	89,800
	Department of Border Enforcement	60,000
	Iraqi Federal Police	45,000
	Oil Police	31,000
	Total MOI	645,800
Counter-Terrorism Force	4,200	
Total	929,103	

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

Source: GOI, MOI IG, information provided to SIGIR, 10/10/2011.

assist in mentoring the forces of Iraq’s emerging air force capability.¹⁷⁸

Maritime Domain

As part of the transition from a military- to a civilian-led U.S. engagement in Iraq, the U.S. Coast Guard (USCG) Maritime Security Advisory Team (MSAT), under U.S. Embassy-Baghdad, has begun to assume oversight responsibility for the maritime training currently handled by USF-I. The most significant of these train-and-assist missions is with the Iraqi riverine and border security forces in Basrah. In partnership with fellow Department of Homeland Security agencies, OSC-I, and INL, MSAT plans to continue to develop Iraq’s capacity to secure, regulate, and manage its coastal waters and rivers. This includes ensuring that relevant Iraqi ministries and maritime security forces have the appropriate legislative and regulatory authorities to support their maritime sovereignty. MSAT’s

18 F-16s are to be delivered at a cost of \$1.5 billion.



Iraqi Navy sailors operate Defenders, small patrol craft, during a joint exercise with the Kuwaiti Navy in the Persian Gulf on July 25. (USF-I photo)

A bomb damaged a pipeline transporting crude oil from al-Rumaila field, halting production for two and a half days.

principal partners in Iraq are the Iraqi River Police, Coastal Border Guard (CBG), and the Iraqi Navy.¹⁷⁹

In late July, MSAT completed the fourth iteration of a course in small-boat operations for the CBG. The eight students who graduated from this course are assigned to CBG Boat Groups in Basrah province. The CBG falls under Iraq's Department of Border Enforcement (DBE), which is the primary border security agency within the MOI.¹⁸⁰

Underscoring Iraq's increasing maritime security capability, the Iraqi Navy accepted two more Swift-class patrol boats from the U.S. Navy in August 2011, raising the total to 5 of 12 ordered through the FMS program. The patrol boats can be used for maritime surveillance and reconnaissance, vessel boarding, and search and seizure. The remaining Swift boats are expected to arrive in Iraq before 2013. Iraq's naval forces are responsible for protecting offshore oil infrastructure, territorial waters, Umm Qasr, and checkpoints in the surrounding area. More than 3,700 sailors and Marines conduct over 50 weekly patrols with a fleet of 65 vessels.¹⁸¹

As of September 30, 2011, 30 ITAM-Navy and Marine personnel were engaged in a training program associated with the Iraqi Navy, with an additional 6 assisting in mentoring programs.¹⁸² A total of 860 Iraqi Navy personnel have graduated from U.S.-funded programs since the inception of training; 163 graduated this quarter.¹⁸³

Infrastructure Protection

USF-I reported that one attack on Iraqi oil infrastructure occurred this quarter. On October 7, a bomb damaged a pipeline transporting crude oil from al-Rumaila field southwest of Basrah, halting production at al-Rumaila South sector of the giant field for two and a half days. Operator British Petroleum indicated the explosion occurred at a location not far from a crude oil storage tank farm near al-Zubair, which was hit by an attack in June.¹⁸⁴ Al-Rumaila South produces about 650,000–700,000 barrels per day (BPD), about one-quarter of Iraq's total oil production. Production resumed on October 10 at a reduced volume of about 460,000 BPD and reached full capacity two days later.¹⁸⁵ On October 11, Iraqi Oil Police located three unexploded bombs under a pipeline west of Basrah that transports oil derivatives. The devices were disarmed without incident.¹⁸⁶

The development and sustainment of Iraq's physical and economic security depends greatly on the government's ability to protect its natural resources.¹⁸⁷ The MOI has established a program for training the Iraqi Oil Police to protect a vast oil infrastructure comprising four strategic refineries, nine regional refineries, and 4,300 miles of oil and gas pipelines. Recruits undergo a seven-week basic course taught by Italy's Carabinieri Gendarmerie Training Unit, whose training expands on the current NATO Training Mission-Iraq Federal Police Training Program. The Iraqi Oil Police had completed five training cycles as of August 2011, preparing approximately 1,000 of 5,000 assigned police personnel.¹⁸⁸

Protection of Iraq's critical port infrastructure also is the focus of continuing U.S. assistance. This quarter, the U.S. Coast Guard, U.S. Department of Transportation, and Iraqi Ministry of Transportation conducted a security assessment of the ports of Umm Qasr, Abu Floos, and al-Maqaal.¹⁸⁹ While near-port and offshore oil loading platforms at al-Basrah Oil Terminal (ABOT) and Khawr al-Amaya Oil Terminal (KAAOT) are under the responsibility of the Iraqi Navy, a U.S. Navy surface

combat ship and patrol boat are on station just outside Iraqi territorial waters.¹⁹⁰

Security Environment

Sources of Violence

According to the DoS “Country Report on Terrorism 2010,” Iraqi troops and the remaining U.S. troops continue to make progress in combating al-Qaeda in Iraq (AQI), affiliated Sunni terrorist organizations, and Shia insurgents. Since 2010, terrorist attacks have primarily targeted Iraqi security forces and government officials, but they have also been aimed at stirring ethnic tensions. AQI has been operating primarily in regions with majority Sunni Arab populations, particularly focusing its efforts in and around Baghdad and Ninewa, but appears unable to command territory or population centers.¹⁹¹

The degradation of AQI’s capacities is expected to continue under the pressure of an ISF now more capable of targeting, capturing, and detaining terrorists and disrupting their networks.¹⁹² However, according to DoS, AQI has adapted to the changing security conditions and remains capable of coordinated mass-casualty attacks and assassinations.

Other Sunni terrorist groups remain active as well. Ansar al-Islam, with both Kurd and Arab membership, operates in northern Iraq. The group has claimed responsibility for the second-largest number of Sunni terrorist attacks in Iraq (behind only AQI).¹⁹³ Another group operating in northern and central Iraq, the Jayish Rijal al-Tariq al-Naqshabandi, emphasizes what it claims to be the religious justifications for its attacks.¹⁹⁴

Shia extremist groups—backed by Iranian funding, training, and weapons—also present a threat to Iraqi and U.S. military forces. DoS reported that attacks by these groups have decreased this year, but their Iranian-supported networks continued to operate throughout Iraq’s southern provinces.¹⁹⁵ Shia militias in Iraq are largely organized into three main groups:¹⁹⁶

- **Jayish al-Mahdi (JAM)** and its successor, the **Promised Day Brigade**. This is the militant arm of the Sadrist movement led by cleric Muqtada al-Sadr. Since the militia’s inception in 2003, JAM has engaged in countless attacks on U.S. forces, Iraqi forces, and Sunni civilians. The group was responsible for some of the most gruesome sectarian violence in Iraq. Early in 2007, at the beginning of the U.S. military surge, al-Sadr ordered his followers to stand down, and shortly thereafter, he left for Iran. Following the military campaign in Basrah, Sadr City, and al-Amarah in the spring of 2008, al-Sadr disbanded his militia. Several months later, he announced the transition of his movement into a non-violent organization called the Munahidoon, but he maintained a small group of Iranian-supported militants called the Promised Day Brigade.
- **Assaib Ahl al-Haq (AAH, or League of the Righteous)**. Having emerged in 2006, AAH is led by Qais Khazali, who broke with al-Sadr and was officially named the leader of the Iranian-backed AAH. Khazali’s fighters traveled to Iran for special training by the Revolutionary Guards and members of the Lebanese Hezbollah. They received four to six weeks of training in the camps in the use of mortars, rockets, sniper tactics, intelligence gathering, kidnapping operations, and explosively formed penetrators. AAH conducted attacks on Coalition forces from as early as the summer of 2006 and continues intermittently, also engaging in kidnappings and sectarian violence.
- **Kata’ib Hezbollah (KH, or the Hezbollah Brigades)**. Active in Iraq since 2007, KH operates mainly in Shia areas of Baghdad, such as Sadr City, and throughout southern Iraq. Like AAH and the Promise Day Brigade, it is supported by Iran. KH is independent from Muqtada al-Sadr and has operated separately since its inception, albeit with some cooperation and operational overlap. Since 2007, KH members have conducted multiple attacks against U.S. forces using

The degradation of AQI’s capacities is expected to continue.

rocket-propelled grenades and improvised rocket-assisted mortars.

Foreign Fighters and Foreign Funds

ISF and USF-I efforts to constrict the flow of foreign fighters into Iraq appear to be succeeding, as are ongoing multilateral efforts to counter the financing of these cells by limiting their capacity to draw on funding from non-Iraqi sources. In late September, Major General David Perkins, the Commanding General of U.S. Division-North, described the recent decline in the number of foreign fighters entering Iraq as “dramatic.” He also noted that measures to counter terrorism financing have succeeded to the point where AQI cells in Mosul are engaged in squabbles over evermore-limited foreign capital. Although he acknowledged that the AQI north of Baghdad are “not ineffective,” he characterized the groups as a highly degraded terrorist network—a “system coming apart.”¹⁹⁷

To compensate for this loss of foreign funds, terrorists groups in northern Iraq are turning to mafia-like extortion activities, especially in Mosul. And criminal, rather than terrorist, violence in some cities is on the rise. USF-I has been assisting the Iraqi police in combating this surge in crime primarily by helping them collect and analyze intelligence on AQI cells, but with the complete withdrawal of all troops in December, the ISF must carry on this mission alone.¹⁹⁸

Border Security and the Drawdown: Syria and Iran

USF-I’s efforts to enhance cooperation among the various ISF units involved in border security have emphasized stanching the cross-border flow of insurgent fighters—primarily along Iraq’s lengthy northwestern boundary with Syria. The recent uprising against the dictatorial Damascus regime has, to date, had little direct effect on the Iraqi side of the border. No significant refugee flow has materialized, and the inflow of foreign fighters

has not been discernibly increased. USF-I efforts on the Syrian border have focused on setting up coordination centers where the Iraqi Army, local Iraqi Police, and DBE officials are able to share intelligence.¹⁹⁹

In late 2010, USF-I had 38 bases across northern Iraq. As of September 29, 2011, there were 14 bases in the north and about 5,000 troops. By the end of October, most of these soldiers were scheduled to be withdrawn, leaving a small number of troops in place through December 31. In anticipation of the nearly completed withdrawal of USF-I units from northern Iraq, U.S. military-intelligence personnel have been working with the local ISF units to convince them to rely on their own capabilities instead of U.S. intelligence, surveillance, and reconnaissance assets.²⁰⁰

Since the beginning of 2011, the majority of Iranian-backed attacks have occurred in southern Iraq, with sporadic incidents taking place in northern provinces and in Baghdad. Toward the end of the quarter, Iran-sponsored attacks in northern provinces appeared to be subsiding, although USF-I officials reported that these networks still possess the capacity to conduct operations.²⁰¹

Security Incidents

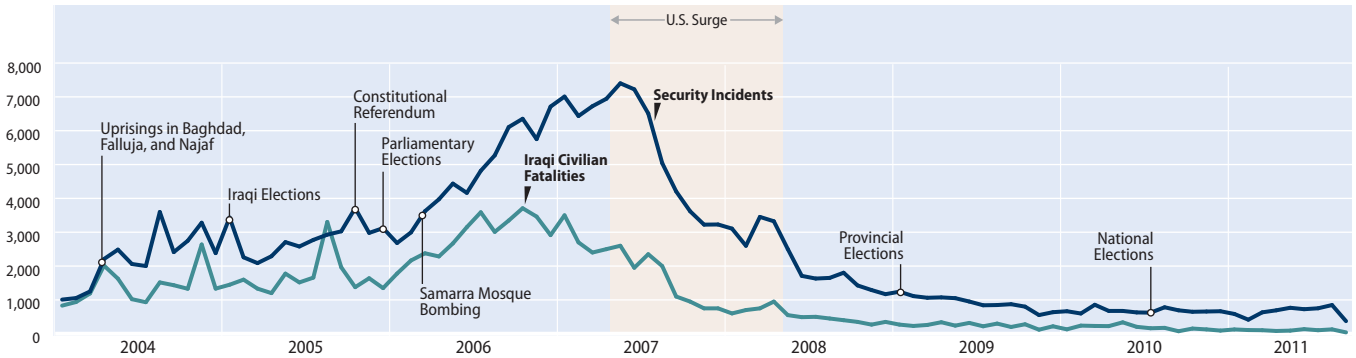
The number of security incidents per day and the number of casualties in Iraq have decreased since the ISF took the lead in security operations after the signing of the U.S.-Iraq Security Agreement. For monthly security incidents and civilian fatalities since January 2004, see Figure 4.6.

Although the U.S. military in Iraq sustained fewer casualties this quarter compared with any other since 2007, large attacks targeted Iraqi security forces and government buildings.²⁰²

- **August 15.** More than 70 people were killed in multiple attacks by Shia militias and Sunni terrorists.
- **September 6.** Eight Iraqi soldiers were ambushed and killed by gunfire in Anbar.

ISF and USF-I efforts to constrict the flow of foreign fighters into Iraq appear to be succeeding.

FIGURE 4.6
MONTHLY SECURITY INCIDENTS AND CIVILIAN FATALITIES, 1/2004–9/2011



Note: Data not audited. Totals for September 2011 include data through September 23. “U.S. Surge” denotes period when at least 150,000 U.S. troops were in Iraq.

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

TABLE 4.5
PEOPLE KILLED, INJURED, OR KIDNAPPED IN ACTS OF TERRORISM, 2006–2010
% of Worldwide Total

COUNTRY	2006	2007	2008	2009	2010
Worldwide	74,695	71,795	54,263	58,711	49,901
Iraq	38,817 (52.0%)	44,014 (61.3%)	19,077 (35.2%)	16,869 (28.7%)	15,109 (30.3%)
Afghanistan	3,534 (4.7%)	4,467 (6.2%)	5,479 (10.1%)	7,582 (12.9%)	9,016 (18.1%)

Source: DoS, “Country Report on Terrorism 2010,” 8/18/2011.

- **September 14.** At least 15 ISF personnel were killed and 20 others wounded in a bomb attack in Anbar.
- **October 2.** Two roadside bombs in a former AQI stronghold north of Baghdad killed six people, including four members of the Sons of Iraq.
- **October 3.** Gunmen disguised as police officers seized control of a police station in western Iraq; seven ISF personnel were killed during the mission to end the standoff.
- **October 12.** Attacks mainly targeting the ISF, including two suicide car bombings timed minutes apart on police stations in north and central Baghdad, killed more than 20 and injured more than 70 on the deadliest day in more than a month.
- **August 29.** AQI took credit for an attack at the largest Sunni mosque in Baghdad, where an elderly suicide bomber killed 27.
- **September 30.** At least 10 people were killed when a car bomb detonated near a funeral procession near a mosque in central Iraq.
- **September 12.** Gunmen forced their way onto a bus of Shia pilgrims traveling through the remote desert of western Iraq on a trip to a holy shrine in Syria, killing all 22 men on board.
- **October 1.** Gunmen wounded a representative of Iraq’s top Shia cleric as he was returning home from prayer in south of Baghdad.
- **October 5.** A policeman was killed and 26 other people were wounded, including 4 Iranian Shia pilgrims, in separate attacks.

Major attacks also targeted religious and sectarian groups:²⁰³

Assassins continued to target GOI officials and other leaders of civil-society organizations this quarter.

According to DoS's "Country Report on Terrorism 2010," the number of terrorist attacks in Iraq dropped by more than 10% from 2009 to 2010. But as a percentage of all attacks worldwide, violence in Iraq increased by more than 5%.²⁰⁴ Table 4.5 shows attacks since 2006.

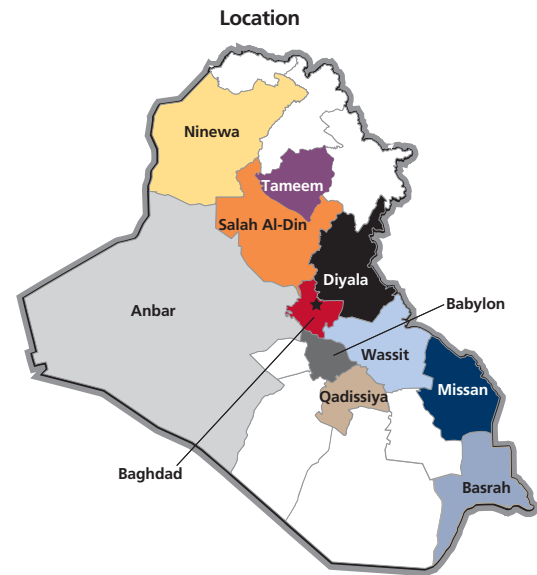
Assassinations

Assassins continued to target GOI officials and other leaders of civil-society organizations this

quarter. From July 20 to October 15, at least 40 senior GOI officials and Iraqi community leaders were killed in acts of apparent targeted violence, down slightly from last quarter when at least 44 senior GOI officials were assassinated. On September 4, a CoR member survived a bomb attack outside his residence in Diyala province. Three days later, gunmen using silenced weapons assassinated a former member of the Qadissiya Provincial Council. Figure 4.7 lists recent assassinations and attempted assassinations of Iraqi security officers, civilian GOI officials, and community leaders.²⁰⁵ ♦

FIGURE 4.7
SELECTED ACTS OF APPARENT TARGETED VIOLENCE AGAINST SENIOR OFFICIALS, 7/20/2011–10/15/2011
Security Officials

TARGETS/VICTIMS	LOCATION	DATE	CIRCUMSTANCES	RESULT
MOI colonel	●	7/23		Wounded; one killed, several others wounded
Awakening leader	●	7/26		Killed along with son
MOI official	●	8/4		Killed
Awakening leader	●	8/7		Killed along with son; others wounded
Kirkuk police official	●	8/10		Survived
MOI senior official	●	8/17		Survived; two bodyguards killed and others wounded
MOI lieutenant colonel	●	8/19		Officer wounded
ISF battalion commander	●	8/19		Survived; two bodyguards wounded
Anbar Awakening leader	●	8/23		Survived; three bodyguards killed
MOI colonel	●	8/24		Colonel and bodyguard wounded
IA major general	●	8/25		Survived; driver killed
Local security official	●	8/27		Official killed
Ministry of National Security official	●	8/27		Killed along with driver
Intelligence official	●	8/28		Wounded
Baghdad Operations Command commander	●	9/5		Survived; two civilians wounded
Awakening sheik	●	9/7		Killed
Senior traffic police officer	●	9/14		Killed
Police deputy commander	●	9/19		Survived; two bodyguards wounded
MOI general	●	9/21		Killed
Senior IA officer	●	9/26		Killed; wife wounded
IA general	●	9/27		Killed; wife wounded
Former ISF pilot	●	10/2		Killed
Anti-crime department director	●	10/3		Killed
2 intelligence officers	●	10/3		Killed in separate incidents
Intelligence brigadier general	●	10/15		Killed
MOI lieutenant colonel	●	10/15		Killed



	IED/VBIED
	Grenade attack
	Gunfire
	Gunmen ambushed office
	Gunmen attacked residence
	Gunmen attacked residence with silenced weapons
	Gunmen attacked with silenced weapons
	Gunmen attacked vehicle
	Gunmen attacked vehicle with silenced weapons
	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, 7/2011–10/2011.

Non-Security Officials

TARGETS/VICTIMS	LOCATION	DATE	CIRCUMSTANCES	RESULT
Representative of Grand Ayatollah al-Sistani		7/23		Survived; bodyguard wounded
Village mayor		7/26		Mayor killed, family members wounded
Provincial Council Chairman		7/30		Survived, bodyguards wounded
Ministry of Higher Education DG		7/31		Official and son killed
Ministry of Electricity official		8/1		Survived, two sons injured
Provincial Council official		8/7		Bomb dismantled prior to detonation
Sunni Endowment official		8/10		Official killed
Clergyman		8/13		Killed
PUK official		8/14		Killed along with bodyguard
Technical Education Commission Chairman		8/15		Survived
Provincial government leader		8/15		Survived
Agricultural engineer		8/16		Killed
Judge		8/17		Survived; police officer killed
Tribal leader		8/22		Leader and son killed
Municipal Council member		8/22		Official and son killed
Baghdad University professor		8/26		Killed
Municipal Council official		8/25		Official and two family members killed
Dawa Party official		9/2		Killed
Al-Iraqiya official		9/4		Survived; bodyguard wounded
Ministry of Housing senior official		9/5		Survived

TARGETS/VICTIMS	LOCATION	DATE	CIRCUMSTANCES	RESULT
Advisor to the Governor of Qadisiya province		9/6		Wounded; tribal chief wounded
Tribal leader		9/6		Killed
Former Provincial Council official		9/6		Killed
2 Social Care Office officials		9/7		2 officials killed
Radio journalist/protest organizer		9/8		Killed
Sunni imam		9/12		Killed
Provincial Council Chairman		9/15		Survived
Ninewa Governor		9/16		Survived; bodyguard wounded
Sheik working in Baghdad		9/19		Killed
Ministry of Foreign Affairs official		9/24		Killed
Municipal Council chairman		9/25		Survived; bodyguard wounded
Ministry of Human Rights DG		9/25		Killed
Imam		9/26		Survived; companion killed
Senior Ministry of Finance official		9/26		Killed
Senior Ministry of Health official		9/26		Killed
Judge		9/26		Wounded
Tribal leader		10/2		Killed along with bodyguard
Town mayor		10/5		Killed
Representative of Grand Ayatollah al-Sistani		10/5		Wounded
Council of Ministers official		10/9		Survived

Continued in next column

RULE OF LAW

As of September 30, 2011, the United States had obligated \$2.50 billion and expended \$2.21 billion to improve the rule of law in Iraq.²⁰⁶ U.S. Embassy-Baghdad's Office of the Rule of Law Coordinator (RoLC) is responsible for coordinating most ongoing U.S. programs supporting Iraq's judicial system, correctional system, and law-enforcement and anticorruption entities.

Iraqi Anticorruption Developments

COI Annual Report for 2010

This quarter, the Commission of Integrity (COI) released the official English-language version of its "Annual Report for 2010." Overall, the report concluded that, while the COI has made substantial strides in combating corruption against low-level officials engaged in simple bribery, the agency remains largely incapable of pursuing complex cases against senior officials. The following are key findings of the report:²⁰⁷

- The "COI is not yet a fully independent agency and has received poor support from the government."



Judge Alla'a Jwad Hameed, the new acting COI Commissioner. (COI photo)

- The inability of Iraqi anticorruption agencies to prevent, detect, and deter corruption in the banking sector allows malign actors to illegally transfer public funds into overseas accounts.
- GOI law-enforcement agencies continue to use outdated investigative techniques.
- The public sector remains vulnerable to improper interference from politicians seeking to obtain illegitimate benefits.
- Notwithstanding recent sloganeering to champion transparency and accountability, some senior GOI officials "continue to resist true accountability."
- Senior GOI officials "with strong political connections [have] become more powerful than even the law or the Constitution."

For a summary of the COI's quantitative findings about corruption in 2010, see SIGIR's July 2011 Quarterly Report.

Departure of Acting COI Commissioner

On September 8, 2011, the acting COI Commissioner, Judge Raheem al-Ugaili, submitted a letter to Prime Minister al-Maliki and the CoM formally requesting approval to leave his post.²⁰⁸ Although the 44-year-old jurist was appointed by Prime Minister al-Maliki in January 2008, the CoR never voted to confirm him for a full five-year term, as required by Coalition Provisional Authority (CPA) Order 55. As such, Judge Raheem operated under a cloud of political uncertainty from the beginning of his tenure, making it difficult for him to conduct effective oversight. In recent months, he had grown increasingly outspoken about the deleterious effects of public corruption, denouncing fraudulent government contracting practices and political interference in law-enforcement activities.

Some members of the CoR Integrity Committee launched a brief campaign urging Judge Raheem to

In recent months, Judge Raheem had grown increasingly outspoken about the deleterious effects of public corruption.

reconsider his decision, or at least to appear before them and testify about corruption in Iraq.²⁰⁹ In his letter declining to appear before the CoR Integrity Committee, he identified the lack of political support for his oversight work as the main reason behind his decision.²¹⁰ Moreover, he stated that he “abandoned his post as a sincere response to the... call for his resignation in one of [the Prime Minister’s] television interviews.”²¹¹ Commenting on the pervasiveness of public corruption in the GOI, Judge Raheem observed:²¹²

- Fighting corruption requires systems, policies, and legal rules and cannot be undertaken by just one man.
- Looting public funds is “the hidden part of the struggle for power in Iraq today.”
- Meddling by politicians in law-enforcement matters is adversely affecting efforts to combat corruption.

In closing, Judge Raheem expressed pessimism about the future of GOI anticorruption efforts, stating that “the corruption portfolio is heading toward more confusion, perplexity, and politicization.”²¹³ As of October 1, Judge Raheem had returned to a position in the Iraqi judiciary.²¹⁴

Judge Raheem was the COI’s third Commissioner, following Musa Faraj, who served as acting Commissioner for several months in late 2007, and Judge Radhi al-Radhi, who headed the COI from its founding in 2004 until September 2007, when

he sought refuge in the United States because of threats against his life.²¹⁵ In testimony to the U.S. Congress in 2008, Judge Radhi echoed many of the sentiments expressed by Judge Raheem, citing political interference as one of the main obstacles to the COI’s work.²¹⁶

New Leadership at the COI

In late September, Chief Justice Medhat submitted to the Prime Minister the names of three potential replacements for Judge Raheem: Judge Alla’a Jwad Hameed, Judge Hayder Hanoun, and Judge Saad Jaryan. As widely expected, the Prime Minister selected his close ally, Judge Alla’a, to replace Judge Raheem as acting Commissioner. He took over after a brief interregnum during which the COI was managed by its Kurdish Deputy Commissioner, Judge Ezzat Tawfiq. Acting Commissioner Alla’a has not been confirmed by the CoR.²¹⁷

New Anticorruption Laws

Within weeks of Judge Raheem’s departure, the CoR passed new laws restructuring the Board of Supreme Audit (BSA) and COI. As of mid-October, the new laws had not been published in the *Official Gazette*—and thus have yet to enter into force.²¹⁸ The CoR continues to debate a new law for the inspectors general (IGs).

The most significant feature of both of these laws is that they provide the CoR—not the Prime Minister and the CoM—with the authority to appoint the heads of both organizations and oversee their operations. But, in general, the new laws maintain the anticorruption framework established by the CPA. The COI remains the primary anticorruption agency through which allegations of corruption must pass before being sent to the judicial system for adjudication.

While the new BSA law is largely similar to the legal authorities governing its operations since 2004, the new COI law alters the Commission’s authorities in several significant ways. Table 4.6 lists the major new features of each. For example, the new COI law removes from the Commission

The most significant feature of these laws is that they provide the CoR—not the Prime Minister and the CoM—with the authority to appoint the heads of both organizations and oversee their operations.



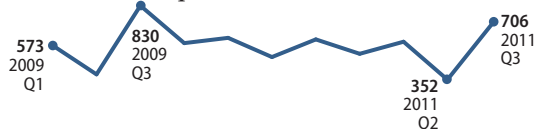
CoR members vote for the new COI law in September 2011. (GOI photo)

the authority to investigate allegations of official incompetence or negligence. This change may prove to be a double-edged sword. Previously, the COI had been accused by some GOI officials of prosecuting a large number of cases involving actions that involved little more than paperwork errors or administrative mistakes, clogging the judicial and correctional systems with trivial matters. But as several COI officials recently pointed out to SIGIR, often the only way to pursue some major fraud cases was to focus on erroneous paperwork and procedural improprieties because the COI lacked the investigative capacity to conduct more sophisticated investigations. The security situation and the COI's limited resources often forced it to rely on examining documents, in lieu of, for example, technical surveillance or undercover operations.²¹⁹ In addition, Iraqi courts tend to be generally more amenable to accepting documentary evidence.

The full impact of statutes passed by the legislature will only be known once the CoM and the two agencies draft implementing regulations defining the scope of the authorities granted to them by these statutes. But according to the COI and BSA officials, the laws' clear affirmation of both agencies' independence from the Prime Minister and the CoM enhances their apolitical nature and lessens the chance they could be used to prosecute opponents of the government.²²⁰

Recent COI Investigative Activity

The COI reported that the number of active corruption cases this quarter was more than double what it was last quarter:²²¹



The number of cases referred to investigative judges (IJs) rose by about the same degree:²²²

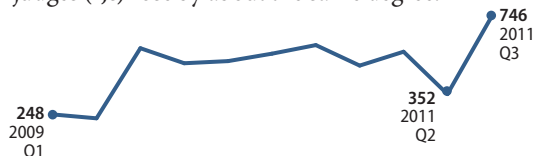


TABLE 4.6

SELECTED FEATURES OF NEW LAWS FOR BSA AND COI

BOARD OF SUPREME AUDIT
Authorizes the CoR to appoint the BSA President
Reaffirms that the BSA is lead GOI audit agency
Calls for the BSA to perform any audit requested by the CoR
Provides the BSA authority to ask the relevant minister to suspend or fine employees under investigation for violations
Provides for a new legal department in the BSA
Obligates the BSA to inform the Attorney General, the COI, or "other investigative agencies based on their jurisdiction" about every financial violation if it constitutes a crime
Authorizes the BSA to conduct an administrative investigation into a financial violation that it discovers in agencies that do not have IGs, or if an IG fails to complete an investigation within 90 days from when it was notified of the violation by the BSA
Places the BSA in charge of supervising monetary oversight bodies in the regions
Provides the BSA jurisdiction over "any entity" whose bylaws state that it falls under BSA oversight, including political parties, and claims jurisdiction over private companies and international donors doing business with the GOI
Specifies that the BSA has no jurisdiction over the judiciary
COMMISSION OF INTEGRITY
Authorizes the CoR to appoint the COI Commissioner
Reaffirms that the COI is primary GOI anticorruption agency
Expands COI authority to include jurisdiction over investigations of corruption in the MOD and MOI (previously, a special court heard cases involving MOD and MOI personnel when there was not a civilian victim)
Expands COI authority to include jurisdiction over investigations of graft, which is defined as the possession of unexplained wealth
Rescinds COI authority to investigate alleged crimes involving the escape of prisoners and negligence or incompetence in office
Replaces COI power to investigate human-rights violations with the ambiguous authority to investigate allegations involving officials exceeding "job powers"
Establishes a new department in the COI dedicated to the recovery of stolen funds
Leaves ambiguous the nature of the relationship between the COI and the new Kurdistan Regional Government Commission on Public Integrity

Sources: COI and BSA officials, information provided to SIGIR, 10/2011; 2011 Law of the Commission of Integrity; 2011 Law of the Board of Supreme Audit.

According to International Criminal Investigative Training Assistance Program (ICITAP) advisors working with the COI, these spikes were attributable to the COI receiving a large number of corruption cases from several IG offices, and subsequently forwarding these to the IJs for adjudication.²²³

Often the only way to pursue some major fraud cases was to focus on erroneous paperwork and procedural improprieties.

Effects of the Repeal of Article 136(b)

On June 13, 2011, the Official Gazette published the law repealing Article 136(b) of the Iraqi Criminal

In conversations this quarter with SIGIR, Iraqi anticorruption officials reported that it is too soon to assess the impact of Article 136(b)'s repeal.

Procedure Code, which had allowed ministers to immunize their subordinates from prosecution. While the repeal makes it easier for the COI and other law-enforcement agencies to pursue legal action against suspected wrongdoers, it also removes one of the only procedural safeguards against politically motivated prosecutions. In conversations this quarter with SIGIR, Iraqi anticorruption officials reported that it is too soon to assess the impact of Article 136(b)'s repeal.²²⁴

New Anticorruption Court in Baghdad

On August 25, the Higher Judicial Council (HJC) announced the creation of a second investigative tribunal in Baghdad that will specialize in corruption cases. Like the extant Baghdad corruption court, this new body will comprise three investigative judges and two public prosecutors. It will be supervised by the Chief Judge of the Rusafa Federal Appellate Court, in conjunction with other HJC officials. In meetings with SIGIR, Iraqi anticorruption officials have often remarked about the need for additional judicial capacity to handle the deluge of corruption cases that must go before an investigative judge for adjudication. Although the docket has cleared considerably since earlier years when terrorism cases created an enormous backlog, the new court will lighten the workload of the other panel, which completed 1,605 cases in the first seven months of 2011.²²⁵

International Support for Anticorruption Training

On August 23, the COI and International Anti-Corruption Academy (IACA) signed a memorandum of understanding formalizing the cooperative relationship between the two organizations. Under the terms of the agreement, the IACA—a UN-supported agency based near Vienna, Austria—will assist the COI in designing and delivering professional-development and ethics courses for GOI officials. These courses will be conducted at the Iraqi Academy for Fighting Corruption (IAFC) in Baghdad and other locations overseas.²²⁶

Major Iraqi Corruption Developments

Recent developments in other significant corruption matters included:²²⁷

- COI investigators, working with U.S. and third-country officials, recovered more than \$100 million in stolen Iraqi funds from overseas bank accounts. This recovery was largely due to the joint efforts of DoS and the Department of the Treasury.
- In June, suspicious fires broke out in the file-storage areas of the Court of Cassation building in Baghdad and the MOI, destroying case files on sensitive terrorism investigations.
- On June 19, COI personnel detained an intelligence officer engaged in bribery.
- In late June, COI and ISF personnel arrested a judge who was in possession of several hundred thousand dollars in counterfeit U.S., Iraqi, and Iranian currency.
- In late June, the COI also captured three individuals in Basrah who had been impersonating COI investigators for the purpose of soliciting bribes.
- In early August, the Rusafa Criminal Court sentenced a colonel working in the national identification card office to four years in prison for accepting a bribe earlier this year.
- Several weeks later, the Rusafa Criminal Court sentenced the former commander of an MOI quick-reaction force to two years in prison for accepting a bribe.
- In September, the former Director General in charge of a state-owned food-trading company in Muthanna province was sentenced to five years in prison for embezzling government funds. His deputy received a seven-year sentence.
- In mid-September, a COI undercover operation led to the arrest of several GOI officials involved in a scheme to fraudulently convey more than 100 properties.

New KRG Anticorruption Agency

This quarter, the Kurdistan Regional Government (KRG) passed a law creating an independent anti-corruption agency modeled on the COI—the KRG Commission on Public Integrity (KRG CPI). With broader powers and greater prosecutorial discretion than the COI, the KRG CPI may emerge as one of the Kurdistan Region’s primary law-enforcement agencies. Table 4.7 summarizes the authorities of the KRG CPI. For more on law-enforcement activities in the Kurdistan Region, see the special section in this Report, “Focus on the Kurdistan Region.”²²⁸

U.S.-funded Capacity-development Programs

As part of the 2008 Strategic Framework Agreement (SFA), the United States and Iraq agreed to cooperate on a variety of rule-of-law issues, including improving the capabilities of Iraqi law-enforcement and anticorruption agencies, combating transnational criminal activities, and furthering the professional development of the Iraqi judiciary. To that end, the United States and the GOI established a Rule of Law Joint Coordination Committee (JCC) in 2009. The JCC last met on April 3, 2011, when Deputy Attorney General for the Department of Justice (DoJ) James Cole visited Iraq. He co-chaired that meeting with Medhat al-Mahmoud, the Chief Justice and President of HJC. During this meeting, the primary focus was on the transfer of detainees held by USF-I, the security of Iraqi judicial officials, and the implementation of Police Development Program under the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL).²²⁹

Anticorruption Efforts

INL’s Anticorruption Coordination Office (INL/ACCO) manages remaining U.S. assistance for Iraq’s primary anticorruption agencies: the COI, the IGs, and the BSA. In late September,

TABLE 4.7
AUTHORITIES OF KRG COMMISSION ON PUBLIC INTEGRITY

LEGAL PROVISION	EXTENT OF AUTHORITY
Relationship to the Judiciary	Explicitly defined as an arm of the judiciary with investigators provided by the judicial branch
Financial Disclosure	Can promulgate regulations for KRG officials and prosecute cases based solely on existence of unexplained wealth; can levy fines for delinquent filings
Financial Controls	Can regulate the administration of public funds, including issuing regulations on spending and procurement
Political Parties, NGOs, Unions, etc.	Can regulate and investigate activities
Jurisdiction over Police and Armed Forces	Not exclusive; KRG MOI and MOD officials can investigate their own personnel
Administrative Remedies	Can refer minor matters for administrative resolution by appropriate internal government body
Seizures	In cases involving unexplained wealth, courts can seize for security the wealth of the investigative subject
Appointment of Leadership	The Iraqi Kurdistan Parliament (IKP) elects President of KRG CPI by two-thirds vote from among three candidates chosen by KRG Judicial Council
Dismissal of KRG CPI President by IKP	If convicted of a misdemeanor or dishonorable felony; for grave professional negligence; and/or for abuse of authority

Sources: KRG ministers, meetings with SIGIR and information provided, 9/25–28/2011; KRG, Law Number (3) of 2011, “The Kurdistan Region Commission on Public Integrity Law-Iraq.”

INL/ACCO’s liaison to these agencies returned to the United States after several years of working on anticorruption matters. As of October 1, 2011, INL/ACCO is staffed by two DoS personnel and two local-national employees.²³⁰

INL/ACCO funds several programs through the United Nations Development Programme (UNDP) and the UN Office on Drugs and Crime (UNODC) to work with the Iraqi anticorruption agencies. Although INL/ACCO funds these initiatives, UN personnel implement them. Examples include a UNDP program to build capacity for Iraq’s IGs and UNODC-administered training programs on financial investigations, international legal cooperation, and computerized case-management systems.

INL/ACCO is also providing technical and programmatic support to the COI via DoJ’s International Criminal Investigative Training Assistance Program (ICITAP). In addition, INL/ACCO recently finalized support to multiple GOI agencies via DoJ’s Office of Overseas Prosecutorial

The KRG Commission on Public Integrity may emerge as one of the Kurdistan Region’s primary law-enforcement agencies.



SIGIR auditors conducting a class for Iraqi IGs in Baghdad this quarter.

Development, Assistance and Training and the Department of the Treasury’s Office of Technical Affairs Financial Crimes Advisor.²³¹

ICITAP Assistance to the Commission of Integrity

Since 2004, INL has funded a team of ICITAP advisors to train and mentor COI investigative and management personnel.²³² Recent program actions included:²³³

- institutionalization of a model for prioritizing cases and setting forth procedures to ensure the best allocation of scarce resources to high-value cases
- facilitation of a procurement-fraud investigations seminar for 14 COI personnel in collaboration with DoD’s Defense Criminal Investigative Service
- completion of a two-week train-the-trainer course for 13 COI personnel, most of whom were from the COI polygraph unit and will go on to train 5 or 6 new polygraphers later this year

This quarter, INL reported that it had received additional funding to continue supporting the ICITAP program for the COI through June 30, 2012.²³⁴ As the ICITAP program enters its final stages, key objectives include assisting the COI with its English-language training initiative, *Tumoooh* (“Ambition,” in Arabic), which supports the development of the Iraqi Academy for Fighting Corruption (IAFC)

and works with senior COI managers to improve organizational efficiency.²³⁵ In preparation for the eventual termination of the program, ICITAP is working with the UNODC officials who will provide assistance to the COI after the end of the ICITAP program.²³⁶ Plans call for UNODC to train COI personnel in asset-recovery techniques and other financial investigative methods.²³⁷

SIGIR Seminar with Iraqi Inspectors General

In 2004, the CPA created the Iraqi IG system, modeling it after federal IG offices in the United States. Iraqi IGs now serve in every GOI ministry and several other major government agencies. In May 2010, SIGIR conducted a training seminar for its audit staff in Baghdad and opened the session to top officials from the Iraqi IG community.

In a continuing effort to share SIGIR auditing techniques with the Iraqi IGs, SIGIR conducted another seminar at the COI-administered IAFC this quarter. The purpose of this seminar was to share SIGIR grant- and contract-auditing techniques and methodologies with auditors working in Iraqi IG offices and to discuss similarities and differences between SIGIR and Iraqi techniques and methodologies. Among the attendees were senior audit managers from the Ministries of Electricity, Oil, Industry and Minerals, Finance, Education, Trade, Communications, and Interior.

Law Enforcement Assistance

The United States supports several efforts to develop the GOI’s law-enforcement capacities, including INL’s new Police Development Program, which is discussed in Section 1 of this Report. Additionally, RoLC officials continued work this quarter with their GOI counterparts to build the capacity of Iraq’s institutions to address several crucial challenges, including human trafficking, money laundering, and terrorism financing:²³⁸

- In late July, RoLC personnel and staff from the International Organization for Migration (IOM) delivered 4 training sessions on combating human trafficking to 86 GOI

ICITAP is working with the UNODC officials who will provide U.S.-funded assistance to the COI after the end of the ICITAP program.

officials from the Ministry of Interior, Ministry of Labor and Social Affairs, and the Iraqi National Intelligence Service.

- The DoJ Resident Legal Advisor in Turkey hosted RoLC, GOI, KRG, and Turkish officials in Istanbul for a conference on terrorism financing and money laundering.

An INL grant of \$4.7 million is also supporting Iraqi Police training through a cooperative agreement with the International Association of Chiefs of Police that will continue through September 2013.²³⁹

Justice Programs

INL reported that FY 2011 INCLE appropriations and prior-year ESF funds deobligated and transferred from USAID will focus on:²⁴⁰

- helping the HJC and provincial courts and criminal justice institutions to identify and address significant impediments to the effective and efficient functioning of their criminal justice system
- partnering primarily with the HJC to improve Iraqi capacity to provide continuing legal education to judges and other court personnel
- developing an enhanced GOI capacity to assess and address security threats and vulnerabilities to judicial facilities and personnel
- modernizing court-administration processes to make them more transparent and efficient

Judicial Security

At least 47 Iraqi judges have been murdered since 2003.²⁴¹ U.S. Marshals Service (USMS) representatives lead U.S. efforts in assisting the HJC in improving security for the Iraqi judiciary. The goal is to assist the HJC in developing its own “Marshal-style” service, primarily through capacity-development initiatives, as opposed to direct training programs.²⁴² In July, USMS personnel oversaw a two-week training course for judicial-security personnel that was taught by Iraqi instructors who graduated from previous USMS-delivered training courses. Ten of the students were from the Ministry of Justice, and



USF-I and Iraqi officials tour the Basrah Crime Lab. (USF-I photo)

seven were from the security detail charged with protecting the President of the Baghdad Provincial Council. Graduates are expected to serve as instructors in future iterations of the course.²⁴³

A four-week personal-security detail course scheduled to begin in October 2011 was expected to serve 50 students. USMS personnel planned to attend several sessions and provide assistance when requested to do so by the HJC instructors.²⁴⁴

Legal Administration

Among the initiatives aimed at modernizing Iraq’s court administration, INL funded:²⁴⁵

- a \$4.5 million grant to the National Center for State Courts for judicial-sector-administrative reform (concludes in September 2012)
- a \$1.4 million grant to the Institute for International Law and Human Rights for digital record management and archiving (concludes in April 2012)

The United States is also moving forward with a \$4.2 million ESF-funded pilot program to help the Ministry of Justice (MOJ) modernize its Real Estate Registry Office (RERO). In late June, U.S. Ambassador James Jeffrey and the MOJ signed a Commemorative Agreement marking the launch of this effort to automate record-keeping processes at RERO headquarters in Baghdad and at six branch offices. As part of this joint initiative, the MOJ has allocated \$10 million to modernize all 90 RERO offices throughout Iraq.²⁴⁶

At least 47 Iraqi judges have been murdered since 2003.

USAID's Access to Justice program awarded the first round of grants to enhance the provision of legal assistance to underserved and disadvantaged populations in Iraq.

Legal Assistance

On September 14, 2011, USAID's Access to Justice program awarded the first round of grants to Iraqi NGOs, law schools, and other civil society programs to enhance the provision of legal assistance to underserved and disadvantaged populations in Iraq. These groups include women, widows, divorcees, orphans, IDPs, minorities, the disabled, and persons who lack formal identity documents. Grants in the first round had a combined value of more than \$1.2 million and were distributed through 15 separate awards to Iraqi organizations. Institutions supported by this program include the Iraqi Bar Association, the Baghdad College of Law, and several Iraqi law schools. Each grant is valued at approximately \$81,000 and designated to support projects of 6–12 months duration. The Access to Justice program plans to award more than \$6 million in grants for projects in Baghdad, Erbil, Kerbala, Tameem, and Basrah.²⁴⁷

Corrections Assistance

This quarter, ICITAP reported that it had helped to train more than 15,000 MOJ correctional officers through the Iraq Corrections Program. During 2011, ICITAP continued its staffing drawdown, closing missions at Fort Suse, Khadamiya Maximum Security Prison, Khadamiya Detention Facility, Chamchamal, and Basrah. In mid-July, USF-I, working closely with advisors from ICITAP,

transferred the few remaining Iraqi detainees in U.S. custody to the Iraq Corrections Service (ICS). At the height of the insurgency, more than 25,000 detainees were in U.S. custody. During the transfer process, ICITAP advisors coordinated with the ICS to ensure that all detainees transferred were subject to a valid Iraqi arrest warrant, detention order, or criminal conviction. The ICS also assumed full control of Camp Cropper, including Compound Seven, which had housed the remaining detainees. The Camp Cropper facility is now part of the GOI's Karkh Prison.²⁴⁸

ICITAP advisors are also assisting the ICS in planning for a conference of Iraqi wardens, to be held sometime before December. The objective of the conference will be to discuss issues and challenges facing the ICS, including medical care for prisoners, management of older offenders, community reintegration, emergency management, substance-abuse issues, and the treatment of juvenile detainees.²⁴⁹

ICITAP advisors are expected to maintain a presence at the Rusafa Prison Complex, Karkh Prison, and the National Corrections Training Center until December 2011, when the program is scheduled to conclude. Until then, ICITAP plans to focus primarily on mentoring and advising senior ICS officials and managers, with a special emphasis on working with the newly appointed ICS Director General, who started work in August.²⁵⁰ ♦

ECONOMY

Driven by high crude oil prices and large government-financed public works projects, Iraq's economy is expected to register strong growth this year. The Central Bank of Iraq (CBI) projects that the gross domestic product (GDP) will grow by 9.6% in 2011. The International Monetary Fund revised its 2011 forecast this quarter, also to 9.6%—down from a projection of 12.2% made in March 2011 before concerns of slower global growth surfaced.²⁵¹

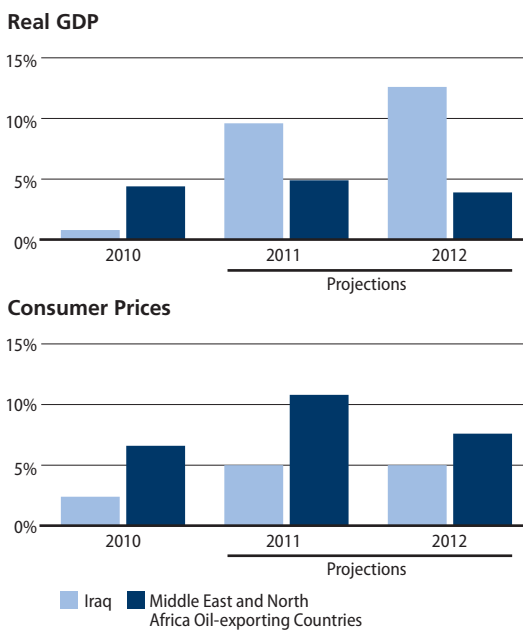
Domestic political disputes over control of the nation's oil wealth, coupled with strains on the country's aging oil export infrastructure and uncertainty about crude oil prices in a troubled global economy, all raise questions about the ability to maintain the steady rise of export earnings essential to maintaining this growth. There are also signs that political tensions with neighboring states could affect economic activity. Turkish and Iranian airstrikes in border areas have coincided with a drop in the level of foreign direct investment in the Kurdistan Region, and the Basrah provincial government at one point this quarter declared it would no longer work with companies operating in Kuwait.²⁵² For a comparison of Iraq's real GDP and consumer price growth rates with those of other Middle East and North Africa oil-exporting nations, see Figure 4.8.

Key Economic Trends and Developments

Indicators

The GOI earned \$20.68 billion in oil revenues this quarter, providing it with receipts of \$19.64 billion after an obligatory 5% payment to victims of Saddam Hussein's 1990–1991 invasion of Kuwait, as mandated by the United Nations Security Council. The total value of oil receipts constituted a decline of \$469 million over the previous quarter's

FIGURE 4.8
REAL GROWTH IN GDP AND CONSUMER PRICES, IRAQ VS. MIDDLE EAST AND NORTH AFRICA OIL-EXPORTING COUNTRIES, 2010–2012
 Annual Percentage Change



Source: IMF, *World Economic Outlook*, 9/2011, p. 99.

post-2003 record earnings of \$20.11 billion. The third-quarter performance still left the government running nearly 23% above its initial 2011 revenue projections. Indeed, crude oil receipts for the first eight months of 2011 exceeded those for all of 2010.²⁵³

The most recent official unemployment figure of 15.3% dates from 2008, but more current unofficial estimates place the number of jobless Iraqis at close to 30% if employees languishing at inactive state-owned enterprises (SOEs) are included. In part, this reflects the reality that the petroleum sector, by far the largest single contributor to Iraq's economy, provides just 1% of total employment.²⁵⁴

Public opinion data published by the Abu Dhabi Gallup Center this quarter suggested Iraqis have

Crude oil receipts for the first eight months of 2011 exceeded those for all of 2010.

Iraq's nascent stock exchange continued to buck a regional trend this quarter.

become more pessimistic about the job market and overall economic conditions in the country. Between August 2009 and March 2011, those who believed the economy was getting worse jumped from 14% to 37%, while the number of those who thought it was a “bad time” to look for a job rose from 41% in February 2010 to 65% in March 2011.²⁵⁵

Year-on-year core inflation rose to 7.61% in August—more than four times the rate for August 2010 and an increase from the 6.3% rate recorded in May 2011. Analysts cite commodity prices as a key driver of inflation. Despite the rise, Iraq remains below the 10.8% average for oil exporting countries of the Middle East/North Africa region.²⁵⁶

Despite the inflation increase, the CBI policy rate remained unchanged at 6% this quarter, as did the U.S. dollar exchange rate, which held steady at 1,170 Iraqi dinar. The CBI reported a rise in foreign currency reserves to \$58 billion this quarter, an increase of 26% from the beginning of 2011. For trends of key economic indicators, see Figure 4.10.

New Development

With the sale of crude oil accounting for more than 95% of total export earnings and nearly 90% of government income, Iraq remains effectively

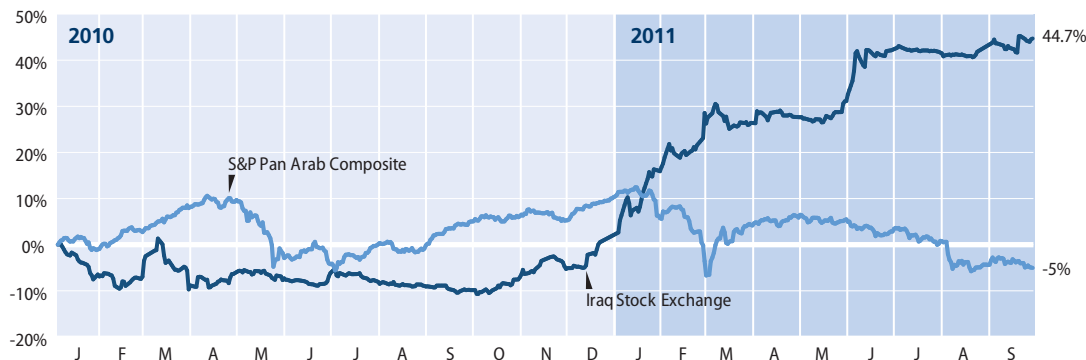
a petrostate, heavily reliant on its oil income to finance an ambitious program of infrastructure renewal.²⁵⁷ This is likely to remain unchanged at least for the next three to five years, as efforts to revive the competitiveness of non-oil sectors, such as manufacturing and agriculture, have proven difficult.²⁵⁸

Iraq's nascent stock exchange continued to buck a regional trend this quarter, rising slightly as the Standard & Poor's (S&P) Pan Arab Composite Index of equity markets in 11 other Middle East and North Africa nations fell. Although still small even by regional standards, the Iraq Stock Exchange can be read as a barometer of both confidence in and long-term potential of the Iraqi economy.²⁵⁹ For a comparison of the Iraq Stock Exchange Index with the S&P Pan Arab Composite Index, see Figure 4.9.

The GOI kept its infrastructure investment priorities focused on transportation, electricity, and housing this quarter. A new seaport planned for al-Faw Peninsula at an estimated cost of more than \$6 billion is one of the largest single infrastructure projects. Design work for the port is expected to be completed in the next year.²⁶⁰

A dispute over the legitimate use of coastal waterways near Iraq and Kuwait continued this quarter

FIGURE 4.9
IRAQ STOCK EXCHANGE VS. S&P PAN ARAB COMPOSITE INDEX, 1/2010–9/2011
% Change



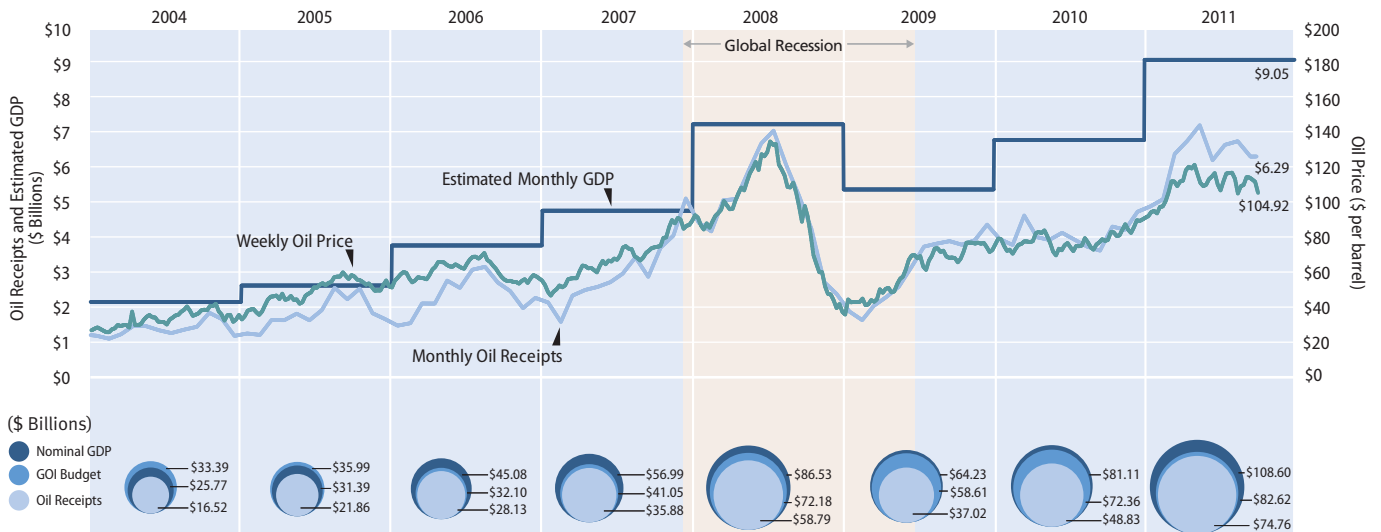
Note: The S&P Pan Arab indices include stocks from listed companies in the countries of Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, and the UAE.

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

DEVELOPMENTS IN IRAQ

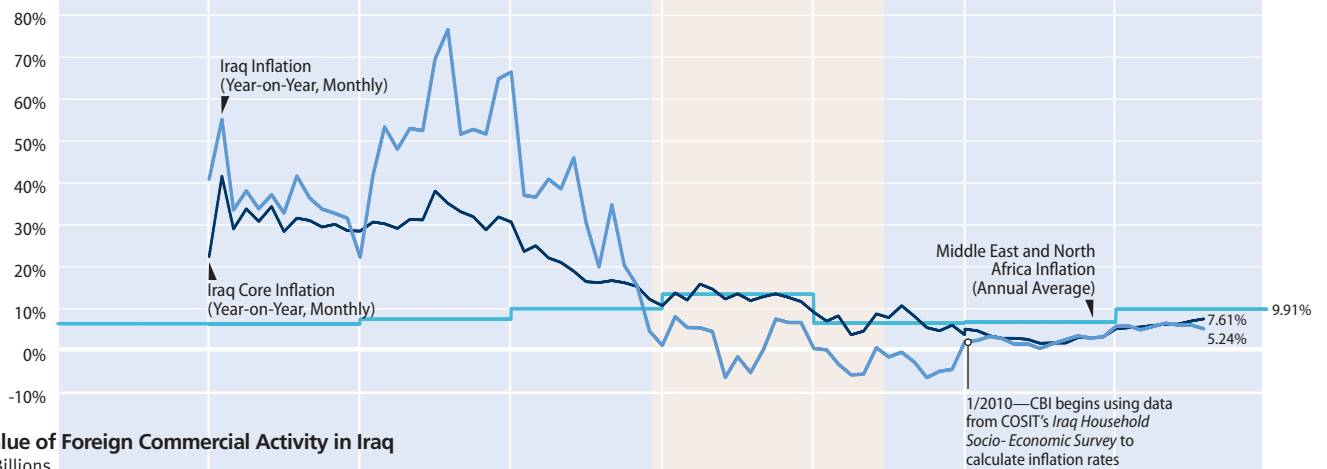
FIGURE 4.10
THE IRAQI ECONOMY, 2004–2011

Oil Price, Iraqi Oil Receipts, and GDP

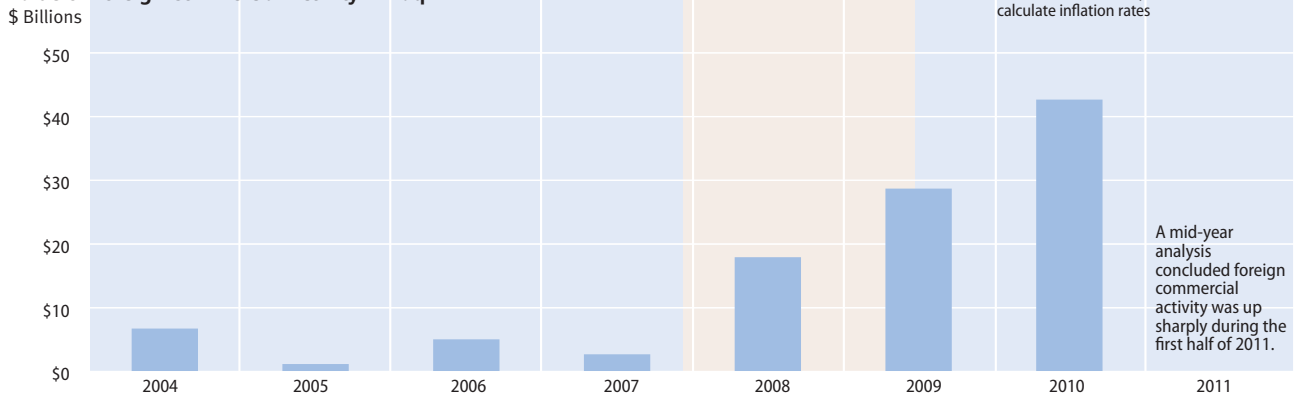


Inflation in Iraq and the Middle East/North Africa

% Change from Period End (Iraq Monthly Data) or Annual Average (Middle East and North Africa Average)



Value of Foreign Commercial Activity in Iraq



Note: Data not audited. Numbers affected by rounding. Daily oil price represented by Weekly Iraq Kirkuk netback price at U.S. Gulf. All dollar values are in current prices. GDP figures and oil receipts for 2011 are estimates.

Sources: U.S. Treasury, responses to SIGIR data calls, 4/10/2009, 2/25/2010, 6/8/2010, 7/13/2010, 10/13/2010, 4/12/2011, and 10/11/2011; IMF, *World Economic and Financial Surveys: World Economic Outlook Database*, 9/2011, www.imf.org/external/pubs/ft/weo/2011/02/weodata/index.aspx, accessed 10/12/2011; EIA, "Weekly Iraq Kirkuk Netback Price at U.S. Gulf," www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WEPCKIRK&f=W, accessed 10/12/2011; GOI, CBI, "Key Financial Indicators," 9/28/2011, www.cbi.iq/documents/key_financial.xls, accessed 10/12/2011; Dunia Frontier Consultants, "Foreign Commercial Activity in Iraq: 2010 Year in Review," 2/2011, p. 17.

as Iraq criticized Kuwait's plans to build a major port just across the Shatt al-Arab waterway that will compete with one of its own. Claims by CoR members that the Kuwaiti port would affect economic and navigational interests of Iraq prompted visits to Kuwait by officials from Iraq's Ministries of Foreign Affairs and Transportation, as well as a high-level technical committee. The committee's findings have not yet been made public, nor has the CoM taken an official position; however, tensions remained high as the quarter ended.²⁶¹

Although high-profile new investments were also announced for the Kurdistan Region this quarter, the Kurdistan Investment Commission reported a significant drop in the overall pace of foreign direct investment into the region during the first nine months of 2011. The decline coincided with a wave of public disturbances in large cities earlier in the year and Turkish and Iranian military operations against Kurdish militant groups in the region's remote northern border areas. After the Kurdistan Region drew \$3.93 billion in international investments in 2009 and \$4.76 billion in 2010, the commission reported that the level fell to \$1.05 billion for the first nine months of 2011.²⁶²

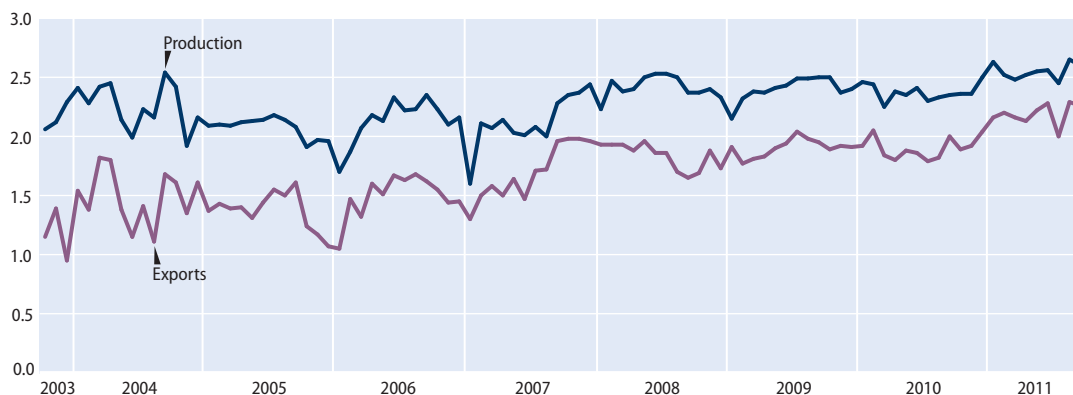
Oil and Gas

The CoM approved a draft hydrocarbon law this quarter, sending it to the CoR for debate. The proposed legislation would create a strong Federal Oil and Energy Committee headed by the Prime Minister and armed with the power to ensure policies that govern Iraq's oil and gas sector would be shaped in Baghdad. The CoM approval rekindled long-simmering tensions between the GOI and the autonomous Kurdistan Regional Government (KRG) over control of the region's oil wealth. In early September, the KRG denounced the draft law approved by the CoM, calling it "contrary to all that has been [previously] agreed with respect to the hydrocarbons law." It also accused the government of misrepresenting the draft's content to cabinet members to gain swift approval in what it called a "breach of trust."²⁶³

The CoR's Energy Committee has demanded passage of a hydrocarbon law as the price for its ratification of development contracts already signed with international oil companies (IOCs). The CoR's alternative draft law would decentralize important powers over Iraq's oil resources, especially to the Kurdistan Region.²⁶⁴ For crude oil production and export levels since 2003, see Figure 4.11.

The KRG denounced the draft law approved by the CoM, calling it "contrary to all that has been [previously] agreed with respect to the hydrocarbons law."

FIGURE 4.11
CRUDE OIL PRODUCTION AND EXPORTS, BY MONTH, 10/2003–9/2011
Million Barrels per Day



Note: Exports include crude oil from the Kurdistan Region; production figures do not.

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

The impact of the dispute was felt elsewhere in the petroleum sector. In early September, the GOI removed U.S. oil company Hess Corporation from a list of more than 40 companies prequalified to bid in the fourth licensing round scheduled for next March. It was the only listed company with commercial ties to the Kurdistan Region. A reduction of crude oil exports from the Kurdistan Region followed the CoM's approval of the draft law, although a KRG statement blamed technical problems, not politics, for the slowdown.²⁶⁵

Legislation to create a new Iraqi National Oil Company (INOC), long viewed as a companion to a hydrocarbon law, was not presented to the CoR this quarter.²⁶⁶

Crude Oil Production and Field Development

Crude oil production this quarter in Iraq's northern and southern fields was essentially unchanged from the previous quarter. The total average daily production of 2.56 million barrels per day (MBPD) was 10% above the same period last year, but below the GOI's projected average crude oil production level for 2011 of 2.75 MBPD.²⁶⁷ Crude oil produced in the Kurdistan Region—currently about 140,000 barrels per day—is not included in the national production figures.²⁶⁸

Fourth Oil and Gas Licensing Round

This quarter, the Ministry of Oil published a revised list of 46 companies it said had been qualified to participate in the fourth round of oil and gas licensing rescheduled this quarter for next March. On offer are rights to explore 12 fields, the majority of which are in areas of the country where little or no exploration has occurred previously. The updated list represented a net increase of five contenders—six new foreign oil companies from Europe and the Middle East and the removal of Hess Corporation. Nine of the listed companies are from Japan, five are from Russia, and four are from China. Three are U.S. companies: ExxonMobil, Occidental, and Chevron.²⁶⁹

Draft contracts for the new round give the Ministry of Oil the power to block commercial development of a field for up to seven years. Conversely, oil companies subjected to a development ban would have the right to break the contract and recover costs plus 5%.²⁷⁰ The provision to delay development may be another sign that the GOI has decided to step back from the production target announced last year to achieve an average output of 12 MBPD by 2017. While energy specialists have questioned whether achieving the target was possible, recent official statements from Iraqi officials indicate the GOI may have concluded such a strategy is less in Iraq's national interest than maintaining a lower peak volume over a longer time period.²⁷¹

Such a strategy shift would likely require renegotiating development contracts from earlier bidding rounds that reward operators for achieving high production targets. If the GOI elects to curtail production, those contracts require the GOI to pay field operators for oil not produced.²⁷²

Talks between the ExxonMobil-led consortium of IOCs and the Ministry of Oil continued this quarter about the technical and commercial concepts of a multi-billion dollar Common Seawater Supply Project that would provide the injection of 4 MBPD of seawater into the large southern oil fields—a process needed to recover greater amounts of crude. Initial contracts for the project could be awarded as early as the fourth quarter of 2011.²⁷³

Crude Oil Exports and Capacity Expansion

Record shipments of crude oil from al-Basrah Oil Terminal in the south this quarter were enough to offset a drop in northern exports to the Turkish Mediterranean port of Ceyhan.²⁷⁴ As a result, Iraq's exports averaged 2.18 MBPD for the quarter, 1% lower than the previous quarter, but 17% ahead of the same quarter of 2010.²⁷⁵ Northern exports fell from 573,000 barrels per day (BPD) in June to about 460,000 BPD for July and August before recovering to an average of 584,000 BPD in September.²⁷⁶

The Ministry of Oil published a revised list of 46 companies it said had been qualified to participate in the fourth round of oil and gas licensing.



Pipelines being laid off al-Faw Peninsula to connect Iraq's offshore crude oil loading facilities (now under construction) with onshore tank farms. (Leighton Offshore photo)

Iraq flared an average of 898 MCFD of gas during this period, including 751 MCFD from the southern oil fields.

The GOI this quarter moved to expand crude-oil export facilities off al-Faw Peninsula in the Persian Gulf. In August, it awarded a \$472 million, two-year contract to the Italian company Saipem to build a single-point mooring (SPM) with an export capacity of 900,000 BPD plus a 31-mile-long pipeline connecting the SPM with a crude oil storage facility at al-Faw. In mid-October, Iraq's South Oil Company announced a \$518 million contract with Australia's Leighton Offshore to construct two offshore platforms, an SPM, and a 48-inch-diameter pipeline linking the facilities to a storage farm at al-Faw. Leighton Offshore announced a \$79 million contract to build a separate SPM in the same area for completion by early 2012. The first in a series of new 900,000 BPD SPMs off al-Faw is due to begin operating in January 2012; however, there have been reports it could be delayed until late February or March.²⁷⁷

Refineries and Petroleum Products

Iraq's refineries produced significantly less diesel fuel, gasoline, kerosene, and liquefied petroleum gas (LPG) this quarter, compared with the same quarter in 2010. Diesel fuel production was down by 15%, gasoline by 27%, kerosene by 48%, and

LPG by 28%. Imports of diesel fuel rose nearly eight-fold, to 2.92 million liters per day compared with the same quarter in 2010. For the second consecutive quarter, Iraq imported no kerosene, even though domestic production declined.²⁷⁸ Gasoline imports increased by 38% over the same quarter in 2010, while imports of LPG dropped by 34%.

This quarter, the Ministry of Oil signed a provisional agreement with an Italian consortium led by Saipem to build a 200,000 BPD refinery in Kerbala province. Cost of the project is estimated at about \$6.5 billion. The GOI announcement indicated that if Saipem moved ahead with preliminary designs, a full contract for the project could follow.²⁷⁹ The Ministry of Oil also signed an initial memorandum of understanding (MOU) with the Egyptian company KALAA to build a 150,000 BPD refinery in Mosul, which would be fed by crude oil from the Najma and Qaiyarah fields. The MOU gives the contractor three years to begin construction and the option to market refinery products domestically through a chain of gas stations. Both agreements follow changes in Iraqi law made earlier this year that offer private-sector companies investing in refineries a 5% discount on crude-oil feed stocks.²⁸⁰

Natural Gas

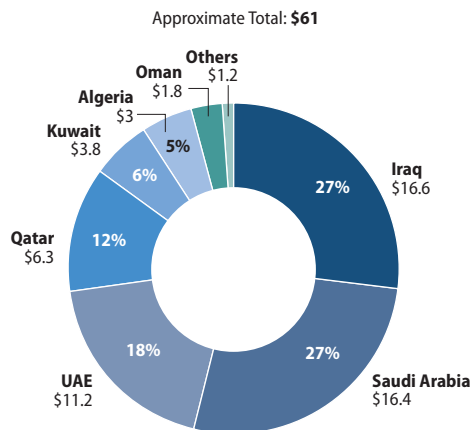
Iraq produced an average of 1,578 million cubic feet per day (MCFD) of associated natural gas during the first eight months of 2011, including 1,153 MCFD from the southern oil fields and 425 MCFD produced by North Oil Company. However, Iraq also flared an average of 898 MCFD of gas during this same period, including 751 MCFD from the southern oil fields.²⁸¹

The production figures do not include gas produced in the Kurdistan Region, where the flaring of commercial quantities of gas is illegal. The region's combustion-turbine power plants are fueled primarily by locally produced natural gas. The KRG plans to use its gas reserves to fuel future plants in the region as well as for possible export to the rest of Iraq and beyond.²⁸²



Artist rendering of planned \$10 billion extension to Baghdad's Sadr City district. (Broadway Malyan illustration)

FIGURE 4.12
DOLLAR SHARE OF MAJOR CONSTRUCTION PROJECTS AWARDED IN MIDDLE EAST AND NORTH AFRICA REGION, JANUARY–AUGUST 2011
 \$ Billions



Note: Numbers affected by rounding.

Source: Citigroup Global Markets, *MENA Construction Projects Tracker*, 9/12/2011, p. 5.

An agreement between Iraq's Southern Gas Company and Royal Dutch Shell to capture up to 700 MCFD of associated natural gas currently flared from three large southern oil fields faced criticism this quarter as it awaited final CoM approval. Opposition to an agreement has simmered ever since the GOI selected Shell for the project three years ago without public bidding and has only grown since a revised deal was initiated in July.²⁸³

Iraq concluded a second major natural gas deal this quarter, signing a contract with Korean Gas Corporation (Kogas) to develop the Akkas field in western Anbar, estimated to contain reserves of 5.6 trillion cubic feet. Approval had been held up by resistance from local tribal leaders demanding concessions in return for their support.²⁸⁴

The Ministry of Oil signed an MOU with Iran and Syria this quarter to build a \$10 billion gas pipeline that would transport natural gas from Iran's South Pars gas field, first to Iraq, then on to Syria, Jordan, Turkey, and Lebanon, and eventually to Europe. According to planners, the 56-inch-diameter pipeline would have the capacity to transport 3.9 billion cubic feet per day.²⁸⁵

The Ministry of Oil signed an MOU with Iran and Syria this quarter to build a \$10 billion gas pipeline.

Developments in Non-Hydrocarbon Areas

Construction and Housing

As the GOI's ambitious infrastructure renewal program begins to take shape, the construction industry is becoming a more significant driver of economic growth. A Citigroup study of regional markets found that, during the first eight months of 2011, the GOI awarded 23 major construction projects valued at \$16.6 billion, more than a quarter of the \$61 billion worth of such contract awards in the Middle East and North Africa region during

TABLE 4.8
SHORTAGE OF GOVERNMENT-SUBSIDIZED HOUSING IN SELECT
MIDDLE EAST AND NORTH AFRICA NATIONS, 2010

COUNTRY	TOTAL SUPPLY	TOTAL DEMAND	SHORTAGE	SHORTAGE AS A % OF DEMAND
Egypt	15,400,000	16,900,000	1,500,000	9%
Iraq	1,900,000	2,900,000	1,000,000	34%
Morocco	2,800,000	3,400,000	600,000	18%
Saudi Arabia	2,300,000	2,700,000	400,000	15%
Bahrain	190,000	230,000	40,000	17%
UAE	370,000	390,000	20,000	5%
Oman	285,000	300,000	15,000	5%
Total	23,245,000	26,820,000	3,575,000	13%

Source: Jones Lang LaSalle, "Why Affordable Housing Matters?" 9/2011, p. 9.

that period. The dollar value of the contracts was also the highest of any regional country, just ahead of Saudi Arabia's \$16.4 billion.²⁸⁶ For a comparison of the countries in the region, see Figure 4.12.

In mid-August, the National Investment Commission called together the heads of the Provincial Investment Commission to obtain commitments that sufficient land would be allocated for a publicly funded national initiative to build one million new housing units. South Korean contractors have been selected to lead two projects to build 100,000 housing units each—one in Basrah and the second in Basmaya, southeast of Baghdad. A British architectural firm this quarter delivered a concept master plan for a 6.6-square-mile, \$10 billion housing development that will be an extension to Baghdad's Sadr City with housing for more than 500,000 inhabitants. It is expected to take 10 years to complete.²⁸⁷

In August, the Ministry of Housing and Construction outlined plans to build nearly \$1 billion worth of roads, bridges, and more than 1,400 housing units in Basrah province.²⁸⁸ A report on government-supported housing in the Middle East and North Africa region published this quarter by the global property management company Jones Lang LaSalle concluded Iraq has a shortage of one million low-cost government-subsidized housing units—second only to Egypt and more

than double that of any Middle East oil-producing nation (See Table 4.8).²⁸⁹

Hilton Worldwide became the latest major international hotel group to invest in Iraq. Working under a management agreement with New York-based real estate developer the Claremont Group, Hilton plans to open a complex of 200 serviced apartments in Erbil under its DoubleTree Suites brand. The Claremont Group has applied to the Overseas Private Investment Corporation (OPIC) for a \$15 million loan to support the project, which is scheduled to open in 2013.²⁹⁰

Financial Sector Developments

Several developments this quarter focused on addressing weaknesses in Iraq's financial sector. In September, the World Bank released a financial sector review that underscored the sector's "critical" role in modernizing the Iraqi economy. The review cited as an immediate "crucial" step, the need to rid the balance sheets of non-recoverable Saddam-era loans at the Rafidain and Rasheed banks, two of Iraq's largest state-owned banks. Writing off bad Saddam-era loans has been slowed by procedures that, in many cases, carry political risk and often require cabinet-level approval.²⁹¹ Iraq's poorly managed, ill-equipped state-owned lending institutions currently handle about 85% of banking transactions in the country, leaving 39 private-sector banks with just 15% of the business. The World Bank review called on the GOI to "level the playing field" for private banks by allowing them to compete for public sector business that has long been an exclusive preserve for state-owned banks.²⁹² The Ministry of Finance this quarter announced that government agencies could once again conduct business with private banks.²⁹³

This quarter, the World Bank began implementing a four-year, \$10 million program to help restructure Rafidain Bank and Rasheed Bank—starting staff training on risk management and developing risk-management units at the banks. Work has also begun on establishing modern accounting systems. Another part of the World Bank

A report published this quarter concluded Iraq has a shortage of one million low-cost government-subsidized housing units.

TABLE 4.9
CASH-TO-DEPOSIT RATIOS OF SELECTED
INTERNATIONAL AND IRAQI PRIVATE BANKS, 2009

BANK	CASH/DEPOSITS
Standard Chartered	6.2%
JPMorgan Chase ^a	2.7%
Arab Bank, PLC ^b	23.2%
Average of 21 Iraqi Private Banks	84.8%

Note: Cash/Deposits measures the ability of a bank to meet sudden demands by depositors to withdraw funds. The near one-to-one relationship is strongly indicative of a system that is not performing its role as financial intermediary. In banking environments where there is a responsive, active interbank market (and a Central Bank willing to serve as lender of last resort), the Cash/Deposits ratio is normally extremely low.

^a As of 2/24/2010

^b As of 6/30/2009

Source: Bank financial statements provided to USAID, Private Banking Industry Survey, Iraq Financial Development Project, 4/2011, p. 45.

program is aimed at promoting smaller private-sector banks.²⁹⁴

A survey of Iraq’s private-sector banking system released this quarter concluded that private banks were ill-equipped to deal with technological developments, product development, service delivery and risk management—all strengths central to supporting growth and expansion. The survey also found that private-sector lending in 2009 amounted to 3.3% of GDP—just one-tenth the 33.5% average for all Middle East countries. The survey, the first known attempt to collect in-depth data on Iraq’s private banks, was undertaken by USAID as part of its Financial Sector Development Program. Of Iraq’s 39 private-sector lending institutions, 21 participated.²⁹⁵ For a comparison of cash-to-deposit ratios of international and Iraqi banks, see Table 4.9.

Tijara

This quarter, USAID’s Office of Inspector General (USAID OIG) released an audit of microfinance activity carried out under the *Tijara* program. The audit found that all nine microfinance institutions that received grant funds under this program had reached operational sustainability, and six of the nine had achieved financial sustainability. Additionally, all had met institutional

development targets. However, USAID OIG found that the program “lacked a clear and continuing focus on the poor as USAID policy prescribes.” The contractor also failed to calculate the number of jobs, both new and existing, that were sustained at firms receiving the microloans. Program administrators said they would implement changes to address the shortcomings by the end of 2011. The audit noted that security and logistics restrictions prevented the auditors from confirming loans and balances with borrowers.²⁹⁶

Agriculture

Iraq’s wheat crop harvested for the 2011–2012 marketing year was estimated at 2 million tons—15% below the 2010–2011 harvest of 2.3 million tons. The lower yields followed late and erratic rainfall in the northern rain-fed growing areas and reports of lower water levels and increased salinity affecting southern crops fed by the Euphrates and Tigris Rivers. The smaller harvest has raised the possibility of increased imports. Iraq is expected to import 60% of its demand for cereals for 2011–2012.²⁹⁷

Inma

Work performed under USAID’s *Inma* agricultural program this quarter included conducting training for greenhouse farming and development of a training plan to counter the effects of the *Tuta Absoluta* moth that has caused serious damage to both greenhouse and open-field crops in Iraq. USAID also reported supporting efforts to improve the production and marketing chains that add value to products and profitably to farmers through its Agribusiness Program.²⁹⁸

SOE Reform

The Ministry of Industry and Minerals (MIM) this quarter was unable to attract any formal bid for investment in SOEs under its control. MIM officials reported several inquiries and some interest—but no deals—to establish public-private partnerships (PPPs) after posting a list of SOEs

The Ministry of Industry and Minerals this quarter was unable to attract any formal bid for investment in SOEs under its control.

available for investment on the ministry's website in early August. The available SOEs included those in the pharmaceutical, ceramics, and paper-producing industries.²⁹⁹

Under a \$3 million consulting contract, McKinsey & Company is working with the World Bank to assist the MIM on two pilot PPPs involving the State Company for Mechanical Industries and a Samarra-based pharmaceutical enterprise, known as SDI. With around 40% of Iraq's 170-plus SOEs under its control, the MIM's success in attracting private-sector capital is an important factor in the GOI's efforts to revive Iraq's non-oil economy.³⁰⁰

This quarter, senior managers from 10 SOEs completed a U.S. Department of Commerce course on how to select strategic international partners to expand their business. As part of the Department's Commercial Law Development Program, the SOE managers met in Washington with private-sector attorneys to better understand the concept of business partnerships and how to negotiate joint-venture agreements. With help from the U.S. Chamber of Commerce, the SOE managers then met with executives of potential U.S. partner companies. The course was the final phase of a program that spanned four months, beginning with a two-day introductory session in Baghdad in May 2011. A two-day meeting in Istanbul with potential Turkish partner firms followed in June.³⁰¹

Public Distribution System Reform

The GOI is moving forward with plans to rein in its popular but costly and inefficient Public Distribution System (PDS), which offers a monthly food basket of up to 10 items to nearly every Iraqi household. The GOI allocated \$3.4 billion—about 6% of its total 2011 operating budget—to finance the program. The Ministry of Planning and Development Cooperation (MoPDC) is currently working with the World Bank to develop an effective strategy to identify those most dependent on the PDS for their basic food needs and then gradually eliminate distribution to others—about two-thirds of the population—over a five-year period. The

GOI plans to distribute a short questionnaire next year to collect simple household data that would be used to determine eligibility. The MoPDC and World Bank are also developing a communication strategy to sell the plan to a public already unhappy about the government's inability to provide basic services.³⁰²

Trade Developments

The *Tijara* program assisted in finalizing Iraq's Agricultural Subsidy Offer—part of the Initial Goods Offer—a component of the country's World Trade Organization (WTO) application process. It also helped finalize Iraq position papers on construction, environmental, and distribution services commitments needed for WTO entry. In addition, USAID provided training on WTO business services to government and private-sector employees. The workshop prepared a draft position paper on business services, another component of the WTO-required Initial Services Offer.³⁰³

The Export-Import Bank issued two insurance policies this quarter: one in the amount of \$20 million and another for \$5.2 million. Both were taken out by J.P. Morgan to cover letters of credit issued by the Trade Bank of Iraq.³⁰⁴

This quarter, U.S. Embassy-Baghdad expanded and renamed its IOC Support Team to cover all U.S. companies doing business in Iraq. The new IOC/Commercial Support Team now includes U.S. government agencies able to assist U.S. companies operating in Iraq across a broad range of issues, including transportation, banking, economic development, security, and regulatory information. For example, the support team reported working with Iraqi immigration officials to clear a backlog of 250,000 visa requests this quarter.³⁰⁵

An updated DoS travel warning for Iraq issued this quarter “warns” U.S. citizens against all but essential travel to Iraq given the dangerous security situation. The new advisory replaces an April 2011 DoS travel warning that “recommends” against all but essential travel. The tougher wording has complicated efforts for those working to promote U.S.

The GOI is moving forward with plans to rein in its popular but costly and inefficient Public Distribution System.

DEVELOPMENTS IN IRAQ

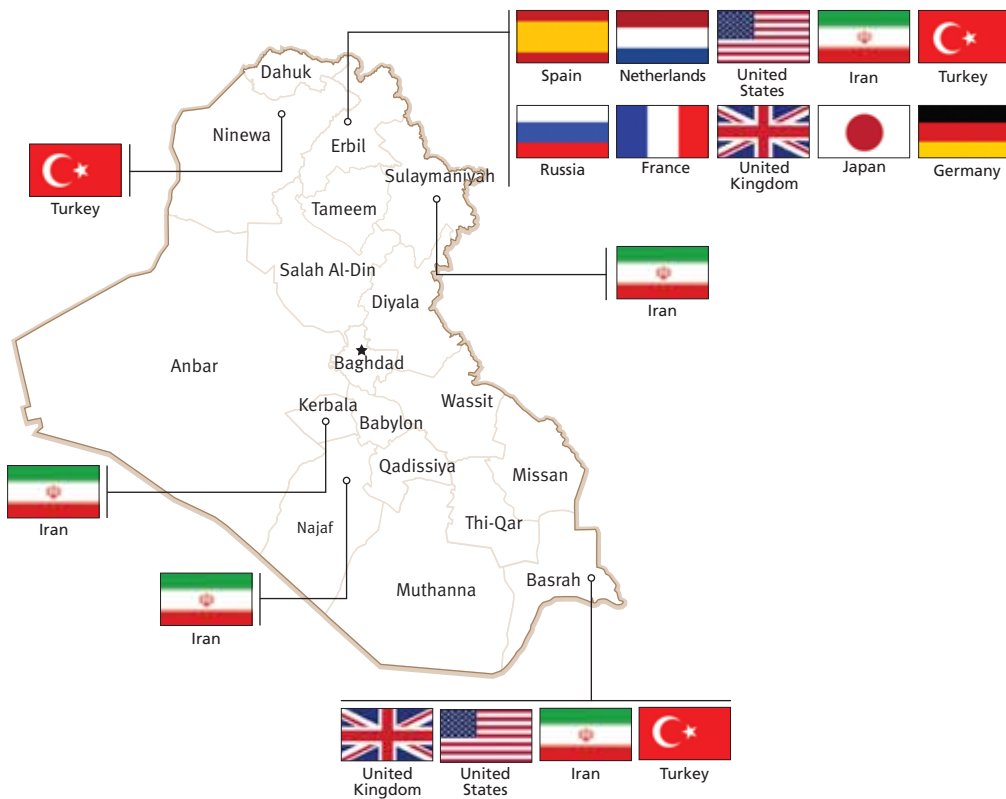
trade and investment in Iraq. The U.S. Chamber of Commerce described the advisory as understandable but discouraging.³⁰⁶

Some U.S. companies whose representatives traveled to Iraq in June as part of a Chamber of Commerce-sponsored trade mission returned to Iraq this quarter to explore specific business opportunities in greater depth. They conducted talks with local and provincial officials; however, no contracts were signed. One business model under consideration is to produce goods elsewhere in the region that would then be imported into Iraq for distribution.³⁰⁷

Members of the U.S. business community dealing with Iraq say they lean heavily on U.S. Embassy-Baghdad and consulates in Basrah and Erbil.³⁰⁸ There are currently two U.S. Foreign Commercial Service officers based in Iraq, both at U.S. Embassy-Baghdad. A locally hired commercial specialist works at the U.S. Consulate in Erbil.³⁰⁹ A majority of consulates and embassies located in Iraq provide resources to potential investors and businessmen from their respective countries. For a map of diplomatic missions in cities outside Baghdad, see Figure 4.13. ♦

The U.S. Chamber of Commerce described the advisory as understandable but discouraging.

FIGURE 4.13
FOREIGN CONSULATES IN IRAQ, 8/2011



Note: Graphic does not display the 45 embassies and other international diplomatic missions located in Baghdad.

Source: MoFA, "Foreign Missions in Iraq," www.mofa.gov.iq/eng/DiplomaticMissions/default.aspx?sm=52, accessed 8/8/2011.

PUBLIC SERVICES

U.S. efforts to improve public services in Iraq have scaled down significantly since the height of the reconstruction program. Both the number and the size of active projects continue to decrease.

At the end of September 2010, for example, the U.S. Army Corps of Engineers (USACE) reported that it had 94 ongoing U.S.-funded projects in the electricity, water, transportation and communications, health, and education sectors, with a combined value of almost \$368 million. Most were for the renovation or construction of facilities.³¹⁰ At the end of this quarter, USACE had just 12 active projects in these sectors, collectively valued at less than \$38 million, plus an additional 7 in the pre-award stage. All of these 19 ongoing and planned projects were scheduled for completion no later than September 2012.³¹¹

The largest ongoing U.S.-funded public services project is only indirectly related to physical infrastructure. Awarded in March 2011, the \$74.8 million, USAID-funded Primary Health Care Project in Iraq provides technical assistance to the Ministry of Health intended to improve the quality of primary health care services throughout the country.³¹²

Iraq's electricity demand was almost twice the available supply, resulting in the largest monthly shortfall to date.

Electricity

Supply and Demand

Iraq's electricity supply on the grid and estimated demand both reached record levels in July. Total supply averaged 175,580 megawatt-hours (MWh) per day, or 7,316 megawatts (MW). Each of the two components of current supply, power-plant production within Iraq and electricity imports from Iran, also achieved all-time highs. Demand, however, was almost twice the available supply—336,900 MWh per day, or 14,038 MW—resulting in a 6,722 MW supply-demand gap, the largest monthly shortfall to date.³¹³ Figure 4.14 shows the monthly and 12-month rolling national averages for electricity supply and demand from January 2009 through July 2011.

As discussed in SIGIR's July 2011 Quarterly Report, as well as in the feature on the Kurdistan Region in this Quarterly Report, the aggregated supply and demand figures for the entire country mask the differences between the situations in the Kurdistan Region and the rest of Iraq. While the Ministry of Electricity (MOE) is currently struggling to provide at least 8 hours of electricity per day to consumers in the 15 provinces served by its transmission and distribution network,³¹⁴ KRG officials reported that consumers in the Kurdistan Region started experiencing full days of uninterrupted power this fall, though they expect this to drop back to 18 hours per day when demand peaks in the winter.³¹⁵

SIGIR will report supply and demand data for the July–September quarter once the updated data is made available.

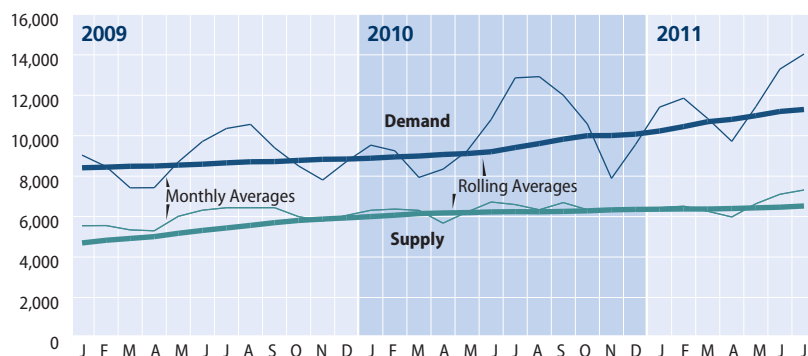
Power Generation

Diesel Power Plants

In March 2011, the MOE announced a fast-track plan to close the supply-demand gap by the middle of 2012. This would be accomplished by building

FIGURE 4.14
AVERAGE IRAQI ELECTRICITY SUPPLY AND ESTIMATED DEMAND,
BY MONTH, 1/2009–7/2011

MW, Monthly and 12-month Rolling Average



Sources: ITAO/ESD, *Electric Daily Performance Reports*, 2/1/2008–7/27/2011.

50 new 100 MW diesel power plants, some of which would be completed by the end of 2011.³¹⁶ At the end of this quarter, however, no contracts were in place, and no construction work had begun.

After the plan was made public by the MOE and approved by the CoM, the MOE reduced the number of planned plants to 40 and entered into deferred-payment contracts with three companies to build them: STX Heavy Industries of South Korea (25 plants); Canadian Alliance for Power Generation Equipment, or CAPGENT (10 plants); and Maschinenbau Halberstadt (MBH) of Germany (5 plants). But the plan was derailed this quarter by problems with STX over contract terms and by allegations that CAPGENT was a “fake” company and that MBH had declared bankruptcy.³¹⁷ In the wake of these revelations, the following events ensued:

- On August 3, the MOE canceled the contracts with CAPGENT and MBH.³¹⁸
- On August 8, Prime Minister Nuri al-Maliki asked Minister of Electricity Ra’ad al-Ani to resign.³¹⁹
- On August 17, al-Ani and Deputy Prime Minister for Energy Affairs Hussein al-Shahristani testified on these matters at a CoR hearing.³²⁰
- On August 18, al-Ani resigned.³²¹
- On September 13, the CoM approved a modified version of the contract with STX, reducing the number of plants that STX would build from 25 to 9.³²²
- On October 10, the CoR approved the appointment of Abdul Karim Aftan as the new Minister of Electricity.³²³
- On October 12, in a meeting with the MOE’s upper management, Aftan said that he was “personally committed to fix all the problems of the ministry” and expects the MOE to provide “more hours of service to the people.” He also said that the ministry must “establish credibility with the media and with the public” and set realistic time frames for improving the electricity situation only after research and deliberation.³²⁴

For additional information on the change of leadership at the MOE, see the Governance subsection of this Report.

In an apparent effort to get the short-term plan back on track, al-Maliki and al-Shahristani met with representatives from U.S. manufacturing company Caterpillar Inc. on September 8 to discuss how Caterpillar could help Iraq add new diesel generating capacity by next summer. U.S. Ambassador James Jeffrey also attended the meeting.³²⁵

Unrelated to the fast-track plan unveiled in March, the MOE announced on September 4 that it had completed construction of eight 30 MW diesel plants, more than two years after the originally scheduled completion date. With a combined nameplate capacity of 240 MW, these plants are located in Anbar, Baghdad, and Basrah provinces, and each plant has twelve 2.5 MW generating units. These units were part of a \$380 million order for 144 units (360 MW total) that the MOE placed with Hyundai Heavy Industries in June 2008. At the time, the new plants were expected to be completed by April 2009. Hyundai delivered the generating units in batches between February and June 2009. According to the MOE’s recent announcement, the remaining units (totaling 120 MW of new capacity) were already installed in plants in Baghdad and were undergoing test runs before being put into service.³²⁶

The MOE also reported this quarter that a third diesel-powered floating power plant had arrived in Basrah. Built and owned by Karadeniz Energy Group of Turkey, this “powership” has a generating capacity of 108 MW. The three plants now moored in southern Basrah have a combined nameplate capacity of almost 400 MW.³²⁷

Combustion Turbine Plants

In September, the CoM approved a \$308 million contract with Hyundai to build the 1,500 MW al-Rumaila power plant and a \$349 million contract with Metka SA of Greece to build the 1,250 MW Shatt al-Basrah plant. Al-Rumaila plant would be the first to be built using combustion turbines

The plan was derailed this quarter by problems with STX over contract terms and by allegations that CAPGENT was a “fake” company and that MBH had declared bankruptcy.

purchased under the December 2008 “Mega Deal” with Siemens. The Shatt al-Basrah plant would use turbines purchased under the General Electric (GE) Mega Deal. Under the terms of the engineering, procurement, and construction (EPC) contracts, these projects must be completed within two years.³²⁸

Also this quarter, GE signed a 12-year agreement with Mass Global Investment Company to supply repair services and parts for the combustion turbines at the three power plants that Mass Global owns and operates in the Kurdistan Region. Under the agreement, GE also will provide technical training for Mass Global’s engineers.³²⁹ The nameplate capacity of the three plants currently totals 1,875 MW and is expected to increase to 2,250 MW later this year after two turbines are added to the plant in Erbil and one is added to the Sulaymaniyah plant.³³⁰ For more on the electricity situation in the Kurdistan Region, see the Focus on Kurdistan section of this Report.

Transmission and Distribution

Based on the news releases it issued this quarter, the MOE appears to be placing a high priority on making its transmission and distribution of electric power more equitable and reliable. Among other recent measures, the MOE reports that it has done the following:

- taken disciplinary or administrative action against distribution managers and substation operators who caused power imbalances by overriding the provincial quotas set by the national control center, and also appealed to provincial officials to stop pressuring managers and operators to ignore the quotas³³¹
- stepped up its campaign, in conjunction with law enforcement, to stop citizens from illegally tapping into the national grid³³²
- developed a plan to replace the dilapidated overhead distribution lines in Baghdad with underground lines to protect them from damage caused by weather and unauthorized tampering³³³

- received bids from eight companies for the construction and equipping of distribution control centers in seven provinces to ensure fair distribution and improve the technical performance of the system³³⁴

U.S.-funded Electricity Projects

As of September 30, 2011, the United States had obligated \$5.08 billion and expended \$4.99 billion to improve Iraq’s generation, transmission, and distribution of electricity.³³⁵

USACE reported that it completed four electricity projects in Iraq this quarter. With a combined cost of \$13 million, the four completed projects used ESF funds for the procurement of equipment: \$6.8 million for substations in Diyala, \$3 million for a substation in Ninewa, and \$3.2 million for two projects at al-Musayab combustion-turbine plant in Babylon. The one ongoing project at the end of the quarter was a \$4 million effort, also funded by the ESF, to commission two generating units at al-Musayab plant. According to USACE, that project is behind schedule because of contractor inefficiency and is not expected to be completed before the end of December.³³⁶

Four planned ESF-funded projects are in the pre-award stage and had not started as of the end of the quarter. The largest, valued at \$1.5 million, is for an electrical transmission system study and master plan. Under this project, a consultant would use data from recent power outages to recommend corrective actions that will improve system reliability. The effort would also provide training and equipment to MOE engineers so they can better protect the ministry’s 400-kilovolt (kV) and 132 kV transmission systems. The second largest project, with an anticipated cost of \$750,000, would assist MOE staff in producing a plan to upgrade and expand the electrical distribution system in Anbar and Basrah provinces. To be implemented in cooperation with the United Nations Development Programme, this project would continue work started as part of the *Iraq Electricity Masterplan*. The remaining two projects have a combined value of \$50,000.³³⁷

The MOE appears to be placing a high priority on making its transmission and distribution of electric power more equitable and reliable.

Transportation and Communications

As of September 30, 2011, the United States had obligated \$1.14 billion and expended \$1.08 billion to rehabilitate Iraq's transportation and communications sectors.³³⁸

Aviation

The U. S. Federal Aviation Administration continued to ban U.S. air carriers and commercial operators from flying to Iraq due to security concerns.³³⁹ However, Iraq's aviation operations continued to expand. Last quarter, Austrian Airlines became the first European carrier to resume regularly scheduled flights to Baghdad. The Austrian airline already flies to Erbil and will now also operate three flights per week between Vienna and the Iraqi capital.³⁴⁰ This quarter, three additional airlines added or announced plans to add commercial flights to cities in Iraq:

- In July, Turkish Airlines flew its first direct flight between Istanbul and Najaf. The move followed an accord reached last quarter in which Iraqi and Turkish civil aviation authorities agreed to increase flights and launch new flight destinations between the two countries.³⁴¹
- Egypt's national carrier, Egyptair, resumed flights to Iraq in August, ending a 21-year hiatus. The airline plans to fly four times per week to Baghdad and three times per week to Erbil.³⁴²
- The UAE-based carrier Emirates announced plans to begin flights to Baghdad in November 2011; it already flies to Basrah.³⁴³

Mosul Airport remained under U.S. Army control this quarter, but a commercial passenger terminal there is under Iraqi control to allow for air carrier operations. The Mosul Airport will be turned over to the Iraqis during the last quarter of 2011. U.S. Embassy-Baghdad reported Iraq's other airports—Basrah, Erbil, Sulaymaniyah, and Najaf—were under local or central Iraqi government control. At Baghdad International Airport, Iraq



Austrian Airlines announces flights to and from Baghdad.

controls the east runway while the U.S. Air Force controls the west runway. Iraqi air traffic controllers control the airspace.³⁴⁴

U.S. Embassy-Baghdad also reported that five of the six civil aviation towers were fully controlled by Iraqi air traffic controllers this quarter. The sixth—in Mosul—will come under Iraqi air traffic control before the end of the year. USF-I reported that it transferred the final sector of northern Iraq's airspace to the Iraqi Civil Aviation Authority (ICAA) on August 25. U.S. Embassy-Baghdad reported that Iraq assumed control over airspace in the middle of the country at the beginning of October 2011.³⁴⁵

According to the Embassy, progress toward meeting International Civil Aviation Organization standards was slow but improving, and several airports were expected to meet international standards. The Embassy also reported that an airports/aviation security advisor was assisting the ICAA with oversight capabilities, and that most airports now have adequate navigation equipment.³⁴⁶

This quarter, three additional airlines added or announced plans to add commercial flights to cities in Iraq.

Railroads

The \$48.1 million ESF-funded Digital Microwave Radio Communication Network for Iraq's railroads was completed this quarter. According to U.S. Embassy-Baghdad, the project and all training associated with the network were completed on September 30, 2011, and the system is operating as planned.³⁴⁷

Road Construction

USACE reported that two construction projects for al-Amarah–al-Maymunah Carriageway were completed this quarter:³⁴⁸

- A \$2.1 million, IRRF-funded project to replace three highway bridges was completed in August.
- A \$4.1 million, ESF-funded project to complete construction of the 14-mile-long highway was completed on September 30.

Communications

Iraq boasts one of the fastest-growing cell phone markets in the region, with an estimated 23 million subscribers currently served by three carriers: Zain, Qatar Telecom's Asiacell, and Korek Telecom, which is partly owned by France Telecom.

In August, the CoR voted to require the three carriers to pay their entire licensing fee and outstanding regulatory fines totaling \$2.85 billion within 30 days. The CoR action overturned an earlier agreement that would have allowed the carriers to pay the amount owed over five years, though it was unclear whether the vote was binding. The fines were imposed for poor coverage and quality of service, though the carriers blamed attacks on their infrastructure for making reliable service difficult.³⁴⁹ The companies may face further fines for failing to list their stock on the Iraqi stock market. Under the terms of their 2007 licensing agreements, the three carriers had agreed to list 25% of their stock on Iraq's exchange by August 31, 2011.³⁵⁰

Earlier this year, the GOI Minister of Communications announced plans to issue a fourth mobile phone license by the end of 2011, which could raise



Bridge on al-Amarah–al-Maymunah Carriageway in Missan province. (USACE photo)

as much as \$2 billion in licensing fees. However, the recent CoR vote unfavorable to the three existing carriers could deter potential bidders worried about incurring similar fines and fees.³⁵¹

USACE reported this quarter that the Iraqi Ministry of Communications had not yet accepted transfer of the \$18.3 million IRRF-funded al-Mamoon Communication and Exchange Center in Baghdad. USACE completed construction of the center last quarter and had inspected it in preparation for turning it over to the ministry. According to USACE, the Iraqis are typically reluctant to accept completed USACE projects because of a perception that, in doing so, they will incur personal responsibility or liability for the facility being accepted. A separate USACE project, funded with \$192,000 from the ESF, is underway to provide static security at al-Mamoon facility.³⁵²

Water and Sanitation

The GOI, UNICEF, and the European Union this quarter released the findings of a survey assessing the conditions of water and sanitation services in Iraq's 18 provinces. The survey found that 79% of the population has access to the drinking water distribution network, leaving one in five Iraqis without access to safe drinking water. Access is worse in rural areas, where two in five Iraqis do not have access to drinking water networks. The survey also found that 17% of the population does

The CoR voted to require the three carriers to pay their entire licensing fee and outstanding regulatory fines totaling \$2.85 billion within 30 days.

not have access to adequate sanitation services. Fluctuations in the supply of electricity, shortages in equipment and machinery, and lack of conservation were cited as main causes for the lack of water and sanitation services. The survey was part of a \$10 million project to improve the GOI's delivery of water and sanitation services.³⁵³

U.S.-funded Water Projects

As of September 30, 2011, the United States had obligated \$2.65 billion and expended \$2.57 billion to rehabilitate Iraq's water and sanitation sectors.³⁵⁴

USACE reported that it had three ongoing ESF-funded, water-related projects at the end of this quarter. The largest was a \$7.6 million project to connect the Falluja Waste Water Treatment System to 9,116 homes by May 2012 and fund two additional trunk lines. Approximately 6,050 of the homes were connected by the end of this quarter. Additionally, USACE reported an ongoing \$150,000 project to train Falluja Sewer Department employees to operate and maintain the new treatment plant.³⁵⁵ For historical details and a summary of SIGIR's report on the system that was released this quarter, see Section 5 and the Insert to this Report.

The third active project reported by USACE is a \$1.3 million study that is collecting samples from the Shatt al-Arab waterway.³⁵⁶

Health Care

According to USAID, Iraq's health care has declined significantly in the last two decades as measured by life expectancy, child mortality, and other indicators. The country suffers from systemic challenges, including a lack of doctors and trained staff (particularly nurses), a drug distribution system plagued by weak controls, and poorly maintained infrastructure that leads to unsanitary conditions.³⁵⁷

The poor security environment has created additional obstacles to the delivery of adequate care. According to a recent issue of *The Lancet*

medical journal, an estimated 18,000 physicians—about half of the total that worked in Iraq prior to 2003—have fled the country. Iraq now has about one-fifth as many doctors and one-third as many nurses per person as Jordan. The GOI estimates that more than 600 physicians have been murdered since 2003, but the Iraqi Medical Association puts the number closer to 2,000. As a result of a deteriorating health care system, Iraq's health statistics have worsened:³⁵⁸

- Life expectancy at birth in 2010 was 58 years, down from 65 years in 1980.
- The chance of an adult dying before the age of 60 has increased almost 40% since 2000.
- The maternal mortality rate—84 per 100,000 live births—is twice as high as Jordan's.
- The infant mortality rate is 41 deaths per 1,000 live births.
- Mortality for children younger than 5 is at 45 per 1,000 live births—twice as high as Jordan's and almost three times as high as Syria's.
- Child immunization rates are down nearly 20% since 2000 and now average about 36%.

Capacity Development

USAID's \$74.8 million ESF-funded Primary Health Care Project in Iraq aims to support the Ministry of Health (MOH) in improving the delivery of services at more than 360 health clinics, with particular emphasis on maternal and neonatal care. According to its work plan for the first year, the project has three main objectives:³⁵⁹

- Help the MOH strengthen critical management systems, including development of systems and guidelines for management of primary health care clinics, development of a leadership and management training program, and establishment of a patient-records system.
- Improve the quality of clinical services by establishing standards of care, quality improvement programs, a high-quality in-service training program for continuing medical education, and a research agenda to fuel further evidence-based improvements.

Iraq now has about one-fifth as many doctors and one-third as many nurses per person as Jordan.



Primary health care center in need of repairs to prevent radiation leakage from x-ray equipment. (USACE photo)

- Work with stakeholders throughout the health care community to develop a National Statement of Patients' Rights in primary health care, along with a handbook providing guidance for effective community partnerships.

Although the project will aim to strengthen primary health care services to benefit the Iraqi population as a whole, it will also focus on increasing coverage for key vulnerable populations such as IDPs. USAID expects to work with the World Health Organization in provinces where the international agency does not plan to set up services and provinces with high numbers of IDPs and other vulnerable groups.³⁶⁰

USAID's contractor for this project has submitted a performance management plan designed "to track project performance against key indicators that are measurable qualitatively and/or quantitatively." The plan states that the contractor will implement a monitoring and evaluation system that will include performance indicators at the impact, outcome, and output levels. The plan lists 86 specific indicators. In the version of the

plan provided to SIGIR, the baselines had not yet been determined for 35 of those indicators, and first-year targets had not been determined for 37 of them.³⁶¹

USAID reported that it had reobligated \$36.7 million in funds from three other programs (community stabilization, community-based conflict mitigation, and civil society and independent media) to support the four-year Primary Health Care Project.³⁶²

Health Care Facilities

This quarter, USACE continued construction of the \$12.6 million ESF-funded Missan Surgical Hospital, an 80-bed facility in Missan province. According to USACE, contractor inefficiency was delaying completion of the project. U.S. Embassy-Baghdad reported slow but steady progress on the hospital, with completion now expected in November 2011.³⁶³

USACE reported an ongoing \$1.4 million ESF-funded project to transport and install donated medical equipment and complete necessary construction of the Basrah Children's Hospital, a \$165 million facility that opened to patients in October 2010. The construction and installation of equipment are scheduled for completion in May 2012. U.S. Embassy-Baghdad reported that oncology services at the hospital remain unavailable.³⁶⁴ Two new projects at the hospital were in the pre-award stage this quarter: a \$1.5 million ESF-funded effort to provide facility management at the hospital, and a second project to purchase and install MRI equipment and a CT scanner.³⁶⁵

USACE also reported three projects designed to repair x-ray shielding deficiencies to prevent radiation leakage at 85 primary health care centers built with U.S. funds.³⁶⁶ In 2004, USACE sought to build 150 of these centers, of which 133 were eventually constructed. During inspections of two of these centers in December 2008, SIGIR identified construction and equipment issues—including the x-ray rooms having wooden doors instead of the lead-lined doors required by the design.³⁶⁷

USACE also reported three projects designed to repair x-ray shielding deficiencies to prevent radiation leakage at 85 primary health care centers built with U.S. funds.

Education

Iraqi schools suffer from overcrowding, and high illiteracy rates remain a concern. This quarter, UNAMI reported that Iraq's educational system suffers from substantial disparities in quality, based on region and gender.³⁶⁸

U.S.-funded Education Projects

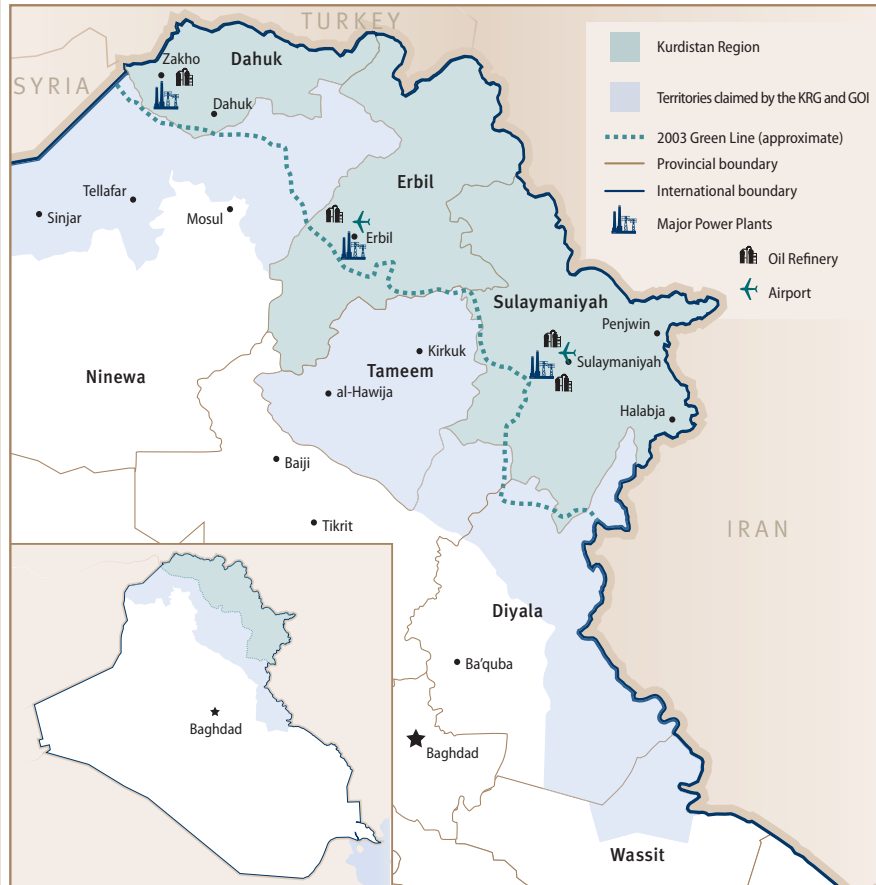
USACE reported it had completed one school this quarter, the \$545,000 ESF-funded al-Nuaymia

School in Falluja. USACE also reported one ongoing school construction project, the \$1.1 million Halabja School in Sulaymaniyah province. The scheduled completion date had been set for September 30, 2011; however, the project was delayed by contractor inefficiency, and USACE now expects the school will be completed in November 2011. The \$7.9 million project to construct the Wazeriya National Training Center also was underway at the end of the quarter. Both ongoing projects are funded by the ESF.³⁶⁹ ♦

UNAMI reported that Iraq's educational system suffers from substantial disparities in quality, based on region and gender.

FOCUS ON THE KURDISTAN REGION

FIGURE K.1
KURDISTAN REGION AND THE DISPUTED TERRITORIES



Note: All locations approximate and do not imply endorsement or acceptance.

Sources: USIP, adapting United Nations Inter-agency and Information Analysis Unit Iraq-Governate Series Maps (Available at www.iauiraq.org), 1996 UNICEF Map of the Green Line contained in Appendix D of Crisis Group Middle East Report No. 88 and other sources, www.usip.org/files/resources/PW69_final.pdf, accessed 4/10/2011; KRG, Ministry of Natural Resources, information provided to SIGIR, 10/3/2011.

Introduction

The semi-autonomous Kurdistan Region, though an integral part of the federal Iraqi state, is distinct from—and, in many ways, more successful than—the rest of the country. Most fundamentally, the region is secure. No U.S. soldier or civilian has been killed there since 2003, and terrorist incidents are exceedingly rare, with only two major bombings in the past eight years. In part because of the permissive security environment, U.S.-funded reconstruction efforts there have usually been well executed. The

positive security situation in the region has attracted almost \$16 billion in combined foreign and domestic investment since mid-2006. Moreover, the region's relative security and prosperity has begun to attract foreign tourists. *The New York Times* travel section named it as one of the 41 places to visit for 2011.³⁷⁰ While internal boundary checkpoints are considered strong, with thorough checks performed on anyone entering from the rest of Iraq, millions of Iraqi citizens from the other 15 provinces also regularly travel there for business and

Geography

Regional Capital: Erbil
Area: 15,692 square miles (40,643 square kilometers)
Major Cities: Erbil, Sulaymaniyah, Dahuk, and Zakho

Demography

Population: 4.7 million (May 2010 KRG est.)
Rural vs. Urban (by province):
Dahuk: 27% vs. 73%
Erbil: 24% vs. 76%
Sulaymaniyah: 30% vs. 70%
Major ethnic groups: Kurds, Arabs, Turkmen, Assyrians, Chaldeans, and Armenians

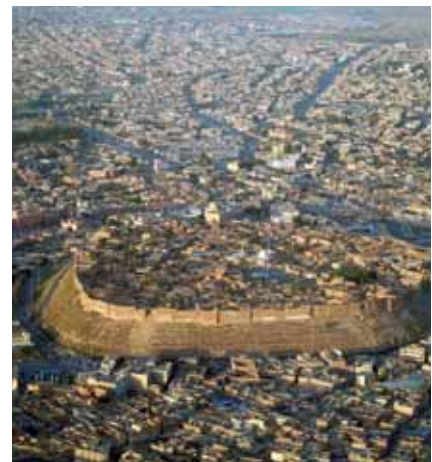
Political Economy

KRG President: Masoud Barzani (KDP)
KRG Prime Minister: Barham Salih (PUK)
Main industries: Hydrocarbon extraction, light industry, agriculture, tourism, and trade

U.S. Presence

Diplomatic: Consulate General in Erbil
Total U.S. Reconstruction Funds Committed: \$871.6 million (as of 9/2010)

Sources: SIGIR analysis of KRG documents, 10/2011; GOI, information provided to SIGIR, 9-10/2011; UN, IAU sources, 10/2011.



Aerial photograph of Hawler Castle, Erbil City. (Photo provided courtesy of Erbil resident)

pleasure. During the recent Eid holiday, more than 200,000 Arab Iraqis visited the region.³⁷¹

Unlike in the rest of Iraq, electricity is readily available in the Kurdistan Region. On August 20, 2011, it became the first part of Iraq to provide 24-hour power, drawing its supply from its own grid, separate and distinct from the Baghdad-administered national grid. The region produces enough electricity indigenously to export power to Tameem (Kirkuk) province, greatly enhancing the availability of power there since earlier this year.

A significant portion of investment in the region involves its burgeoning hydrocarbon sector. To date, the Kurdistan Regional Government (KRG) has entered into more than 40 contracts with international oil and gas firms. In September, the KRG made the complete text of most of these contracts publicly available in English. Complementing this effort at enhancing governmental transparency, September also saw the Iraqi Kurdistan Parliament (IKP) pass an anticorruption law, establishing a new agency with broad authority to combat public corruption. While this winter's protests in Sulaymaniyah City underscored the economic, political, and social challenges the region still confronts, the KRG has made significant progress over the past two decades, transforming what was once a rural hinterland into an international investment hub.



Erbil City. (KRG photo)



The Citadel. (KRG photo)

Background

Home to the Citadel of Erbil—arguably one of the longest continuously inhabited places on Earth—the region comprises the northern provinces of Dahuk, Erbil, and Sulaymaniyah. It shares mountainous borders with Syria, Turkey, and Iran—countries containing sizable Kurdish populations that are often at odds with their respective governments.

Although traditionally agricultural in orientation, more than 70% of the Kurdistan Region's residents currently reside in urban areas. Most of the region's inhabitants are ethnically Kurdish—a non-Arab people who speak an Indo-European language. However, a substantial number of non-Kurds also live there, including Arabs, Turkmen, and Assyrians. Religiously, most residents are Sunni Muslims, but adherents to other faiths are also present, including Feyli (Shia) Kurds, Yazidis, Christians (including many refugees from elsewhere in Iraq), and several smaller sects, such as the Yarsan and the Alevis. Kurdish—one of Iraq's two official languages along with Arabic—is the region's lingua franca. And while Arabic is still widely spoken in the region, its use appears to be in decline, prompting concerns about whether linguistic bifurcation will exacerbate the already extant ethnic and political centrifugal forces influencing the region's relations with the Government of Iraq (GOI) in Baghdad.³⁷²

The Kurds in Modern Iraq

After the post-World War I partition of the Ottoman domains, the Kurds of Iraq found themselves under the Baghdad-based rule of the British Empire. Their nationalist ambitions frustrated, the Kurds soon undertook a series of unsuccessful rebellions against the British and their Arab proxies. During this time, Sheik Mahmoud Barzinji emerged as a vocal supporter of Kurdish autonomy.



Sheik Mahmoud Barzinji, leader of Kurdish revolts against British rule in the early twentieth century. (KRG photo)

He was supported by the prominent Barzani clan, members of which went on to found the Kurdistan Democratic Party (KDP). Throughout the 1960s, the KDP and its allies fought the government of Saddam Hussein to a standstill, winning several significant military victories. After a short-lived peace, renewed fighting broke out between the Kurdish guerillas and the Baghdad government in the late 1970s.³⁷³

With the advent of the Iran-Iraq War in 1980, the Ba'athist regime in Baghdad ramped up its oppression of the Kurds. As part of its notorious Al-Anfal campaign in the late 1980s, Ba'athist forces conducted a campaign of genocide against Iraq's Kurdish population, employing tactics such as mass deportations, indiscriminate aerial bombardment, and the use of chemical munitions against civilian populations. Approximately 182,000 Kurds perished during this multiphase, multiyear campaign, and 90% of Kurdish villages (about 4,500 out of 5,000) were destroyed. In a related act of genocide, Iraqi forces used chemical weapons on the Kurdish town of Halabja in March 1988, killing several thousand civilians.³⁷⁴

In March 1991, with the Ba'athist regime seemingly about to fall after the U.S.-led liberation of Kuwait, the Kurds again rose up against Saddam

FIGURE K.2

THE KURDS IN IRAQ: SIGNIFICANT MODERN EVENTS, 1970–2010

1970s	1980s	1990s	2000s
<p>1970</p> <ul style="list-style-type: none"> Iraqi government and Kurdish parties forge a peace accord that grants Kurds autonomy and recognizes Kurdish as an official language. <p>1971</p> <ul style="list-style-type: none"> Relations between the Kurds and the Iraqi government deteriorate; Mustafa Barzani appeals to the United States for aid. <p>1974</p> <ul style="list-style-type: none"> The Kurdistan Democratic Party (KDP) rejects an accord with Baghdad because it calls for Kirkuk oilfields to be under Baghdad's control; KDP calls for rebellion. <p>1975</p> <ul style="list-style-type: none"> Algiers Accord between Iran and Iraq ends Iranian support for the Kurdish uprising, which collapses. Jalal Talabani, a former leading member of the KDP, establishes the Patriotic Union of Kurdistan (PUK). <p>1978</p> <ul style="list-style-type: none"> Armed clashes between KDP and PUK forces leave many dead. <p>1979</p> <ul style="list-style-type: none"> Mustafa Barzani dies. His son, Masoud, takes over the KDP. 	<p>1980</p> <ul style="list-style-type: none"> Iraq invades Iran; KDP works closely with Iran. <p>1983</p> <ul style="list-style-type: none"> Iranian-KDP joint operation takes key towns in northern Iraq; Saddam kills several thousand Kurds from KDP areas in retribution. <p>1986</p> <ul style="list-style-type: none"> Under Iranian auspices, the KDP and PUK reconcile, both receive Iranian support. <p>1987</p> <ul style="list-style-type: none"> KDP, PUK, and other Kurdish factions join together in the Kurdistan Front. <p>1988</p> <ul style="list-style-type: none"> Iraqi forces launch the "Al-Anfal Campaign" against the Kurds; tens of thousands of Kurdish civilians and fighters are killed. March 16: Several thousand Kurdish civilians die in an Iraqi poison gas attack on the town of Halabja near the Iranian border. 	<p>1991</p> <ul style="list-style-type: none"> March: In the wake of the U.S.-led coalition's expulsion of Saddam from Kuwait, a broad-based Kurdish and Shia uprising ensues, but is eventually crushed. March–April: Approximately 1.5 million Kurds flee before the Iraqi counterattack, but Turkey closes the border, forcing hundreds of thousands to seek refuge in the mountains. April: U.S.-led coalition establishes a safe haven in northern Iraq. July: Kurdish forces seize Erbil and Sulaymaniyah. October: Renewed fighting between Kurdish forces and the Iraqi government breaks out. <p>1992</p> <ul style="list-style-type: none"> May: Elections held in areas under Kurdish control. KDP and PUK split the vote. <p>1994</p> <ul style="list-style-type: none"> May: Clashes between KDP and PUK erupt into civil war. <p>1996</p> <ul style="list-style-type: none"> August: Barzani appeals to Saddam Hussein for assistance in his war with the PUK. Fall: Extensive fighting between PUK and KDP forces. <p>1997</p> <ul style="list-style-type: none"> January: PUK announces a new government in the recently retaken city of Sulaymaniyah. <p>1998</p> <ul style="list-style-type: none"> Talabani and Barzani sign a peace agreement in Washington, but government of the region remains split. 	<p>2002</p> <ul style="list-style-type: none"> PUK and KDP increase collaboration in anticipation of U.S.-led military action. <p>2003</p> <ul style="list-style-type: none"> March–April: U.S. and Kurdish forces seize control of northern Iraq. <p>2004</p> <ul style="list-style-type: none"> February 1: Bombings of Kurdish political parties' offices in Erbil kill more than 50. <p>2005</p> <ul style="list-style-type: none"> January: Kurdish bloc finishes second in Iraqi parliamentary elections, winning 77 seats. April: Talabani elected interim Iraqi president. May: About 50 police recruits killed in suicide bombing in Erbil. June: Barzani becomes president of autonomous Kurdistan Region. <p>2007</p> <ul style="list-style-type: none"> May: The U.S.-led multinational coalition returns responsibility for security in the three provinces of the Kurdistan Region to Kurdish control. August: Approximately 300 people killed in multiple bomb attacks on Yazidis living in northern Iraq. <p>2009</p> <ul style="list-style-type: none"> June: KRG begins exporting oil from two fields to Turkey. July: Barzani re-elected KRG president, but newly established Change (Goran) List wins 25 (of 111) seats in KRG parliament. October: Oil exports halted due to political differences with Baghdad.

Enjoying a precarious autonomy from Ba'athist-controlled Iraq, the Kurdistan Region held its first parliamentary elections in 1992, leaving the Kurdistan National Assembly evenly divided between the KDP and its dissident offshoot, the Patriotic Union of Kurdistan (PUK). Subsequently, the first KRG cabinet was formed on July 4, 1992. Later in the decade, the KDP and PUK fought an inconclusive civil war that ended with a U.S.-brokered peace agreement in 1998.³⁷⁶

During the U.S.-led invasion of Iraq in 2003, Kurdish units worked closely with U.S. special forces and airborne troops, helping to liberate several cities south of the Green Line, including Kirkuk and Mosul. Kurdish forces also played a key role in eliminating the headquarters of the al-Qaeda-linked terrorist organization Ansar al-Islam. Figure K.2 presents some of the major events in the recent history of the Iraqi Kurds.³⁷⁷

The Provinces of the Kurdistan Region Sulaymaniyah, the largest of the Kurdistan Region's three provinces, has a population of about 1.8 million people. Its unemployment rate, estimated at about 12%, is below the national average, but sharply higher among females of working age. Heavily urbanized, a majority of the province's residents live in Sulaymaniyah district, which is home to an international airport from which commercial flights to Europe have operated since 2005. Outside of Sulaymaniyah district, illiteracy is widespread, and access to some public services is erratic. For example, in the mountainous districts of Penjwin and Pshdar, which border Iran, the UN estimates that more than 35% of people over the age of 10 are illiterate. Similarly, in the neighboring district of Sharbazher, about 33% of people over the age of 10 are illiterate.³⁷⁸

Northwest of Sulaymaniyah lies Erbil province, home to the capital of the Kurdistan Region, Erbil City. With

Hussein, only to see their revolt crushed with dispatch. In the wake of this failed uprising, the United States and its allies established a "No-Fly Zone" over northern Iraq and airlifted massive amounts of humanitarian aid to Kurdish refugees sheltering in the mountains near the Turkish border. After some additional fighting between Kurdish and Iraqi forces during the summer and fall of 1991, a line of separation was eventually established between the two sides by October,

with the Iraqi Army to the south and Kurdish forces to the north. Known as the "Green Line," this unofficial dividing line running from Dahuk's border with Syria in the northwest to Diyalá's border with Iran in the southeast marked the de facto boundary between the Kurdistan Region and the rest of Iraq from 1991 until 2003. Figure K.1 shows the Green Line and the disputed territories lying south and west of it that are also claimed by the KRG.³⁷⁵



Cemetery in Halabja. (KRG photo)



Delal Bridge near Zakho. (KRG photo)

a population of about 1.7 million, the province is slightly less populous than Sulaymaniyah. Like its neighbor to the southeast, about three-quarters of Erbil's residents live in towns or cities, with about 59% residing in Erbil district. Only about 6% of the province's population is employed in the agricultural sector, and unemployment in the countryside is a serious problem, with about one-fourth of the rural population unemployed. To generate employment and to alleviate food insecurity, local officials are endeavoring to improve agriculture in the province by increasing access to credit and modernizing farming techniques. However, the province's less-populated rural districts continue to lack access to basic services. According to the UN, most households in Shaqlawah, Choman, and Mergasur districts (north of Erbil City) are not connected to the water network.³⁷⁹

Both in land area and in the size of its population (about 1.2 million people), Dahuk is the region's smallest province. While less than 30% of the province's residents live in rural areas, its farmers often face both droughts and flash floods. Heavily mountainous, Dahuk's



Houses of worship in the Kurdistan Region. (KRG photo)

hard-to-monitor border with Turkey is frequently crossed by smugglers, anti-Turkish Kurdish rebels, and Turkish military forces engaged in punitive expeditions. Despite these occasional outbreaks of localized violence, the province—like the Kurdistan Region as a whole—has remained largely peaceful since 2003.³⁸⁰

Governance

The Iraqi Constitution accords the Kurdistan Region with substantial autonomy as to the conduct of its internal affairs, including the right to exercise certain executive, legislative, and judicial authorities within its borders.³⁸¹ Day-to-day governance matters are administered by the region's ministries and the three provincial governments. While natural tensions exist between the KRG and GOI over the precise limits of these powers, KRG officials with whom SIGIR met in late September emphasized that such tensions are inherent in any federal system and that while most Kurds feel a strong sense of national pride, the KRG is committed to a future as part of the Iraqi state.



KRG Prime Minister Barham Salih. (KRG photo)

The IKP possesses the power to pass laws governing a wide variety of issues, including: security, economics, health, education, natural resources, agriculture, housing, trade, and transportation. Under the broad provisions set forth in Article 114 of the Iraqi Constitution, a region such as the KRG, shares legislative power with the GOI regarding customs, electricity, general planning, and water resources.³⁸² But according to the official KRG website, priority is given to KRG laws.³⁸³ Moreover, under Article 121 of the Iraqi Constitution, the IKP has the right to amend national legislation that falls outside of the GOI's exclusive powers.³⁸⁴

Kurdistan Regional Government Elections

On July 25, 2009, the Kurdistan Region held elections for the second time since 2003, choosing a president and all 111 members of the IKP. Turnout was high: about 78% of the 2.5 million eligible voters cast ballots at more than 5,400 polling stations. In the presidential elections, the status quo prevailed, as voters elected incumbent president Masoud Barzani of the KDP to another term in office. He garnered about 70% of the vote against four other candidates. Opposition parties fared better in the list-based parliamentary elections, dramatically



KRG President Barzani confers with Kurdish political leaders about ongoing negotiations with the GOI. (KRG photo)

- Other significant measures passed by the IKP since 2005 include:³⁸⁷
- an investment law that exempts foreign companies from tax and import duties for 10 years and allows them to own land
 - a regional oil and gas law
 - a law increasing the prison sentences for persons convicted of committing honor killings
 - a law placing strict limits on polygamy

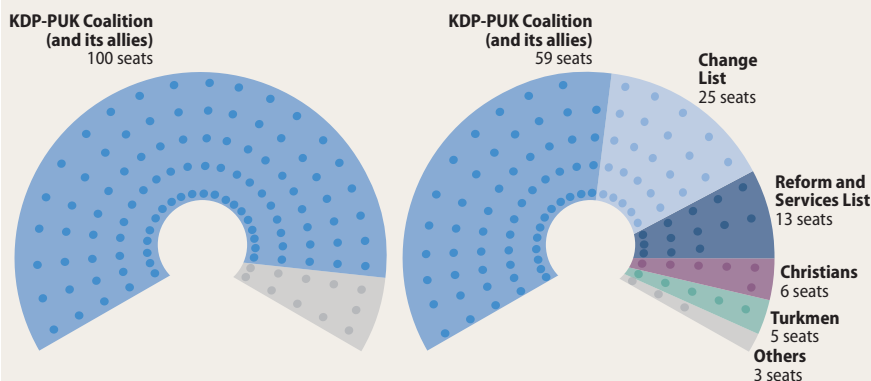
Kurdish Representation in Baghdad

Kurdish parties won 57 seats in the GOI’s March 2010 Council of Representatives (CoR) elections, giving them control of about 17.5% of the 325-person national parliament. The KDP-PUK Kurdistan Alliance (KA) list won 43 of these seats, with the Change List winning 8, and smaller parties winning the remaining 6 seats. For a time, all Kurdish parliamentarians in Baghdad stood together as part of a de facto pan-Kurdish front in the CoR. In October 2010, however, the eight Change List representatives withdrew from this alliance because of differences with the KA over governance issues. Thus, the KA and its smaller allies now effectively control about 49 seats, or 15.1% of the current CoR—down from the 58 seats (21%) they and their allies controlled in the previous 275-member CoR.³⁸⁸

In addition to the national presidency—held by PUK elder statesman Jalal Talabani—Kurdish politicians control one of two deputy speaker posts in the CoR, the position of Deputy Prime Minister for Economic Affairs, and the Ministries of Foreign Affairs, Trade, Health, and Displacement and Migration.³⁸⁹

Kurdish politicians have also played a crucial role in facilitating negotiations among disputatious political blocs in Baghdad. Most notably, last year’s Erbil Agreement, brokered by KRG President Barzani, led to the formation of the current government. In exchange for lending their support to the new coalition, the

FIGURE K.3
KRG/IRAQI KURDISTAN PARLIAMENT ELECTION RESULTS, 2005 VS. 2009



Sources: GOI, “KRG Final Election Results 2005” and “KRG Final Election Results 2009,” www.ihec.iq, accessed 10/14/2009.

reducing the size of the ruling the KDP-PUK coalition’s majority. The Kurdistan List—the formal name for the KDP-PUK alliance—captured 57% of the vote and 59 seats, down from the 100 seats it previously held. The Change List (or “Goran” in Kurdish) List, led by a former high-ranking PUK official, won 24% of the vote and 25 parliamentary seats. Another opposition grouping, the Reform and Services List, won 12% of the vote and 13 seats. Under the Kurdistan Region’s constitution, the remaining 11 seats were allocated among ethnic and religious minorities—6 for Christians and 5 for Turkmen. The newly elected IKP chose the PUK’s Barham Salih as the KRG’s new prime minister in the fall of 2009. Figure K.3 compares the 2005

KRG parliamentary election results to the 2009 outcomes.³⁸⁵

IKP Legislation

This quarter, the IKP passed an anti-domestic violence law that banned, among other practices, female genital mutilation and forced marriage. The IKP also recently passed a statute establishing the KRG Commission on Public Integrity (KRG CPI). The KRG CPI will be the region’s primary anticorruption enforcement that has existed since 2003 due to the inability of the Baghdad-based Commission of Integrity to operate in the region. For a detailed analysis of the KRG CPI, see the Rule of Law subsection of this report.³⁸⁶

KRG maintains that Prime Minister Nuri al-Maliki's government must adhere to a list of 19 demands presented to the GOI late last year, including integrating the Kurdish security forces into the Iraqi Security Forces (ISF) and conducting a census and referendum to determine control of several disputed territories.³⁹⁰

Disputed Territories

The Kurdistan Region's unsettled southern boundaries touch the volatile and ethnically diverse provinces of Ninewa, Tameem, and Diyala. In the chaotic aftermath of Saddam's downfall, Kurdish forces surged south and southwest of the Green Line, staking their claims to territories in these provinces—claims that were and are steadfastly opposed by the GOI. While many of these areas are populated predominantly by Kurds, the KRG also established de facto control over territories with substantial numbers of Arabs and Turkmen. Further complicating the situation, significant oil and gas fields lie beneath some of these marchlands—particularly in Tameem province near the city of Kirkuk, widely referred to by Kurds as the “Kurdish Jerusalem.” As the map in Figure K.1 illustrates, the KRG claims the entirety of Tameem province, large swathes of Ninewa and Diyala, and small but significant portions of the Sunni province of Salah Al-Din and the Shia province of Wassit. Taken together, this combustible mix of ethnicities, territorial disputes, and potentially vast hydrocarbon wealth lies at the heart of the unresolved disputes between the KRG and GOI.³⁹¹

Article 140 of the Iraqi Constitution

Article 140 of the Iraqi Constitution defines a mechanism for resolving the status of the disputed territories. It calls for a census and referendum to take place as part of a process to determine which disputed territories will fall under

the jurisdiction of the KRG. Originally scheduled to take place by the end of 2007, both the census and the referendum have been indefinitely postponed out of concerns that they could exacerbate an already tense situation and spark ethnic conflagrations across northern Iraq. As one advisor to Prime Minister al-Maliki stated, implementing the Article 140 process now “would cause an explosion in all of Iraq.”³⁹²

A census could be particularly problematic in Kirkuk, where Arab and Turkmen leaders are concerned that a census could show that a majority of its residents are Kurds. Since 2003, large numbers of Kurds have settled in Kirkuk in what some non-Kurdish political leaders describe as an intentional effort to alter the city's ethnic composition ahead of a census, buttressing the KRG's claims both to the city and to the vast oil fields beneath it. According to one recent study, the KRG has also been encouraging Kirkuk's Kurdish residents to remain there and not relocate to the Kurdistan Region, thereby maintaining the largest possible number of Kurdish residents in the city. However, the results of the 2010 CoR elections in Tameem province were inconclusive. Notwithstanding allegations of fraud on the part of both Arab and Kurdish political blocs, Kurdish parties won only about 13,000 more votes than the combined total of Arab and Turkmen parties.³⁹³

KRG Draft Constitution

In June 2009, the IKP voted overwhelmingly to approve a draft KRG Constitution for the region. Its most controversial provisions pertain to defining the region's borders. The draft version defines the Kurdistan Region as comprising not just Dahuk, Erbil, and Sulyamaniyah provinces—but also Tameem province, including Kirkuk City, as well as several districts and towns in the disputed territories.

To become law, the KRG Constitution must be approved by a region-wide referendum, which was originally scheduled for July 2009. Five days after the IKP passed the draft version, about 50 members of the CoR signed a petition criticizing it as incompatible with the Iraqi Constitution. Cognizant of the potentially inflammatory nature of some of its provisions, the KRG subsequently decided to postpone a referendum on the draft indefinitely.³⁹⁴

UN Mediation Efforts

UN-sponsored efforts to resolve these disputes have mostly come to naught. In 2009, the UN Assistance Mission to Iraq (UNAMI) presented to the key stakeholders (but did not publicly release) a report containing recommendations concerning the disputed territories. To date, no action has been taken on the UNAMI recommendations, and the underlying issues remain unresolved.³⁹⁵

Nascent Political Rapprochement?

Recent provincial elections outside the region have altered the political landscape in northern Iraq, laying the foundation for improved relations between the KRG and the leaders of Ninewa and Tameem provinces. In Ninewa, the current governor, Atheel al-Nujaifi, is a Sunni Arab whose brother is the Speaker of the CoR, and a political rival of the prime minister. Like many KRG leaders, the al-Nujaifis have their differences with the GOI Prime Minister. Thus, the governor has been amenable to reaching compromises with the KRG on some issues, including a May 2010 agreement to create ethnically mixed internal security forces in Ninewa.³⁹⁶

The new governor of Tameem, Dr. Najmaldin Karim, is a Kurd. Before returning to Iraq, he spent years as a practicing neurologist in the United States and is one of the few Iraqi politicians to advocate publicly a continued

U.S. military presence in Iraq.³⁹⁷ While his pro-Western orientation does not obviate the fundamental Arab-Kurdish tensions at play in the province, his ascension to the governor's office may augur well for a lessening of tensions in the disputed territories.

Security

The *Peshmerga*

The region's external security force is known as the *Peshmerga* (which translates to "those who face death" in Kurdish). Numbering about 190,000 men and women, the *Peshmerga* are the lineal descendants of the Kurdish fighters who resisted British rule in the early twentieth century. Although nominally under the unified command of the KRG Ministry of *Peshmerga* Affairs, the *Peshmerga* remain deeply rooted in their origins as party-based militias for the KDP and PUK, and efforts at unification below the most senior levels have met with mixed results.

More heavily armed than any other indigenous force except the Iraqi Army (IA), *Peshmerga* light infantry units are supplemented by an array of heavier weapons captured from the armed forces of the Ba'athist regime or otherwise acquired. These include a number of archaic Soviet-built tanks, an eclectic collection of artillery pieces, and a significant number of other armored vehicles of all types.³⁹⁸

Current plans call for the eventual integration of some *Peshmerga* units into the ISF. In April 2010, Prime Minister al-Maliki reportedly approved plans to reduce the size of the *Peshmerga* to approximately 100,000 fighters, pensioning off the other 90,000 with funds from the GOI budget. Of the remaining 100,000, 70% are supposed to remain directly under KRG control as part of a regional security force, while the other 30% are slated to join the IA as part of four brigades that will be stationed in the



Kurdish security forces train with U.S. troops. (USF-I photo)

Kurdistan Region.³⁹⁹ As of October 2011, however, these plans appear unlikely to be implemented in the near future.

Other Kurdish Security Forces

Whereas the *Peshmerga* are externally focused, the *Asaesh* (or security police) are the KRG's primary domestic law enforcement force. Like the *Peshmerga*, the *Asaesh* originated as party security forces, and while current plans call for the merger of the KDP and PUK *Asaesh*, they continue to report to their respective parties. Whether the *Asaesh* are eventually incorporated into the Iraqi Police remains an open question.⁴⁰⁰

Other security organizations active in the Kurdistan Region include:⁴⁰¹

- the police (both KDP and PUK)
- the paramilitary *Zervani*, a gendarmerie force created by the KDP but operating under the authority of the KRG
- the *Parastin*, the KDP's intelligence service
- the *Zanyari*, the PUK's intelligence service
- the *Hawalgeri*, the now-unified military-intelligence arm of the KRG

One of the main points of contention between the KRG and the GOI remains the operations of the *Peshmerga* and these other Kurdish agencies in the disputed territories below the Green Line.



U.S., Kurdish, and ISF soldiers conduct a joint patrol in Kirkuk in July 2011. (USF-I photo)

Combined Security Mechanisms

In December 2009, Prime Minister al-Maliki and KRG President Barzani approved the creation of a tripartite security structure in the disputed territories involving U.S., ISF, and KRG troops manning joint checkpoints and conducting joint patrols. These Combined Security Mechanisms (CSMs) would be active in 12 designated areas in Ninewa, Tameem, and Diyala provinces, with the objective of building trust between ISF and KRG forces and increasing operational transparency. Most crucially, an overarching joint-command structure was established to oversee the program and resolve any disputes that arose. Commenting on the efficacy of the CSMs earlier this year, U.S. Ambassador to Iraq James Jeffrey stated that they have been extraordinarily successful in suppressing potential outbreaks of Arab-Kurdish violence in northern Iraq.⁴⁰²

In February 2011, the CSMs played a role in defusing a potential crisis when the KRG deployed about 10,000 armed fighters to Kirkuk City and areas to the south and west that previously had been free of KRG forces. According to the KRG, these units were moved there to protect Kurdish residents from potential violence arising from the demonstrations that swept Iraq in February and March. Averting a potentially incendiary incident, the IA's 12th Division—its main presence in the area—remained in its cantonments and did not oppose the Kurdish move. After high-level negotiations among the United States, the KRG, and the GOI, the Kurdish forces eventually redeployed to their original posts later in the spring.⁴⁰³

U.S. Troops End Permanent Presence at Checkpoints

In late September 2011, Major General David Perkins, the commanding general of the U.S. 4th Infantry Division (4th ID) in northern Iraq, stated that there are no longer any U.S. forces stationed “on any of those [CSM] checkpoints permanently as we did before.” General Perkins said that Iraqi forces now administered the checkpoints without a U.S. military presence, remarking that this transition was the culmination of an 18-month process. General Perkins added that he expects the United States to continue to play a mediating role in the disputed territories, but at a more senior level and without significant numbers of U.S. soldiers. The remaining 4th ID troops in the north were to withdraw completely from Iraq by the end of October. For an overview of the ongoing USF-I drawdown, see the Security subsection of this Report.⁴⁰⁴

Turkish and Iranian Incursions

Commonly referred to as the world's largest nation without a state, Kurds represent a significant minority in several

neighboring countries, including Turkey and Iran. There, active Kurdish insurgencies are militantly agitating for increased autonomy from Ankara and Tehran. The leftist Kurdistan Workers' Party (more commonly known by its Kurdish acronym, PKK) has waged a decades-long battle against Turkish rule, often crossing the border into northern Iraq's mountains to reconstitute and resupply its forces. Similarly, the Party of Free Life of Kurdistan (also known by its Kurdish acronym, PJAK) wages an insurgent campaign in the northwestern provinces of Iran. To combat these groups, the Turkish and Iranian armed forces regularly stage cross-border air and ground raids into northern Iraq—actions that are condemned by KRG officials. Representative incidents this quarter included:⁴⁰⁵

- **Late July-early August.** Iranian shelling along the border killed at least three Kurdish civilians.
- **Mid-August.** Turkey launched air raids against PKK positions in northern Iraq after a PKK ambush killed several Turkish soldiers.
- **September 5.** Iranian shelling in northern Erbil wounded at least two civilians.
- **September 13.** Iranian artillery fire killed one civilian in Erbil province.
- **Late September.** Turkey launched air raids against suspected PKK positions.
- **Mid-October.** Turkish forces launch retaliatory strikes across the Iraqi border after a series of PKK attacks on Turkish troops.

The International Organization for Migration announced that at least 884 families had been displaced along the border between Erbil province and Iran because of Iranian shelling. These refugees are being temporarily housed in camps that lack electricity and rely on polluted nearby streams as their source of water.

The KRG is reluctant to become entangled in the current violence. This

quarter, the Minister of *Peshmerga* Affairs stated that the KRG does not plan to interfere militarily with Iranian and Turkish operations, while expressing his hope that the conflicts could be resolved diplomatically.⁴⁰⁶

Economy

As the northern “Gateway to Iraq,” the Kurdistan Region is home to many international firms hesitant to establish a presence elsewhere in the country. But with little domestic industry of its own and a struggling agricultural sector, the region relies heavily on imported goods and extra-regional commercial relationships. KRG officials estimate that it imports most items from outside the region, including food and manufactured goods.⁴⁰⁷

Investment and Trade

Attracted by the region's security and relative political stability, companies both foreign and domestic have invested substantially in the Kurdistan Region. The KRG Investment Law of 2006 provides several lucrative incentives for foreign investors. Foremost among them are:⁴⁰⁸

- the ability to own 100% of land and project capital
- an exemption from duties on equipment imports
- a 10-year tax holiday
- a five-year tax-free window on raw materials

As Table K.1 shows, Iraqis, both Kurd and Arab, are the leading investors in the region, committing more than \$12 billion to licensed projects there since August 2006. The housing sector leads with the greatest number of projects (at least 104), followed by industry and trade.⁴⁰⁹

Table K.2 summarizes investment activity by sector and province from August 2006 to September 2011, while Figure K.4

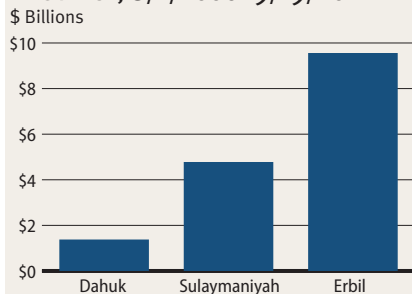
TABLE K.1
INVESTMENT IN THE KURDISTAN REGION, 8/2006–9/2011
\$ US

INVESTORS' NATIONALITY	TOTAL CAPITAL INVESTMENT	PERCENTAGE
Iraq	12,933,992,263	81.36
Lebanon	774,625,619	4.87
Turkey	702,801,530	4.42
Joint ventures between Iraqi and foreign firms	694,494,847	4.37
Egypt	350,000,000	2.20
United Kingdom	214,403,975	1.35
United States	99,036,925	0.62
New Zealand	98,189,850	0.62
Sweden	13,500,000	0.08
Germany	9,600,000	0.06
Franco-Lebanese	7,082,207	0.04

Note: Reflects KRG data on projects “under implementation.” Joint venture partners include Canada, the UAE, Germany, Iran, Kuwait, Mauritius, South Africa, Sweden, Turkey, the United Kingdom, the United States, and Spain.

Source: Kurdistan Region Investment Board, “List of Licensed Projects in Kurdistan Region,” 9/19/2011, p. 33, www.kurdistaninvestment.org/docs/licensed_projects.pdf, accessed 9/25/2011.

FIGURE K.4
KURDISTAN REGION: INVESTMENT BY PROVINCE, 8/1/2006–9/19/2011
\$ Billions



Note: Data reflects licensed projects being implemented. About \$150 million in projects involve both Sulaymaniyah and Erbil provinces.

Source: Kurdistan Region Investment Board, “List of Licensed Projects in Kurdistan Region,” 9/19/2011, p. 38, www.kurdistaninvestment.org/docs/licensed_projects.pdf, accessed 9/25/2011.

aggregates the investment by province, showing that most investment funds flow to Erbil province.

Lebanese and Turkish companies represent the most significant foreign investors in the region. Major Turkish-funded

TABLE K.2
NUMBER OF LICENSED PROJECTS UNDER IMPLEMENTATION, BY SECTOR AND PROVINCE, 8/1/2006–9/19/2011

SECTOR	PROVINCE	# OF PROJECTS
Agriculture	Erbil	15
	Sulaymaniyah	1
	Sulaymaniyah/Erbil	1
Art	Erbil	2
Banks	Erbil	2
Communication	Erbil	2
	Sulaymaniyah	3
Education	Erbil	5
	Sulaymaniyah	1
Health	Dahuk	3
	Erbil	16
	Sulaymaniyah	1
Housing	Dahuk	18
	Erbil	61
	Sulaymaniyah	25
Industry	Dahuk	15
	Erbil	33
	Sulaymaniyah	24
Service	Erbil	2
	Sulaymaniyah	1
Sports	Dahuk	2
	Erbil	1
	Sulaymaniyah	1
Tourism	Dahuk	13
	Erbil	28
	Sulaymaniyah	7
Trading	Dahuk	5
	Erbil	22
	Sulaymaniyah	28

Source: Kurdistan Region Investment Board, “List of Licensed Projects in Kurdistan Region,” 9/19/2011, p. 37, www.kurdistaninvestment.org/docs/licensed_projects.pdf, accessed 9/25/2011.

projects include several housing developments and industrial facilities. The hospitality industry is also thriving, with Marriott and Hilton breaking ground on projects and the Lebanese-owned Rotana Hotel providing a viable, high-end option for visitors. Table K.3 shows some of the largest internationally funded projects in the region since 2009.⁴¹⁰

Turkey is also one of the Kurdistan Region’s largest trading partners, with at least \$5 billion—and possibly as much as \$9 billion—in annual trade

between the two. The KRG estimates that about 60% of the foreign companies operating in the region are Turkish, as are about 80% of the goods consumed in the region. In Erbil province alone, more than 740 Turkish companies maintain a presence. U.S. companies, though, are largely absent. More than 500 companies from around the world attended a recent trade fair held in Erbil, but, according to an official stationed at the U.S. Consulate, not a single U.S. firm was present.⁴¹¹



The Rotana Hotel Management Corporation opened a 201-room hotel in Erbil this quarter. (Rotana Hotel Management Corp. photo)

Notwithstanding the favorable economic climate there, the region is adversely affected by many of the factors inhibiting investment elsewhere in Iraq. In meetings with SIGIR this September, Kurdish business leaders cited the following factors as limitations on investment in the region:⁴¹²

- the perception among some international companies that the violence afflicting other parts of Iraq also affects the Kurdistan Region
- onerous monetary regulations imposed by the Central Bank of Iraq, which causes many citizens to conduct their transactions using the traditional, informal *hawala* system for moving money
- difficulty in obtaining credit and insurance
- an opaque and overly complicated tax structure
- the absence of a central credit bureau
- corruption
- weak oversight institutions

According to the most recent KRG statistics for 2011, investment to date this year is lagging behind the pace seen in previous years. As of September 30, the KRG reports that \$1.05 billion has been invested in the region during the first nine months of 2011, on track to be significantly below the levels reported in 2007 (\$3.96 billion), 2009 (\$3.92 billion), and 2010 (\$4.76 billion).⁴¹³ Commenting on this decline, the head of the Kurdistan Region Investment Commission's

TABLE K.3

SIGNIFICANT FOREIGN INVESTMENT IN THE KURDISTAN REGION, 2009–2011

\$ Billions

COUNTRY	PROJECT	APPROXIMATE VALUE	STATUS
 UAE, Austria, and Hungary	Develop natural gas infrastructure	8.00	In progress
 South Korea	Develop Sangaw South and Bazian hydrocarbon fields	2.10	In progress
 Jordan/Italy	Construct smelter and steel plant near Chamchamal	1.10	Deal signed
 South Korea	Build power plant in Erbil and exchange board in Sulaymaniyah	0.60	In progress
 Turkey	Construct housing complex in Dahuk	0.50	In progress
 Turkey	Construct housing units in Erbil	0.05	In progress
 Egypt	Construct housing complex in Erbil	0.20	In progress
 South Korea	Purchase stake in three oil fields from Genel Enerji	0.18	Deal signed
 Turkey/Luxembourg	Construct new steel mill near Sulaymaniyah	0.13	Deal signed
 Turkey	Build luxury hotel in Erbil	0.12	Deal signed

Note: Approximate value and current status is based on best-available public information and may have changed prior to publication.

Source: SIGIR analysis of open source Arabic- and English-language documents, 2009–2011.

research unit attributed it to market uncertainty about the future of the Middle East in the wake of recent regional and global political and economic disturbances.⁴¹⁴

Air Links to the Outside World

The Kurdistan Region has international airports in Erbil and Sulaymaniyah, with direct flights to and from Europe and the Middle East. Erbil International Airport has expanded considerably in recent years, adding a new terminal in 2010. International airlines flying to the region include Austrian Airlines,

Lufthansa, Royal Jordanian, Gulf Air, and Middle East Airlines. The U.S. Federal Aviation Administration, however, prohibits U.S. carriers from flying to the Kurdistan Region because of concerns about the security situation, imposing on it the same ban it imposes on U.S. commercial aviation flights to the rest of Iraq.⁴¹⁵ And while DoS continues to warn U.S. tourists to avoid all of Iraq, the British Foreign and Commonwealth Office makes an exception for the Kurdistan Region, stating that the risk of terrorism in the region is markedly lower than in other parts of Iraq.⁴¹⁶

Funding Government Operations

The KRG receives 17% of the annual GOI budget to fund its operations, including paying salaries and providing services. But 5%–6% is deducted from this amount to pay for services provided to the region by the GOI, netting the KRG about 11%–12% of the national budget to allocate to its ministries.⁴¹⁷ The 17% figure is somewhat arbitrary, however, since it is based on a 1990s estimate of the Kurdistan Region’s population made for the purposes of the UN Oil for Food program. Without a census, it is impossible to measure accurately the region’s population and, hence, the amount that should be appropriated to it under the GOI budget.⁴¹⁸

Oil and Gas

Inextricably intertwined with disputes between the KRG and GOI over land, federalism, and ethnicity—and, to a degree, driving them—is the unresolved question of who owns the oil and gas deposits lying underneath both the Kurdistan Region and the disputed territories. At the heart of the issue are differing interpretations of the Iraqi Constitution. The KRG argues that the Constitution gives it ownership of the oil and gas deposits in the region and allows it to manage them on terms it deems appropriate.⁴¹⁹ Conversely, the GOI contends that the Iraqi people as a whole—and, hence, the GOI—are the sole owners of all hydrocarbon resources.⁴²⁰

This quarter, the CoR and the Council of Ministers (COM), which is led by Prime Minister al-Maliki, each produced new draft hydrocarbon laws. In commenting on these bills during his September meeting with SIGIR, the KRG Minister of Natural Resources stated that while the CoR draft needs amending, the COM version “is non-constitutional [and] sets out to divide Iraq.”⁴²¹ For more on the status of these bills, see the Economy section of this report.

The stakes in this contest are considerable. Since 2005, 73% of oil exploration wells in the region have been successful. According to KRG estimates, the region has potential reserves of 45 billion barrels of oil and about 100–200 trillion cubic feet of natural gas.⁴²² For purposes of comparison, the Ministry of Oil estimates that Iraq as a whole has at least 143 billion barrels of proved oil reserves and approximately 112 trillion cubic feet of gas reserves.⁴²³

KRG production-sharing contracts

Acting on its interpretation of the Iraqi Constitution and the Kurdistan Region Oil and Gas Law, the KRG has issued more than 40 production-sharing contracts with international oil companies. Production-sharing contracts differ fundamentally from the technical-services contracts entered into by the GOI, in that such contracts provide oil companies with potentially much greater monetary rewards. According to

the KRG, the standard royalty payment for production sharing is currently set at 10%, while contractor costs are only recovered from a dedicated portion of the extracted oil (capped at 40%). But the royalty and cost-recovery structures are more flexible with certain fields where operations are deemed to carry greater risks for the company. Technical-services contracts, on the other hand, give companies fixed payments for their services, limiting the remunerative value of such pacts. As of October 2011, firms operating in the Kurdistan Region under production-sharing contracts include companies from Turkey, South Korea, Canada, and the United States.⁴²⁴

With some notable exceptions, most of the U.S. firms operating in the Kurdistan Region are small. Major U.S. oil companies with interests in the rest of Iraq have been reluctant to venture into the region because of concerns over being black-listed by the GOI. Illustrating the validity of these concerns, the GOI barred Hess Corporation from participating in its upcoming fourth licensing round reportedly because of its contracts with the KRG. Table K.5 lists some of the major firms operating in the Kurdistan Region, as of September 30, 2011, and the number of licenses they possess.⁴²⁵

As the KRG has grown more experienced in negotiating with international firms, it has begun to tailor the terms of individual production-sharing contracts,

TABLE K.4

COMPARISON OF KURDISTAN REGIONAL GOVERNMENT’S RIGHTS IN TWO PRODUCTION-SHARING CONTRACTS

OPERATOR	GULF KEYSTONE (11/6/2007)	GULF KEYSTONE (7/16/2009)
Field	Shaikan	Sheikh Adi
KRG participation	Can opt in until 180 days after the date of first commercial discovery (choice of 5–20% interest)	KRG is 20% owner from day one; contractor pays all operational costs
Petroleum costs	KRG pays its share of petroleum costs from the date of the first commercial discovery	Contractor entities pay KRG share of all petroleum costs; KRG pays its share of production bonuses
Third-party Interest	KRG can transfer a new interest (which reduces existing holdings, except for the KRG’s interest, proportionally) of 5–15% to a third party	KRG has no right to nominate a new third party

Source: SIGIR analysis of Dunia Frontier Consultants, “DFC Iraq Market Tracker: PSC Comparison—DNO/Tawke and Gulf Keystone/Shaikhan and Sheikh Adi,” 10/3/2011.

TABLE K.5
INTERNATIONAL OIL AND GAS COMPANIES OPERATING IN THE KURDISTAN REGION, AS OF 9/30/2011

COUNTRY	BLOCK OPERATOR	LICENSES
Turkey	Genel Energy	8
	PETOIL	4
South Korea	KNOC	5
	SK Energy	1
	KEPCO	1
	GS Holding	1
	Samchully	1
	Daesung Group	1
	Majuko	1
	UI Energy	1
Austria	OMV	4
United Kingdom	Gulf Keystone Petroleum, Ltd.	4
	Sterling Energy	1
Canada	Talisman Energy	3
	Shamaran Petroleum Corp.	3
	Forbes and Manhattan	2
	Western Zagros	1
	Vast Exploration Inc.	1
	Longford Energy	1
	Groundstar	1
	Niko Resources	1
	Heritage	1
	Norway	DNO International ASA
People's Republic of China	SINOPEC	3
Australia	Oil Search Limited	2
Hungary	MOL	2
India	Reliance	2
Moldova	Komet Group	2
Turkey/United Kingdom	Dogan Holding	2
United Arab Emirates	Dana Gas	2
	Crescent	2
United States	Prime Natural Resources	2
	Marathon Oil Co.	1
	Murphy Oil Corp.	1
	Hillwood	1
	Texas Keystone	1
	Aspect Energy	1
	Hunt Oil Co.	1
	France	Perenco
Russia	Norbest, Ltd.	1

Note: The Kurdistan National Oil Corporation also has one license. In late July, the Spanish firm Repsol also signed an agreement with the KRG. In several cases, the designated “Block Operator” has one or more minority partners. These partners are not listed in this table. In addition to the firms listed above, the U.S.-based Hess Corporation and the Irish firm Petroceltic International entered into a production-sharing contract with the KRG in July 2011. In retaliation for this, the GOI subsequently banned Hess from participating in its planned fourth licensing round for twelve new exploration blocks in the rest of Iraq.

Source: Rabee Securities, “Iraq Monthly Oil Report - October 2011,” 9/30/2011, pp. 19–30.

customizing them to fit the circumstances. According to one analysis of recently published contracts, the KRG has grown in sophistication over time, learning which terms are relatively more important to maximizing their position, which can be left as standard boilerplate language, and which can be dropped in their entirety. For example, in some earlier production-sharing agreements, the KRG had to affirmatively opt into the deal, whereas in later contracts, the KRG held a stake from day one. In short, they have learned by doing. Table K.4 summarizes the key features of two production-sharing contracts, illustrating how the KRG has learned to improve its position and lessen its risk over time.⁴²⁶

For years, some GOI officials have attacked the KRG’s PSCs as non-transparent and illegitimate.⁴²⁷ To counter this argument, on September 20, 2011, the KRG released the complete text of all production-sharing contracts that it has signed with international firms (available on the KRG website: www.krg.org).⁴²⁸ This maneuver had the added beneficial effect of helping to bring the KRG into greater compliance with aspects of the International Extractive Industry Transparency Initiative, which sets global standards for transparency in the oil, gas, and mining industries.⁴²⁹

Kurdistan Region Oil Production and Exports

On February 2, 2011, the KRG began exporting oil again for the first time since October 2009, after reaching an interim accord with the GOI Ministry of Oil about the terms under which companies can operate in the region.⁴³⁰ In recent months, daily exports from the region through the Kirkuk-Ceyhan pipeline fluctuated widely, sometimes topping out in excess of 100,000 barrels per day (BPD).⁴³¹ KRG officials aim to increase their export capacity to 200,000 BPD by the end of 2011.⁴³²



SIGIR officials meeting with the KRG Minister of Finance, September 2011.

A Potential Gas Giant

The bulk of the region’s electric power comes from gas-fired plants, but recent new discoveries have awakened the KRG to the vast potential gains that could be accrued by monetizing its gas reserves. According to the KRG Minister for Natural Resources, as of March 2011, new discoveries totaled more than 20 trillion cubic feet, not including the previously discovered reserves contained in the Khor Mor and Chamchamal fields. The Minister stated that these reserves first would be used to fuel new electricity plants to provide power for the Kurdistan Region and the rest Iraq, but went on to suggest that they would eventually enable the region to export power to Turkey and the rest of Europe, potentially providing Iraq with a vast new revenue stream.⁴³³

Standard of Living
Quality of Life

While all three of the Kurdistan Region’s provinces have poverty rates well below the national average, a variety of human-development challenges persist. For example:⁴³⁴

- **Water.** In Dahuk city, 40% of the water supply is lost due to old pipes and a dilapidated distribution infrastructure.
- **Sanitation.** Approximately 20% of Erbil province’s households use a hole or similar means to dispose of human waste.
- **Female illiteracy.** About one out of every three women in Dahuk and Erbil provinces are illiterate. In

TABLE K.6
QUALITY OF LIFE IN THE KURDISTAN REGION
% of Population

	NATIONAL AVERAGE	PROVINCE		
		DAHUK	ERBIL	SULAYMANIYAH
Proportion of population below national poverty line	22.9	9.3	3.4	3.3
Net enrollment in primary education	84.8	89.8	89.6	91.4
Net enrollment in secondary education	36.7	12.0	29.7	22.8
Illiteracy (ages 10+)	17.5	30.5	25.8	27.8
Prevalence of chronic disease	9.3	12.2	9.7	10.7
Households in lowest per capita expenditure quintile	20.0	18.1	7.1	10.1
Proportion of households with toilets	91.3	87.1	79.6	92.1

Sources: UN, IAU, *Dahuk, Sulaymaniyah, and Erbil Governorate Profiles*, 9/2011, www.iauiraq.org, accessed 9/25/2011.

Sulaymaniyah province, the female illiteracy rate approaches 50% in eight of the ten districts.

Table K.6 summarizes additional quality-of-life indicators for the Kurdistan Region.

Development Objectives

According to the KRG Minister of Planning, who is responsible for preparing the annual investment budget, the region’s priorities include building at least 135,000 new housing units, constructing a modern highway network, and improving the health care system—all of which will be done in partnership with private investors. Other priorities include modernizing the oil and gas infrastructure, expanding access to secondary and post-secondary education, and continuing to develop the region’s electricity-generation capacity.⁴³⁵

The KRG is also focused on improving the region’s agricultural sector, which the KRG Minister of Agriculture and Water Resources describes as “old-fashioned.” Years of neglect by the Ba’athist regime severely damaged what was once one of the breadbaskets of the region. In 2009, the KRG implemented a five-year plan to achieve food security and lessen its dependence on imported foodstuffs. The plan focuses on training local farmers

in modern techniques and making the region enticing to foreign investors by providing land for cultivation.⁴³⁶

The Kurdish Welfare State

The KRG provides most essential services to the citizenry, including health-care and education:⁴³⁷

- **Health Care.** While medical services are generally modest in nature, absent some minor fees for certain medicines, they are, at least on paper, essentially free. But high demand for these services taxes the limited capacity of the system and notable gaps exist. Many medical specialties are barely represented in the region. For example, of the approximately 8,000 doctors in the region, there are only 25 psychiatrists. International organizations are assisting the KRG build the capacity of its Ministry of Health. For example, the World Health Organization is training Kurdish nurses as well as more than 18,000 paramedics.
- **Education.** Schooling is free for residents of the Kurdistan Region through post-graduate studies. Approximately one-third of the population is enrolled in school—1.5 million in kindergarten through grade 12, and tens of thousands more in higher education. According to the KRG Minister of Education, a plan to

TABLE K.7
AVERAGE ELECTRICITY SUPPLY, BY AREA OF IRAQ, 7/2008 VS. 7/2011
MW

	NON-KRG PROVINCES				KRG PROVINCES				ALL IRAQ			
	7/2008	7/2011	CHANGE		7/2008	7/2011	CHANGE		7/2008	7/2011	CHANGE	
			ABSOLUTE	%			ABSOLUTE	%			ABSOLUTE	%
Government Power Plants	4,384	4,863	479	11%	123	123	0	0%	4,507	4,986	479	11%
Private Power Plants	0	132	132		115	1,497	1,382	1,204%	115	1,628	1,514	1,319%
Power Plant Subtotal	4,384	4,994	610	14%	238	1,620	1,382	581%	4,622	6,614	1,992	43%
Iranian Imports	250	702	452	181%	0	0	0		250	702	452	181%
Turkish Imports	0	0	0		86	0	-86	-100%	86	0	-86	-100%
Imports Subtotal	250	702	452	181%	86	0	-86	-100%	336	702	366	109%
Total Supply	4,634	5,696	1,062	23%	323	1,620	1,297	401%	4,957	7,316	2,358	48%
Erbil-Tameem "Exports"	0	155	155		0	-155	-155		0	0	0	
Net Supply	4,634	5,851	1,217	26%	323	1,465	1,142	353%	4,957	7,316	2,358	48%

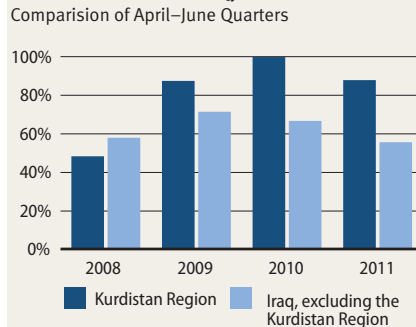
Source: SIGIR analysis based on ITAO/ESD, *Electric Daily Performance Reports*, 7/1/2008–7/27/2011.

reform the higher-education system in two years is beginning to change the way that universities operate in the region. However, the KRG does not have enough money to fund the education of its growing number of elementary- and secondary-school students. Overcrowding is also an issue, with double and triple sessions held in some schools. To ameliorate this, the KRG is investing \$150 million in the construction of new schools. Reflecting the generally pro-U.S. sentiment prevalent in the region, some schools familiarize first-grade students with English, generally beginning Arabic instruction in the fourth grade.

Electricity

While most of Iraq continues to suffer from persistent power shortages, the situation in the Kurdistan Region is dramatically better. The region stopped importing electricity from Turkey in January 2011, and it now produces all the power it consumes. Moreover, the KRG is now exporting power to Tameem province, which has disconnected from the Baghdad-administered grid and is now enjoying up to 18 hours per day in most areas.⁴³⁸

FIGURE K.5
LOAD SERVED AS PERCENTAGE OF ESTIMATED DEMAND, KURDISTAN REGION VS. THE REST OF IRAQ, 2008–2011
Comparison of April–June Quarters

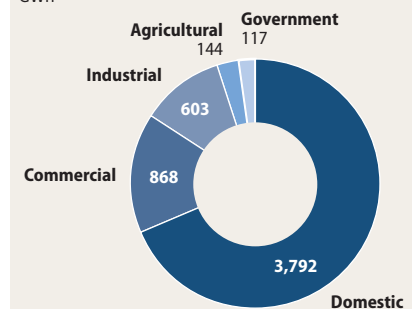


Source: SIGIR analysis based on ITAO/ESD, *Electric Daily Performance Reports*, 4/1/2008–6/30/2011.

Sources of Power

Unlike Iraq's lower 15 provinces, which rely on the overburdened national power transmission and distribution network operated by the GOI's Ministry of Electricity, the Kurdistan Region receives power from a separate grid administered by the KRG's Ministry of Electricity (KRG-MOE). Of the five plants supplying power to the region's grid, three are privately owned combustion-turbine plants, and two are KRG-operated hydroelectric plants. The combined feasible generating capacity of these five plants is about 2,300 megawatts (MW), but actual output is lower, primarily because the hydroelectric plants have been running well below

FIGURE K.6
KURDISTAN REGION FORECASTED ELECTRICITY DEMAND, 2011
GWh



Source: KRG, Ministry of Natural Resources, information provided to SIGIR, 10/3/2011.

capacity. In July, average production from all five plants totaled 1,620 MW, with 92% of that amount generated at the three privately owned plants.⁴³⁹ As Table K.7 shows, the amount of power supplied by these three privately owned plants has increased sharply over the past three years, contributing to a quadrupling of electricity supply in the Kurdistan Region from July 2008 to July 2011.

Rising Demand

The region's robust economic development is fueling a sharp rise in the demand for power. In contrast to most of Iraq, the region has its highest power usage in the winter months, due to the relatively lower

winter temperatures, the high cost of kerosene to fuel heaters, and the low cost of electricity. The KRG-MOE anticipates that increased demand will reduce available power to 18 hours during the peak-demand winter months until several new power projects come on line over the next two years. Figure K.5 displays the load served as a percentage of estimated demand in the Kurdistan Region as compared to the rest of Iraq from 2008 to 2011, while Figure K.6 shows the main sources of demand for 2011.⁴⁴⁰

New Projects

The KRG-MOE expects to generate 3,000 MW by next winter. Additional power plants under construction or planned in the region include:⁴⁴¹

- a Korean-built 300 MW plant in Erbil that could be expanded to produce 600 MW (currently under construction)
- 2,000 MW plant in Sulaymaniyah (planned)
- 1,500 MW plant in Erbil (planned)
- 1,500 MW plant in Dahuk (planned)

There are also \$800 million in ongoing transmission projects in the region, including 70 new substations.⁴⁴²

In response to a recent solicitation for bids to build 6,000 MW of new generation capacity, 46 companies from twelve countries offered proposals as of September 15, 2011. But future contracts will not include guarantees that the KRG will purchase the power. Instead, the companies will have to find other markets for their power, either exporting it to the rest of Iraq or to other countries. Thus, the KRG-MOE anticipates the number of companies actually signing contracts will be less than the 46 that have already expressed an interest in building facilities there.⁴⁴³

Powering Tameem (Kirkuk)

The relatively good power situation in the region has enabled it to begin

exporting a modest amount of power to Tameem province, home to the contested city of Kirkuk. To mitigate summertime power shortages, last quarter Tameem began purchasing power from the privately owned plant in Erbil. Tameem currently produces about 100 MW indigenously, supplemented by about 200 MW of power from the privately owned plant in Erbil. The imported power is “islanded”—that is, it is not connected to the national grid because of the technical incompatibility of the two grids. KRG President Barzani agreed to cover the cost of the fuel to produce that electricity for Kirkuk, which KRG officials estimated at \$16 million, as of August 31, 2011.⁴⁴⁴

KRG-MOE officials estimate that 85% of Tameem currently receives about 18 hours of power per day. But some areas of the province are still connected to the national grid, including the largely Sunni Arab city of Hawija, which has been one of the more violent municipalities in northern Iraq since 2003.⁴⁴⁵

Reform and the Rule of Law Demonstrations of Discontent

On February 17, 2011, demonstrators took to the streets of the KDP stronghold of Sulaymaniyah to protest poor public services and what they perceived as widespread corruption in the KRG. Over the next two months, these protests continued nearly every day, with demonstrators calling for an end to cronyism and demanding new political leadership for the region. Kurdish security forces used force to disperse several of these protests, leading to multiple deaths and dozens of injuries over the two-month period. The protests came to an end in mid-April, and Sulaymaniyah has remained relatively calm since then.⁴⁴⁶

On April 27, 2011, a six-member committee, chaired by a Kurdish judge, issued its report on the demonstrations



SIGIR Deputy Inspector General meeting with KRG Minister of Health in September 2011.

and the security forces’ reaction to them. The committee found that violence was committed by both security personnel and protestors, and that the security forces were poorly trained to handle such situations. The committee also urged the judicial authorities to prosecute all those responsible for violence, both in the security forces and among the protestors. Among the committee report’s key findings were that:⁴⁴⁷

- problems between the Ministry of *Peshmerga* Affairs and the Ministry of the Interior regarding the movement of security forces led to an increase of violence during the demonstrations
- the courts did not treat the situation with “appropriate seriousness”
- in several instances, protestors destroyed public and private property and assaulted both civilians and security personnel

Kurdish Judiciary

Some demonstrators cited the Kurdish judiciary as an example of a politicized institution in the region that is dominated by the KDP and PUK. Previously, the judiciary had been under the KRG Ministry of Justice, but in 2007 it was made independent. It is now administered by the KRG Judicial Council under the leadership of the Chief Justice of the region’s highest court. The KRG judiciary also has its own budget, enhancing its independence. But problems persist. In a May 2009 speech, former KRG Prime Minister Nechirvan Barzani

stated that the region’s “judicial system is not without its shortcomings,” and urged judicial officials to:⁴⁴⁸

- promptly implement new laws, instead of relying on older, outdated versions
- respect private-sector transactions and ensure the legal sanctity of private property and capital
- de-politicize the judiciary
- make court decisions publicly available
- improve coordination among the judiciary and other KRG institutions
- modernize legal education
- familiarize citizens with their legal rights

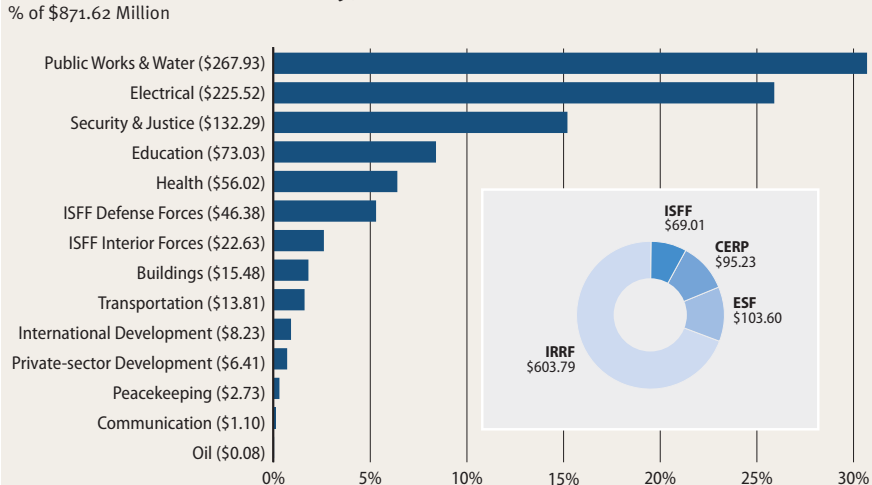
The KRG judiciary is currently receiving assistance from several international organizations, including the European Union’s Rule of Law Mission for Iraq, which opened an office in Erbil in April 2011.⁴⁴⁹

Internally Displaced Persons

The stability that has prevailed in the Kurdistan Region since 2003 has made it a safe haven for many Iraqis displaced from their homes because of sectarian violence. But cross-border incursions by the Turkish military targeting members of the PKK have also forced some of the region’s residents, particularly in Dahuk province, to flee their homes. The nature of and the conditions faced by internally displaced persons (IDPs) in the Kurdistan Region differ by province.⁴⁵⁰

- **Dahuk.** IDPs constitute about 21% of the population, the highest proportion of any province in Iraq. Nearly all of the IDPs in Dahuk came from elsewhere in the province or from neighboring Ninewa. Approximately two-thirds of IDPs have no source of regular income, and about one-quarter (24%) live in collective settlements and refugee camps.
- **Erbil.** Most IDPs taking refuge in the province fled violence in Baghdad or Ninewa. About 68% of IDP families

FIGURE K.7
U.S.-FUNDED INFRASTRUCTURE PROJECTS IN THE KURDISTAN REGION, BY CATEGORY AND FUND, AS OF 9/2010
% of \$871.62 Million



Note: Numbers affected by rounding.

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

have a family member employed, and most IDPs live in rented apartments or houses, but the quality of these accommodations is often substandard.

- **Sulaymaniyah.** IDPs residing in the province appear to be somewhat better off than those in Dahuk and Erbil. Almost 90% live in rented accommodations with what the UN describes as “similar access to electricity and water as the local population,” and nearly 70% of the IDP families receive some income from an employed family member.

U.S. Reconstruction Program

With the end of all Provincial Reconstruction Team (PRT) operations, the Erbil Regional Reconstruction Team became the core of the new U.S. Consulate General, which opened in mid-July 2011.

As of September 2010, the United States had committed approximately \$871.62 million to reconstruction efforts in the Kurdistan Region. This amounts to approximately \$186 per person—or just 13% of the \$1,355 per person



Opening of U.S. Consulate General in Erbil on July 10, 2011. (KRG photo)

committed to reconstruction efforts in Anbar province, which received the most reconstruction dollars on a per capita basis of any province in Iraq.⁴⁵¹ Figure K.7 shows how much was committed to various sectors between early 2003 and September 2010.

U.S. Army Corps of Engineers

USACE awarded the largest reconstruction project in the region to FluorAMEC. The Ifrac Water Project, located in Erbil, was constructed over two years at a total cost of more than \$185 million in Iraq Relief and Reconstruction

Fund (IRRF) monies. Expansion of the Chamchamal Correctional Facility in Sulaymaniyah—the second-largest project in the region—was funded by more than \$28 million of the Economic Support Fund (ESF). Symbion Power LLC completed the largest project in Dahuk—an electrical distribution project with a final cost of more than \$18 million in IRRF funds.⁴⁵²

Other significant projects completed in the region by USACE include:

- 110 kilometers of electricity-transmission lines in Dahuk province (\$18.4 million in ESF)
- a 132-kilovolt substation in Erbil (\$17.7 million in ESF)
- an emergency hospital in Erbil (\$12.9 million in ESF)
- a temporary public-safety academy in Sulaymaniyah (\$7.8 million in IRRF)
- a senior center and orphanage in Erbil (\$3.7 million in ESF)
- a 12-span, 200-meter bridge in Sulaymaniyah (\$2.2 million in ESF)

As of October 4, 2011, the only ongoing USACE project in the region is a \$1.1 million ESF-funded rehabilitation of a school in Halabja.⁴⁵³

USAID Operations

Since 2007, USAID's *Inma* program has provided agricultural-development assistance to Kurdish farmers. Program activities focused on training, seed distribution, and business development. The program also supported the development of vineyards, feedlots, mills, and greenhouses. According to USAID, *Inma* training programs have benefited more than 2,800 residents of the Kurdistan Region.⁴⁵⁴

To date, USAID's *Tijara* economic-development program has dispersed 1,019 loans totaling \$19.3 million to foster commercial development and assist small businesses in the Kurdistan Region. Female entrepreneurs received 6.7% of these loans (\$1.1 million).⁴⁵⁵

SIGIR Oversight

Between 2005 and 2010, SIGIR inspected 23 U.S.-funded reconstruction projects in the Kurdistan Region, with a combined value of almost \$60 million. Of these, SIGIR determined that 12 met the contractual specifications while 11 fell short in one or more ways. Overall, SIGIR found that most of the U.S.-funded projects in the region were significantly more successful than projects built in the rest of Iraq, primarily because reconstruction personnel were operating in a more permissive environment. This underscores one of the main conclusions reached by SIGIR after more than 7 years of oversight work—namely, that reconstruction should only be undertaken in reasonably secure environments. As the Iraq reconstruction experience has amply shown, doing otherwise dramatically increases the risk that these funds might be wasted.

SIGIR project assessments of projects in the Kurdistan Region included:

- **Orphanage and Senior Citizen Assisted Living Center.** This \$3.7 million ESF project resulted in the construction of a combined orphanage and senior center in Erbil. Upon visiting the site in July 2009, SIGIR discovered several relatively minor safety concerns. After discussions with SIGIR, the government and contractor collaborated to correct the deficiencies prior to the issuance of SIGIR's report on the facility in October 2009. The successful completion of this project demonstrates how real-time oversight can identify problems at an early enough stage for them to be corrected at minimal cost to the taxpayer.⁴⁵⁶



Erbil Orphanage and Senior Center.

- **Erbil Police Academy.** The objective of this \$10 million ISFF project was to design and build a police-training academy to accommodate 650 students.



Erbil Police Academy.

The KRG also committed \$5.4 million of its own funds to construct other parts of the academy complex. Prior to its construction, none of Erbil's approximately 4,300 police officers had attended U.S.-approved police-training courses. SIGIR's 2007 visit to the site determined that planning for and construction of the project were adequate, due in large part to USACE involving senior KRG officials beginning in the preliminary planning stages. SIGIR also found that U.S. project managers had made ample allowances for effective contractor quality control and government quality assurance, thereby ensuring timely oversight and effective monitoring of the facility's construction.⁴⁵⁷

- **Erbil Maternity Hospital.** SIGIR's 2006 assessment of this \$6.8 million IRRF project found that while the original rehabilitation work on the hospital and installation of new equipment had met specifications, several significant sustainment issues were having a negative impact on hospital operations. These included a lack of trained personnel, poor waste-disposal procedures, inadequate cleaning practices, and unsatisfactory equipment maintenance and parts programs. SIGIR recommended that the U.S. government coordinate with KRG officials and hospital staff to



Erbil Maternity Hospital.

TABLE K.8
SIGIR OVERSIGHT IN THE KURDISTAN REGION, 2005–2009

ASSESSMENT NUMBER	PROJECT NAME	CONTRACT AMOUNT	(FUND)	CONTRACTOR	MET CONTRACT SPECS
SIGIR PA-07-115	Erbil Police Academy	\$10,006,379	(ISFF)	Tigris Company	Yes
SIGIR PA-07-114	Iraqi Army Facilities	\$9,300,000	(ISFF)	Toltest, Inc.	Yes
SIGIR PA-06-094	Erbil Maternity and Pediatric Hospital	\$6,832,360	(IRRF)	Parsons	No
SIGIR PA-08-119	Refurbishment of the KRG Ministry of Interior Complex	\$5,896,011	(CERP)	Tigris Company	Yes
SIGIR PA-06-039	Zakho Military Academy	\$5,814,033	(IRRF)	Local	Yes
SIGIR PA-06-070	Dahuk Rehabilitation Center	\$5,633,803	(IRRF)	Biltek	Yes
SIGIR PA-09-178	Erbil Orphanage and Senior Citizen Assisted Living Center	\$3,725,000	(ESF)	Local	Yes
SIGIR PA-06-037	Erbil City Transformers	\$3,372,288	(IRRF)	Washington International	Yes
SIGIR PA-06-042 to 046	Kirkuk Primary Health Care Centers, KE-1 through KE-05	\$2,746,673	(IRRF)	Parsons Delaware	No
SIGIR PA-06-036	Ainkawa Fire Station Construction	\$1,355,857	(IRRF)	Parsons Global Services	No
SIGIR PA-09-179	Qaladze Abattoir (Slaughterhouse)	\$1,100,000	(ESF)	Local	Yes
SIGIR PA-05-021 to 024	Sulaymaniya Border Posts 20, 23, 29, and 37	\$1,090,368	(IRRF)	Parsons Delaware	No
SIGIR PA-08-120	Sarwaran Primary School	\$693,631	(CERP)	Local	Yes
SIGIR PA-08-121	Binaslawa Middle School	\$601,611	(CERP)	Local	Yes
SIGIR PA-09-186	Humer Kwer Health Center	\$547,257	(ESF)	Local	Yes
SIGIR PA-06-038	Sheile Primary School, Dahuk	\$460,438	(IRRF)	Local	Yes

develop appropriate plans to allocate resources and develop training plans to resolve these sustainment issues.⁴⁵⁸

- **Refurbishment of the Kurdistan Ministry of Interior (MOI) Complex.**

The objective of this \$5.9 million CERP project was to repair the five-building KRG-MOI complex that was severely damaged by a car bombing in May 2007. SIGIR’s site visits in 2008 determined that the project

components were adequately designed prior to installation and found the quality of the workmanship and materials used in construction to be adequate. SIGIR found that the Turkish contractor’s QC plan and USACE’s QA plan facilitated were sufficiently specific to ensure the quality refurbishment of the KRG-MOI complex.⁴⁵⁹

Table K.8 summarizes SIGIR oversight in the Kurdistan Region since 2005. ♦



Kurdistan MOI Complex.

SIGIR OVERSIGHT

SIGIR AUDITS	108
SIGIR INVESTIGATIONS	117
SIGIR HOTLINE	129
SIGIR WEBSITE	130
LEGISLATIVE UPDATE	131

SECTION

5

SIGIR AUDITS

Since March 2004, SIGIR’s Audits Directorate has issued 201 reports. From August 1 to October 31, 2011, SIGIR issued seven audits addressing a wide range of reconstruction issues. They included:

- a report examining Coalition Provisional Authority (CPA) transfer of Development Fund for Iraq (DFI) monies to the Government of Iraq (GOI)
- a report examining how six recipients of U.S. awards account for indirect costs in managing their security contracts
- a report on obligations and expenditures of International Narcotics Control and Law Enforcement (INCLE) funds allocated to Iraq
- a report on Department of Defense (DoD) responsiveness to SIGIR recommendations
- a report on the extent and reasons why the U.S. Central Command (CENTCOM) Contracting Command (C3) terminated contracts and whether those decisions resulted in waste
- a report on the extent to which the Department of State (DoS) has adequately planned for its assumption of the Police Development Program (PDP)
- a report on issues affecting the construction of the Falluja Waste Water Treatment System

For a list of these audit products, see Table 5.1.

SIGIR currently has 13 announced or ongoing audits, and others are expected to start next quarter. SIGIR performs audit work under generally accepted government auditing standards.

SIGIR Audits Completed This Quarter

Development Fund for Iraq: The Coalition Provisional Authority Transferred Control over Most of the Remaining DFI Funds to the Central Bank of Iraq
(SIGIR 12-001, 10/2011)

Introduction

The CPA was established in May 2003 to provide for the temporary governance of Iraq. United Nations Security Council Resolution 1483 created the DFI and assigned the CPA the responsibility for managing it. The DFI comprised revenues from Iraqi oil and gas sales, certain remaining Oil for Food deposits, and repatriated national assets, and it was used in part for the relief and reconstruction efforts in Iraq. During its almost 14-month life, the CPA had access to \$20.7 billion in DFI funds for use in

TABLE 5.1
SIGIR AUDIT PRODUCTS, SINCE 8/1/2011

REPORT NUMBER	REPORT TITLE	DATE ISSUED
12-001	Development Fund for Iraq: The Coalition Provisional Authority Transferred Control over Most of the Remaining DFI Funds to the Central Bank of Iraq	10/2011
12-002	Indirect Costs of Managing Private Security Contracts in Iraq	10/2011
12-003	Status of International Narcotics Control and Law Enforcement Funds Allocated for Iraq Reconstruction	10/2011
12-004	Department of Defense Agencies Have Taken Action on Most Open Audit Recommendations	10/2011
12-005	U.S. Central Command Contracting Command Had Few Contract Terminations That Resulted in Wasted Funds in Iraq	10/2011
12-006	Iraqi Police Development Program: Opportunities for Improved Program Accountability and Budget Transparency	10/2011
12-007	Falluja Waste Water Treatment System: A Case Study in Wartime Contracting	10/2011

these efforts. DFI funds were held in accounts at the Federal Reserve Bank of New York (FRBNY) and the Central Bank of Iraq (CBI), as well as the presidential palace vault in Baghdad. When the CPA was dissolved on June 28, 2004, \$6.6 billion remained in unexpended DFI funds.

In response to a request from the DoD Comptroller about the status of remaining DFI funds, SIGIR initiated this audit to determine (1) who had authority and control over DFI funds after the CPA was dissolved and (2) whether DFI funds shipped to Baghdad were properly controlled by the CPA and transferred to and deposited into the CBI.

Results

When the CPA was dissolved, the CPA Administrator transferred control over almost all of the \$6.6 billion remaining in DFI funds to the CBI. This included \$4.7 billion on deposit at the FRBNY, primarily held as U.S. Treasury bills, and \$1.7 billion at the CBI. DoD assumed control of the remaining \$217.7 million, which was in the presidential palace vault in Baghdad. In January 2012, SIGIR plans to report on DoD's accounting for these funds and about \$2.8 billion more in DFI funds used by DoD agencies, including the U.S. Army Corps of Engineers, for reconstruction projects in Iraq.

The CPA had policies and procedures governing the transfer and deposit of DFI funds into the CBI once it arrived in Baghdad. From August 2003 through June 2004, the FRBNY made 11 cash shipments to Baghdad totaling \$10.2 billion in DFI funds. Four of these shipments, totaling approximately \$5.8 billion, occurred within the last two months of the CPA's existence.

SIGIR reviewed these four shipments to determine if the CPA followed its own established procedures regarding transferring the currency to the CBI. CPA documents show that a CBI representative signed for and took custody of two of the final four currency shipments at Baghdad International Airport. Specific receipt documentation was missing for the other two currency

shipments, which totaled \$1 billion and \$2.4 billion. However, the CPA's accounting records show the apparent disposition of these funds upon their arrival in Baghdad.

In reviewing the fund shipments, SIGIR found three instances where large amounts of U.S. currency flown to Baghdad were not properly deposited into the CBI's DFI Baghdad account, as required by the CPA Policies and Procedures Manual:

- CPA accounting records show that the very last currency shipment totaled \$2.4 billion but that only \$766.4 million was deposited into the Baghdad account. Based on a policy decision, the remaining \$1.6 billion was earmarked for the Kurdistan Region, and documents show it was transferred to a Central Bank of Kurdistan representative at the Baghdad International Airport for flight to Erbil.
- CPA records show that \$1.35 billion out of \$1.5 billion shipped to Baghdad in December 2003 was deposited into the DFI Baghdad account. The records note that \$150 million was improperly given directly to the Iraqi Minister of Finance at the airport. Officials at the Iraq Board of Supreme Audit told SIGIR that the Minister of Finance did not have authority to take the funds directly.
- SIGIR could not find any specific documentation on the arrival and deposit of a \$400 million shipment into the CBI's DFI Baghdad account. While SIGIR does not have conclusive evidence, there is some indication from officials at the Iraq Board of Supreme Audit that these funds were deposited into another CBI account under control of the Minister of Finance.

Recommendations

This report contains no recommendations.

Management Comments and Audit Response

Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

Indirect Costs of Managing Private Security Contracts in Iraq

(SIGIR 12-002, 10/2011)

Introduction

In three previously issued audit reports, SIGIR found that some nonprofit organizations had used different methodologies for calculating indirect costs for managing their private security contracts, resulting in questionable charges. Because private security costs generally account for a large portion of a nonprofit organization's total expenditures in Iraq, it is critical that the costs to manage these contracts are reasonable and kept to a minimum to allow as much money as possible to be spent on program implementation. This report addresses SIGIR's findings regarding how six nonprofit organizations charge for their indirect costs associated with managing their security contracts.

Results

SIGIR found that the organizations charged widely varying indirect costs for managing security contracts in Iraq that SIGIR believes required a similar level of effort. For some organizations, the indirect costs charged may be unreasonable relative to the actual administrative costs necessary to support the Iraq program. For example, SIGIR found that one organization charged \$5,225 for managing its \$3.18 million Iraq security contract, while another charged \$915,794 to manage its \$5.39 million security contract. Such a vast difference occurred because the organizations applied the indirect cost rate approved by the U.S. Agency for International Development (USAID) to different bases when they determined the dollar value of their costs of managing these contracts. Indirect cost rates are calculated by dividing the organization's total allowable indirect costs by some direct cost base and are expressed as a percentage. Notwithstanding the limited scope of this review—in which SIGIR focused only on security contract costs—and the complexity of the indirect cost rate determinations, the disparity and amount of indirect costs

charged for managing these contracts warrants a closer review.

Recommendations

SIGIR recommends that the USAID Office of Acquisition and Assistance's Overhead, Special Costs, and Closeout Branch more closely review the indirect costs associated with security contracts to ensure that they are reasonable and equitably charged to the Iraq program.

Management Comments and Audit Response

Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

Status of International Narcotics Control and Law Enforcement Funds Allocated for Iraq Reconstruction

(SIGIR 12-003, 10/2011)

Introduction

Public Law 108-106, as amended, requires that SIGIR report on the oversight and accounting of funds obligated and expended for Iraq relief and reconstruction efforts. This report is on the status of INCLE funds allocated to DoS's Bureau of International Narcotics and Law Enforcement Affairs (INL) for Iraq. Specifically, SIGIR is reporting on INCLE funds allocated for Iraq for fiscal years 2006 through 2010 that have been obligated and expended and that have expired.

Results

For fiscal years 2006 through 2010, SIGIR found that INCLE funds for Iraq in the DoS Budget Summary reports to the Congress matched the amounts reported in the INL program reviews and DoS's Global Financial Management System. For fiscal years 2006 through 2010, funds totaling almost \$1.1 billion have been allocated for INL programs in Iraq. As of June 30, 2011, approximately

\$845 million of the \$1.1 billion had been obligated and \$717 million had been expended. The majority of the unobligated and unexpended funds were allocated for fiscal year 2010. There were no expired funds as of June 30, 2011, and \$223 million had not been obligated.

Recommendations

This report contains no recommendations.

Management Comments

Because this report did not contain recommendations, DoS was not required to and did not submit comments.

Department of Defense Agencies Have Taken Action on Most Open Audit Recommendations (SIGIR 12-004, 10/2011)

Introduction

The Inspector General Act of 1978, as amended, requires SIGIR to identify in its semiannual reports each significant recommendation described in previous semiannual reports on which corrective action has not been completed. This report follows up on 26 audit recommendations SIGIR made to three DoD agencies—the U.S. Central Command, U.S. Forces-Iraq (USF-I), and U.S. Army Corps of Engineers (USACE)—that were open as of July 31, 2011. The objectives of this report were to determine whether the DoD agencies took appropriate action to address these recommendations.

Results

As a result of information received from the three DoD agencies, and information developed during other SIGIR reviews, SIGIR was able to close 24 of the 26 open recommendations. Two recommendations remain open because USACE could not determine their status. SIGIR will continue to follow up on the two open recommendations.

Recommendations

This report contains no recommendations.

Management Comments

Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

U.S. Central Command Contracting Command Had Few Contract Terminations That Resulted in Wasted Funds in Iraq (SIGIR 12-005, 10/2011)

Introduction

This report examines U.S. Central Command Contracting Command Iraq reconstruction contracts that were terminated from June 2008 through April 2011. SIGIR undertook this review to examine the outcomes of C3's terminated contracts to determine if the agency maintains effective controls over contracts and if the terminations resulted in wasted U.S. funds.

Results

C3 terminated 16 reconstruction contracts during the period reviewed. This is far fewer than the 981 contracts terminated by C3's predecessor, Joint Contracting Command-Iraq/Afghanistan, from January 2005 through June 2008. According to C3 officials, the reduction is attributable to a much smaller reconstruction program, improvements in contract management systems, and improved contractor performance. Ten contracts were terminated at the convenience of the government because the services were no longer needed, and six contracts were terminated for cause or default because of poor contractor performance. SIGIR identified potential waste of more than \$16.6 million in two contracts. Better planning and coordination by C3 and other U.S. agencies could have avoided much of that waste. SIGIR recognizes that wasted funds on two terminated contracts do not indicate systemic problems for an agency that has managed hundreds

of contracts. However, SIGIR believes lessons can be learned from these terminations.

Recommendations

This report contains no recommendations.

Management Comments

Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

Iraqi Police Development Program: Opportunities for Improved Program Accountability and Budget Transparency (SIGIR 12-006, 10/2011)

Introduction

On October 1, 2011, DoD transferred the responsibility for managing training of the Iraqi police to DoS. DoS is executing this effort through its new PDP, which seeks to assist the GOI in strengthening police forces' capabilities so that they can maintain internal security. Within DoS, INL has the management lead and will provide police advisors to mentor, advise, and train senior Iraqi police personnel.

In this audit, SIGIR examined whether DoS/INL has a plan for the program with sound requirements and cost estimates, and whether DoS has identified the funds and other resources that the GOI will contribute to the program, as required by law. SIGIR also examined related issues, such as security and overhead, that could affect program operations and costs.

Results

SIGIR's audit initially was impaired by DoS's lack of cooperation, which resulted in limited access to key officials and documents. After an exchange of letters on this issue, the access problems were mitigated. SIGIR's somewhat limited discussions with and documents obtained from DoS officials, along

with documents obtained from other sources, allowed SIGIR to determine:

- DoS does not have a current assessment of Iraqi police forces' capabilities upon which to base its program. Such an assessment is essential for effective program targeting. Further, DoS does not have a sufficiently comprehensive and detailed PDP plan that provides specifics on what is to be accomplished, including intermediate and long-term milestones, benchmarks to assess progress and accomplishments, and transparency of and accountability for costs and performance outcomes.
- DoS has reduced the size of the PDP since 2009 to offset increases in estimated costs and anticipated budget reductions. While it requested about \$887 million for the program in FY 2012, current plans are to phase in a smaller and less costly program. Earlier this year, DoS, for the first phase of the program, reduced the number of planned advisors from 190 to 115 and eliminated aircraft transport capability. INL officials estimate the FY 2012 cost for Phase 1 to be about \$500 million.
- Spending plans indicate that only a relatively small portion of program funds—about 12%—will be used to pay for advising, mentoring, and developing Iraqi police forces. The vast preponderance of money will fund security and life support. INL officials told SIGIR they will seek ways to reduce security, life support, and other overhead.
- With the program now notably pared down, DoS plans to use remaining FY 2010 and FY 2011 funds to pay some FY 2012 operational costs. INL data indicates that as much as \$200 million to \$300 million could be available for this purpose. DoS did not provide SIGIR with sufficiently detailed data on current obligations, expenditures, and budgets, including the use of PDP funds to pay for U.S. Embassy-Baghdad operations (security, life support, and aircraft) that support the program.
- DoS has not yet secured written commitments from the GOI regarding either its support for the

PDP or its planned financial contributions, even though (1) DoS has written policy guidelines requiring GOI matching contributions and (2) congressional language appropriating funds for Iraq assistance specifies the use of these guidelines.

SIGIR believes this audit raises serious concerns regarding the PDP's long-term viability. The continual downsizing of the program, the planned use of unspent funds, and the lack of transparency regarding the use of program funds for "Embassy platform" purposes (such as security, life support, and aviation) raise red flags about the program's true funding requirements. This report identifies opportunities for improved program accountability and budget transparency, which, if acted upon, will strengthen the likelihood of program success.

Recommendations

SIGIR recommends that the Secretary of State:

1. Direct INL to work with the Iraqi Ministry of Interior to complete quickly an adequate assessment of Iraqi police forces to serve as a basis for the mentoring, advising, and training to be provided.
2. Direct INL to finish quickly a comprehensive and detailed PDP plan that includes specifics on what is to be accomplished—including intermediate and longer term milestones, and metrics to assess progress and accomplishments—in order to provide greater transparency of and more accountability for program costs and performance. To the extent feasible, ensure that the PDP plan maximizes funds for direct program use as opposed to support activities.
3. Complete a written agreement with the GOI on Iraqi roles and duties in the PDP—including agreement on the joint accountability for the PDP and the types and amount of Iraq's financial participation. If such an agreement cannot be obtained, determine how the PDP should be modified.

Matters for Congressional Consideration

SIGIR believes that, before additional funds are committed to the program, the Congress might consider requiring DoS to provide more detailed data on (1) projected program costs, (2) existing funds available to meet FY 2012 operational costs, and (3) expected GOI contributions.

Management Comments

DoS agrees with SIGIR's recommendations and notes that this report will aid in strengthening operational systems and controls for the PDP. Other DoS comments are addressed in the report as appropriate. Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

Falluja Waste Water Treatment System: A Case Study in Wartime Contracting (SIGIR 12-007, 10/2011)

Introduction

The Falluja Waste Water Treatment System was one of the largest and most expensive construction projects in Iraq. It was part of a broad strategy to improve Iraq's infrastructure so as to win the hearts and minds of the Iraqi people. This report discusses the history and outcomes of the Falluja Waste Water Treatment System and examines the lessons learned from this difficult reconstruction experience as applied to wartime contracting.

Results

Heavy fighting in Falluja, poor planning, unrealistic cost estimates, and inadequate funding led to significant cost-overruns and delays in constructing the city's new wastewater treatment system. After seven years and the expenditure of more than \$100 million, the backbone of a wastewater treatment system is now in place, which can serve approximately 36,000 residents. But this is far short of the 183,000 residents originally intended to benefit from the system. Despite this shortfall, the

facility is expandable and, with additional investment by the Iraqi government, tens of thousands of additional residents could be connected to it. SIGIR notes that the Iraqi government is now supporting the system's current operation and its future expansion. But completion of the existing backbone facility was years late and millions of dollars over budget, leaving Falluja streets torn up for years. Many people, including DoS personnel, died while working in support of this project.

Assessing the Falluja Waste Water Treatment System solely on its excessive costs and limited results may not fully realize the nature of its secondary goals and objectives. Wartime projects generally have secondary goals that shape management decisions made along the way. This project had the secondary goals of enhancing local citizens' faith in their government's ability to deliver essential services, building a service capacity within the local government, winning the hearts and minds of a critical segment of the Iraqi populace, and stimulating the economy by boosting employment (particularly for young men who were potentially recruitable by the insurgency).

This project was taken on in 2004 in a city wracked by violence. Little planning went into the project, and there was minimal understanding of site conditions, no skilled workforce available, and no clear idea about how much the new system would cost. Very early in the project, security conditions rapidly deteriorated such that the trenches and pipes laid by the U.S. contractor were regularly being blown up, and construction workers were subject to continual attacks. On several occasions, U.S. combatant commanders had to direct the contractor to stop construction until security improved. So many adverse conditions faced this project from the outset that it is hard to understand why it was initiated and continued.

The absence of information or analysis on whether progress was made toward achieving any of the secondary goals makes an assessment of this project's worth or wisdom quite difficult. In the end, it would be dubious to conclude that this

project helped stabilize the city, enhanced the local citizenry's faith in government, built local service capacity, won hearts or minds, or stimulated the economy. Coupled with the fact that the outcome achieved was a wastewater treatment system operating at levels far below what was anticipated, it is difficult to conclude that the project was worth the \$100 million investment and the many lives lost.

Lessons Learned

A successful reconstruction program requires a balancing of security, political, and economic interests. Reconstruction cannot proceed on a large scale without the requisite security to protect those carrying out the projects and those overseeing them. In Iraq, the scope of reconstruction was too often insupportable by available security resources. To this day, Iraq's reconstruction environment has never been truly "post-conflict." Endlessly resuming rebuilding in the wake of sustained attacks on reconstruction personnel and critical infrastructure proved to be a demoralizing and wasteful strategy. In future stabilization and reconstruction operations, the U.S. government should analyze whether and at what costs security risks can be mitigated before proceeding with large-scale rebuilding projects. Such projects should only begin when senior leaders determine that the strategic objective they could fulfill outweighs the risk of failure and the costs of mitigating security risks.

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 U.S. government. 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 or has announced its plans to conduct these audits:

- Project 1114: Audit of Plans To Spend Remaining Funds from Iraq Security Forces Fund Appropriation
- Project 1113: Audit of the Government's Reviews of Business Systems for Contractors Receiving U.S. Funds To Work in Iraq
- Project 1112b: 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 1109: Audit of the Department of Defense's Management of Selected Large-dollar Iraq Reconstruction Contract Closeouts
- Project 1108b: 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 1105b: Audit of the Use of Funds Provided for the Iraq Commander's Emergency Response Program
- Project 1102b: Audit of the Status of Recommendations Made to the Department of Defense
- Project 1020: Audit of the Departments of Justice and State Management of Rule of Law Activities in Iraq
- Projects 9005, 9012, and 9013: Audits of Department of Defense, Department of State, and the U.S. Agency for International Development Appropriation, Obligation, and Expenditure Transaction Data Related to Iraq Relief and Reconstruction

Planned Audits

SIGIR's planned audits are aligned with three key goals enumerated in its strategic audit plan to fulfill its legislative mandates:

- Improve business practices and accountability in managing contracts and grants for Iraq reconstruction.
- Strengthen the economy, efficiency, and effectiveness of programs and operations designed to facilitate Iraq reconstruction.
- Provide for independent and objective leadership and coordination of, and recommendations on, policies designed to address problems and deficiencies in reconstruction and stabilization efforts in Iraq.

To accomplish its objectives, SIGIR plans to allocate its resources across the goals based on its mandates and the amount remaining in each reconstruction fund. Generally speaking, SIGIR will allocate its resources as follows:

- 5% toward auditing contracts and programs paid out of the Iraq Security Forces Fund
- 5% toward auditing contracts and programs paid out of the Iraq Relief and Reconstruction Fund
- 70% toward auditing the Economic Support Fund, International Narcotics Control and Law Enforcement account, and the Commander's Emergency Response Program
- 20% to address requirements for a forensic audit

This notional resource allocation also includes resources to meet requirements for auditing private security contractors. However, SIGIR may focus its resources more intensely on any one area

at any given time based on internal or external interests or concerns.

Nearly all of SIGIR's planned audits are best characterized as performance audits, which typically provide an independent assessment of the performance and management of a program or contract against objective criteria. SIGIR's performance audits often include aspects of financial

management issues. As a new initiative launched during calendar year 2008, SIGIR developed plans to perform forensic reviews of financial data related to Iraq reconstruction activities. SIGIR has since published five reports on its forensic audit effort. SIGIR has completed most of its forensic audit work and will write the final forensic audit report on the results of SIGIR's work. ♦

SIGIR INVESTIGATIONS

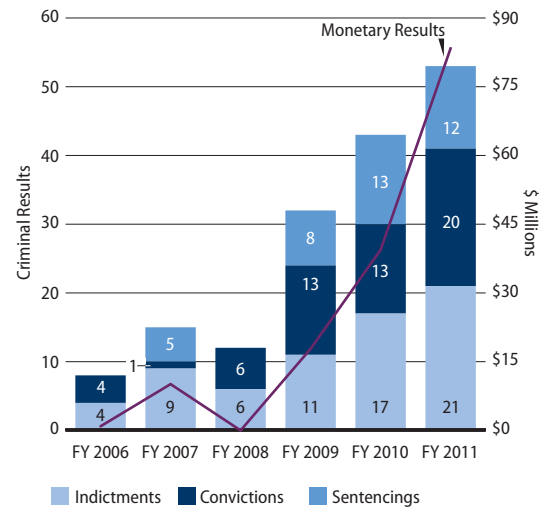
The SIGIR Investigations Directorate continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 101 active investigations as of September 30, 2011. This quarter, SIGIR had 1 investigator assigned to Baghdad; 6 investigators at SIGIR headquarters in Arlington, Virginia; and 13 investigators working at offices in Pennsylvania, Florida, Texas, Georgia, Oklahoma, and California. Investigative accomplishments this quarter included 4 indictments, 3 convictions, and 3 sentencing. As of September 30, 2011, the work of SIGIR investigators had resulted in 35 arrests, 68 indictments, 57 convictions, and more than \$154.7 million in fines, forfeitures, recoveries, restitution, and other monetary results. Investigative accomplishments this quarter also included suspension and debarment action, including 4 suspensions, 11 proposals for debarment, and 13 debarments.

As a result of SIGIR's investigations, 9 defendants are awaiting trial, and 19 more are awaiting sentencing. Figure 5.1 shows the increases in the number of judicial actions and monetary results achieved 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 5.2, at the end of this subsection.

SIGIR notes these investigative activities this quarter:

- A U.S. Marine Corps gunnery sergeant from South Carolina was charged with and pled guilty to his role in a scheme to steal military equipment worth \$124,000 in Iraq.
- An associate of a U.S. Marine Corps contracting officer in Iraq pled guilty to a money-laundering conspiracy charge.

FIGURE 5.1
SIGIR INVESTIGATIONS: CRIMINAL AND MONETARY RESULTS



- A former U.S. Army lieutenant colonel was sentenced to prison for accepting illegal gratuities from contractors in Iraq.
- A former U.S. Army sergeant was indicted for receiving stolen cash.
- A retired U.S. Army colonel was sentenced to 12 months in prison for her role in a bribery scheme in Iraq.
- A former U.S. Army sergeant was sentenced for his role in a theft conspiracy.
- A former U.S. Army Corps of Engineers (USACE) employee was charged with and pled guilty to accepting bribes from Iraqi contractors.
- A contractor was indicted for lying to federal agents.

U.S. Marine Corps Gunnery Sergeant Pleads Guilty to Role in Scheme To Steal Military Equipment in Iraq

On August 10, 2011, Eric Hamilton, a U.S. Marine Corps gunnery sergeant, pled guilty in U.S. District

Court in Greenville, South Carolina, to a criminal information charging him with two counts of conspiracy to steal more than 70 electrical generators from two Marine Corps bases in Iraq in 2008.

From May to September 2008, Hamilton was stationed at Camp Fallujah, Iraq, where he was in charge of a military storage yard containing electrical generators and other equipment for use by U.S. Marine Corps units in Iraq. Hamilton admitted that while he was stationed there, he entered into a scheme with a Marine Corps officer to facilitate the theft of electrical generators from the base by private Iraqi contractors. Hamilton admitted that he identified the generators to be stolen, painted markings on them to designate them for theft by the Iraqi contractors, and facilitated access to the storage yard by the contractors' trucks to load and remove the generators. Hamilton also entered into a separate scheme with a private Iraqi contractor to facilitate that contractor's theft of electrical generators from the base. Both of these theft schemes continued after the Marine Corps closed Camp Fallujah and relocated personnel to Camp Ramadi, Iraq. Hamilton was assigned to Camp Ramadi from October to December 2008.

In pleading guilty, Hamilton admitted that he received more than \$124,000 in payments from the Marine Corps officer and the Iraqi contractor in return for facilitating the theft of more than 70 generators from Camp Fallujah and Camp Ramadi. Hamilton received the funds through cash payments in Iraq, checks issued to Hamilton's wife in the United States by the officer's wife, and wire transfer payments to a bank account in the United States. Hamilton sent home approximately \$43,000 of the cash he received from the thefts at Camp Fallujah by concealing it among American flags contained in foot lockers that he mailed from Iraq to his wife. The investigation into this case continues.

At sentencing, Hamilton faces maximum penalties of five years in prison, a \$250,000 fine, and three years of supervised release following a

prison term. As part of his guilty plea, Hamilton has agreed to pay \$124,944 in restitution to the United States. A sentencing date has not yet been set by the court.

This case is being prosecuted by a SIGIR attorney on detail to the Fraud Section of DoJ's Criminal Division, and being investigated by SIGIR and the Defense Criminal Investigative Service (DCIS).

Associate of U.S. Marine Corps Contracting Officer Pleads Guilty to Money-laundering Conspiracy Charge

On July 22, 2011, Francisco Mungia III pled guilty in U.S. District Court in Honolulu, Hawaii, to a one-count criminal information filed on July 19, 2011, charging him with conspiracy. Mungia was an associate of a U.S. Marine Corps contracting officer stationed at Camp Fallujah, Iraq, and agreed to launder approximately \$150,000 in bribes the contracting officer had received from two contractors in Iraq.

The money had been received by a U.S. Marine Corps contracting officer in Iraq, between 2005 and 2008, in return for awarding contracts to 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 the Iraqi contractors 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 investigation into this case continues.

The case is being investigated by SIGIR, DCIS, the Army Criminal Investigation Command-Major Procurement Fraud Unit (CID-MPFU), and the Federal Bureau of Investigation (FBI).

Former U.S. Army Lieutenant Colonel Sentenced to Prison for Accepting Illegal Gratuities

On July 29, 2011, David C. Pfluger, a former U.S. Army lieutenant colonel, was sentenced to 18 months in prison for accepting illegal gratuities from

multiple Iraqi contractors and for stealing from Iraqi fuel reserves. Pfluger was also sentenced to three years of supervised release and ordered to pay \$24,000 in restitution. Pfluger pled guilty to a four-count indictment charging him with one count of conspiracy, two counts of accepting gratuities, and one count of conversion of third-party property by a U.S. official.

According to court documents, Pfluger was deployed to Forward Operating Base Ridgway in Iraq and assigned the role of “Mayor” of the base. As the “Mayor,” he was the officer-in-charge of the physical facilities of the base and had extensive contact with the various local contractors doing work on the base. While serving in this role, Pfluger agreed with a U.S. Army translator and various local contractors to accept gratuities in the form of cash, jewelry, and clothing from various contractors. The gratuities were paid in return for official acts Pfluger performed that benefitted the contractors, including encouraging contracts for those contractors, relaxing security procedures for them, and providing them fuel from Iraqi fuel reserves that he had no authority to access. Pfluger received the money, jewelry, and clothing in Iraq and sent it home through the U.S. mail, often hiding the money inside books and letters. In total, Pfluger admitted to receiving approximately \$11,500 in cash from this scheme, plus an unknown amount of clothing and jewelry.

This case was prosecuted by a SIGIR attorney on detail to the Fraud Section of DoJ’s Criminal Division. The case was investigated by SIGIR, Army CID-MPFU, DCIS, and FBI.

Former U.S. Army Sergeant Indicted for Receiving Stolen Cash from Iraq

On August 5, 2011, a former U.S. Army sergeant was charged in U.S. District Court in Los Angeles, California, in a one-count indictment 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 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 toy, and sent through the U.S. mail to the former U.S. Army sergeant in California. The investigation into this case continues.

The case is being investigated by SIGIR, DCIS, Army CID-MPFU, and FBI.

Retired U.S. Army Colonel Sentenced to 12 Months in Prison for Bribery Scheme in Iraq

On August 16, 2011, Levonda J. Selph, a retired U.S. Army colonel, was sentenced in U.S. District Court in Washington, D.C., to 12 months in prison for her role in a scheme to pay bribes for contracts awarded in support of the Iraq War. In addition to her prison term, Selph was sentenced to three years of supervised release and ordered to pay a \$5,000 fine and \$9,000 in restitution.

Selph pled guilty in June 2008 to a criminal information charging her with one count of bribery and one count of conspiracy. According to the information, in 2005, then-Lieutenant Colonel Selph served as chair of a selection board for a \$12 million contract to build and operate several Department of Defense warehouses in Iraq. Selph accepted fraudulent bids from a co-conspirator contracting firm and helped that firm to win the contract award. In return for these actions, Selph accepted a vacation to Thailand and other items of value totaling approximately \$9,000. The investigation into this case continues.

The case is being investigated by SIGIR, DCIS, Army CID-MPFU, FBI, and the Department of Homeland Security’s Bureau of Immigration and Customs Enforcement (ICE).

Former U.S. Army Sergeant Sentenced in Theft Conspiracy

On October 5, 2011, Robert A. Nelson, a former U.S. Army sergeant first class, was sentenced in U.S. District Court for 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 sentenced to serve four years probation, of which the first six months will be home confinement, and ordered to pay restitution of \$44,830 and a special assessment of \$100. Nelson pled guilty to a one-count criminal information charging conspiracy to steal public property. According to court documents, 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.

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 USACE Employee Pleads Guilty to Accepting Bribes from Iraqi Contractors

On September 19, 2011, Thomas Aram Manok, a former USACE employee stationed in Baghdad, pled guilty in U.S. District Court in the Eastern District of Virginia to conspiring to receive bribes from Iraqi contractors involved in the U.S.-funded reconstruction efforts.

Manok admitted to using his official position to conspire with Iraqi contractors to accept cash bribes in exchange for recommending that USACE approve contracts and other requests for payment submitted by the contractors to the U.S. government. In March and April 2010, Manok agreed to receive a \$10,000 payment from one such contractor who had been involved in constructing a kindergarten and girls' school in the Abu Ghraib neighborhood of Baghdad and had sought Manok's influence in having requests for payment approved by USACE. According to court documents, Manok was to receive an additional bribe payment from the contractor once the contractor's claim had been approved. Manok also admitted that he intended to conceal the payments from authorities by transferring them, via associates, from Iraq to Armenia. Sentencing has been scheduled for December 9, 2011, where Manok faces a maximum penalty of five years in prison.

This case was investigated by the FBI, DCIS, Army CID-MPFU, and SIGIR as participants in the International Contract Corruption Task Force. The case is being prosecuted by the U.S. Attorney's Office for the Eastern District of Virginia and the Fraud Section of DoJ's Criminal Division. Initial prosecutorial work was handled by a SIGIR attorney on detail to the Fraud Section of DoJ's Criminal Division.

U.S. Contractor Indicted for Lying to Federal Agents

On August 9, 2011, a U.S. contractor in Iraq was indicted by a federal grand jury in Waco, Texas, for lying to federal agents during the course of an investigation. The agents are investigating a fraud scheme involving the theft and resale of generators in Iraq to various entities including the U.S. government. The contractor is currently incarcerated in Waco, Texas. The investigation into this case continues.

The case is being investigated by SIGIR, DCIS, Army CID-MPFU, and FBI.

SIGPRO Update

The SIGIR Prosecutorial Initiative (SIGPRO) continues to make a substantive impact. In late 2009, in an effort to further align resources with its expanding caseload, SIGIR developed a program wherein it hired three highly experienced and respected former DoJ prosecutors. They were detailed as a unit to the Fraud Section of DoJ's Criminal Division to prosecute SIGIR investigation cases, handling their own DoJ caseloads and working closely with the SIGIR General Counsel and other DoJ prosecutors on assigned SIGIR cases. 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, Army CID-MPFU, DCIS, and the U.S. Army Legal Services Agency's Procurement Fraud Branch (PFB) to suspend and debar contractors and government personnel for fraud or corruption within the U.S. 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. This quarter, the Army suspended five contractors based on allegations of fraud in Iraq and Kuwait. In addition, the Army proposed 15 contractors for debarment and finalized eight debarments of individuals and companies during that same period based on fraudulent activity in Iraq and Kuwait. The Army has suspended 116 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait since 2003; and 172 individuals and companies have been proposed for debarment, resulting in 127 finalized debarments that range in duration from 9 months to 10 years.

PFB is aggressively pursuing additional companies and individuals associated with fraud related to Army contracts in Iraq, Kuwait, and other locations in Southwest Asia, with additional suspension and debarment actions projected during 2011–2012. Suspension and debarment actions related to reconstruction and Army support-contract fraud in Afghanistan are reported to the Special Inspector General for Afghanistan Reconstruction (SIGAR). For a list of debarments, see Table 5.3. For a complete list of suspensions and debarments, see Appendix E. ♦

TABLE 5.2
CONVICTIONS (AS COMPILED BY THE DEPARTMENT OF JUSTICE)

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Robert A. Nelson, former USA sergeant	Conspiracy to steal public property	10/5/2011	Four years probation with the first six months in home confinement; \$44,830 restitution; and \$100 special assessment
Thomas A. Manok, former USACE employee	Conspiracy	9/19/2011	Pending
Eric Scott Hamilton, USMC gunnery sergeant	Conspiracy	8/10/2011	Pending
Francisco Mungia	Conspiracy	7/22/2011	Pending
Barry S. Szafran	Illegally receiving a gratuity	7/15/2011	One year probation with the first four months in home confinement; \$7,169 restitution; and \$100 special assessment
Justin W. Lee, former DoD contractor	Conspiracy, bribery	7/15/2011	Pending
Derrick Shoemake, former USA major	Bribery	6/13/2011	Pending
David Pfluger, former USA Lt. Col.	Conspiracy, accepting gratuities, and converting the property of another to his own use	3/25/2011	18 months in prison; 3 years supervised release; and \$24,000 restitution
Charles Bowie, retired USA major	Engaging in monetary transactions in property derived from specified unlawful activity	5/11/2011	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

Continued on the next page

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Mariam Steinbuch, former USMC staff sergeant	Bribery	10/5/2010	5 years probation and \$25,000 restitution
Ismael Salinas	Kickbacks	10/1/2010	Pending
Dorothy Ellis	Conspiracy	9/2/2010	37 months in prison; 3 years probation; and \$360,000 restitution
Wajdi Birjas, former DoD contract employee	Bribery, money laundering	8/11/2010	Pending
Maj. Mark Fuller, USMC	Structuring financial transactions	8/4/2010	1 year and 1 day in prison; \$198,510 fine; and \$200 special assessment
Maj. Charles Sublett, USA	False statements	7/7/2010	21 months in prison; 2 years supervised release; and forfeit \$107,900 and 17,120,000 in Iraqi dinar
Capt. Faustino Gonzales, USA	Receipt of a gratuity by a public official	6/24/2010	15 months in prison; 1 year supervised release; \$10,000 fine; \$25,500 restitution; and \$100 special assessment
MSGT Terrance Walton, USMC	Bribery, graft, failure to obey a direct order	5/17/2010	Reprimand; reduction in rank from E-8 to E-3; \$65,000 fine; and 62 days confinement
Capt. Eric Schmidt, USMC	Wire fraud, filing a false federal tax form	5/17/2010	72 months in prison; 3 years probation; and \$2,150,613 restitution
William Collins, USA civilian	Bribery	4/21/2010	42 months in prison; 3 years supervised release; \$1,725 fine; and forfeit \$5,775
SFC Ryan Chase, USA	Illegal gratuities, money laundering, false statements	4/21/2010	1 year and 1 day in prison; 2 years probation; and \$1.4 million restitution
Marcus McClain	Acceptance of illegal gratuities	4/15/2010	Pending
Kevin A. Davis	Acceptance of illegal gratuities	4/13/2010	Pending
Janet Schmidt, contractor and military spouse	Filing a false tax return and fraud	3/18/2010	12 months home confinement; 3 years probation; and \$2,150,613 restitution
Terry Hall, contractor	Conspiracy, bribery	2/17/2010	Pending
Theresa Russell, former USA staff sergeant	Money laundering	1/28/2010	5 years probation and \$31,000 restitution
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

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NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Robert Young	Conspiracy and theft of government property	7/24/2009	97 months in prison; 3 years supervised release; forfeiture of \$1 million; and \$26,276,472 restitution
Samir Itani	Conspiracy	7/21/2009	24 months in prison; 3 years supervised release; \$100,000 fine; and \$100 special assessment
Tijani Saani	Filing false tax returns	6/25/2009	110 months in prison; 1 year supervised release; \$1.6 million fine; and \$816,485 restitution to the IRS
Diane Demilta	Wire fraud	5/27/2009	6 months in prison; 12-month house arrest; 2 years supervised release; \$20,000 fine; and \$70,000 restitution
Benjamin R. Kafka	Misprision of a felony	5/18/2009	Pending
Elbert W. George III	Theft of government property; conspiracy	5/18/2009	60 days intermittent confinement; 2 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Roy Greene \$52,286.60 restitution
Roy Greene, Jr.	Theft of government property; conspiracy	5/18/2009	3 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Elbert George \$52,286.60 restitution
Frederick Kenvin	Conspiracy	4/30/2009	3 years probation and \$2,072,967 restitution
Stephen Day	Conspiracy to defraud the United States by misrepresentation	4/13/2009	3 years probation; \$41,522 restitution; and \$2,000 fine
Jeff Alex Mazon, contractor, KBR	Major fraud against the United States and wire fraud	3/24/2009	1 year probation; 6 months home confinement; and \$5,000 fine
Carolyn Blake, Sister of Maj. John Cockerham	Conspiracy and money laundering	3/19/2009	70 months in prison; 3 years of supervised release; and \$3.1 million restitution
Michael Carter, Project Engineer, Force Protection Industries	Violating the Anti-Kickback Act	1/25/2009	61 months in prison and 3 years supervised release
Harith al-Jabawi, contractor	Conspiracy, bribery, and false statements	1/22/2009	Pending
Maj. Christopher Murray, USA contracting officer	Bribery and false statements	1/8/2009	57 months in prison; 3 years supervised release; and \$245,000 restitution
Maj. Theresa Baker, USAR contracting officer	Conspiracy and bribery	12/22/2008	70 months in prison and \$825,000 restitution
Col. Curtis Whiteford, USAR Senior Official, CPA-South Central Region	Conspiracy, bribery, and wire fraud	11/7/2008	5 years in prison; 2 years supervised release; and \$16,200 restitution
Lt. Col. Michael Wheeler, USAR CPA reconstruction advisor	Conspiracy, bribery, wire fraud, interstate transportation of stolen property, and bulk cash smuggling	11/7/2008	42 months in prison; 3 years supervised release; \$1,200 restitution; and \$100 special assessment
David Ramirez, contractor, Readiness Support Management, Inc.	Bulk currency smuggling and structuring transactions	10/9/2008	50 months in prison; 3 years supervised release; and \$200 special assessment
Lee Dubois, contractor, Future Services General Trading and Contracting Company	Theft of government property	10/7/2008	3 years in prison and repayment of \$450,000 that represented the illegal proceeds of the scheme
Robert Bennett, contractor, KBR	Violating the Anti-Kickback Act	8/28/2008	1 year probation and \$6,000 restitution
Maj. James Momon, Jr., USA contracting officer	Conspiracy and bribery	8/13/2008	Pending

Continued on the next page

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Lt. Col. Debra M. Harrison, USA Acting Comptroller for CPA-South Central Region	Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, and preparing false tax returns	7/28/2008	30 months in prison; 2 years supervised release; and \$366,640 restitution
Capt. Cedar Lanmon, USA	Accepting illegal gratuities	7/23/2008	1 year in prison and 1 year supervised release
Jacqueline Fankhauser	Receipt of stolen property	6/30/2008	1 year probation; 180 days home confinement; 104 hours community service; \$10,000 fine; and \$100 special assessment
Maj. John Lee Cockerham, Jr., USA contracting officer	Bribery, conspiracy, and money laundering	6/24/2008	210 months in prison; 3 years of supervised release; and \$9.6 million restitution
Melissa Cockerham, Wife of Maj. John Cockerham	Conspiracy and money laundering	6/24/2008	41 months in prison; 3 years of supervised release; and \$1.4 million restitution
Lt. Col. Levonda Selph, USAR contracting officer	Conspiracy and bribery	6/10/2008	12 months in prison; 3 years supervised release; \$5,000 fine; and \$9,000 restitution
Raman International Corp.	Conspiracy and bribery	6/3/2008	\$500,000 fine and \$327,192 restitution
Capt. Austin Key, USA contracting officer	Bribery	12/19/2007	24 months confinement; 2 years supervised release; \$600 assessment; and forfeit \$108,000
Maj. John Rivard, USAR contracting officer	Bribery, conspiracy, and money laundering	7/23/2007	10 years in prison; 3 years supervised release; \$5,000 fine; and \$1 million forfeiture order
Kevin Smoot, Managing Director, Eagle Global Logistics, Inc.	Violating the Anti-Kickback Act and making false statements	7/20/2007	14 months in prison; 2 years supervised release; \$6,000 fine; and \$17,964 restitution
Anthony Martin, subcontractor administrator, KBR	Violating the Anti-Kickback Act	7/13/2007	1 year and 1 day in prison; 2 years supervised release; and \$200,504 restitution
Jesse D. Lane, Jr., USAR 223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months in prison and \$323,228 restitution
Steven Merkes, DoD civilian, operational support planner	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison and \$24,000 restitution
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

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SIGIR OVERSIGHT

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Gheevarghese Pappen, USACE civilian	Soliciting and accepting illegal gratuities	10/12/2006	2 years in prison; 1 year supervised release; and \$28,900 restitution
Lt. Col. Bruce Hopfengardner, USAR special advisor to CPA-South Central Region	Conspiracy, conspiring to commit wire fraud and money laundering, and smuggling currency	8/25/2006	21 months in prison; 3 years supervised release; \$200 fine; and \$144,500 forfeiture
Faheem Mousa Salam, interpreter, Titan Corp.	Violating the Foreign Corrupt Practices Act's Anti-Bribery Provisions	8/4/2006	3 years in prison; 2 years supervised release; 250 hours community service; and \$100 special assessment
Mohammad Shabbir Khan, director of operations for Kuwait and Iraq, Tamimi Global Co., Ltd.	Violating the Anti-Kickback Act	6/23/2006	51 months in prison; 2 years supervised release; \$10,000 fine; \$133,860 restitution; and \$1,400 assessment
	Witness tampering	8/10/2009	15 months in prison; 2 years supervised release; \$6,000 fine; and \$200 special assessment
Philip Bloom, Owner: Global Business Group, GBG Holdings, and GBG-Logistics Division	Conspiracy, bribery, and money laundering	3/10/2006	46 months in prison; 2 years supervised release; \$3.6 million forfeiture; \$3.6 million restitution; and \$300 special assessment
Stephen Seamans, subcontracts manager, KBR	Wire fraud, money laundering, and conspiracy	3/1/2006	12 months and 1 day in prison; 3 years supervised release; \$380,130 restitution; and \$200 assessment
Christopher Cahill, regional vice president, Middle East and India, Eagle Global Logistics, Inc.	Major fraud against the United States	2/16/2006	30 months in prison; 2 years supervised release; \$10,000 fine; and \$100 assessment (a civil settlement with EGL arising from the same facts resulted in a settlement of \$4 million)
Robert Stein, CPA-South Central comptroller and funding officer	Felon in possession of a firearm, possession of machine guns, bribery, money laundering, and conspiracy	2/2/2006	9 years in prison; 3 years supervised release; \$3.6 million forfeiture; \$3.5 million restitution; and \$500 special assessment
Glenn Powell, subcontracts manager, KBR	Major fraud and violating the Anti-Kickback Act	8/1/2005	15 months in prison; 3 years supervised release; \$90,973.99 restitution; and \$200 assessment

Note: Does not include non-U.S. court results from joint SIGIR/foreign law enforcement investigations or results from courts martial.

TABLE 5.3
DEBARMENT LIST

NAME	DEBARRED
Chet M. Fazand	9/13/2011
Chad M. Fazand	9/13/2011
Fazand International Trading, LLC	9/13/2011
Al Dalla Co.	9/13/2011
Faustino L. Gonzales, CAPT, USA	9/7/2011
Chasib Khazal Mehadi Al Mosawi	9/7/2011
Quasay Shamran Mehdi Al-Mosawi	9/7/2011
The Economical Group	9/7/2011
Jenna International, Inc.	8/4/2011
Al-Methwad Company	7/21/2011
Tariq Zadan Dawood	7/21/2011
Tareq Zaidan Dawod	7/21/2011
Tariq Zaidan Dawod	7/21/2011
Tariq Zaidon Dawod	7/21/2011
Tarik Zaidon Dawood	7/21/2011
Abd Al Alim Abbod	7/21/2011
Frankie Joseph Hand	7/21/2011
Richard Joseph Harrington	7/21/2011
Janet L. Schmidt	6/22/2011
Mariam M. Steinbuch	6/6/2011
Mark Carnes	6/3/2011
Terence O. Walton	6/3/2011
Al Aali Future Mario Company	5/11/2011
Eric K. Schmidt	4/20/2011
Mark R. Fuller	4/1/2011
Ammar Tariq Al Jazrawi	1/10/2011
Ammar Tareq Al Jazrawi General Contracting Company	1/10/2011
Liberty Al-Ahlia General Trading and Contracting Company	12/13/2010
Bronze Al-Taqoos Al-Afjan	12/13/2010
International Quality Kitchens Ardiya	12/13/2010
John Napolian	12/13/2010
Joseph Sebastian	12/13/2010
N.K. Ismail	12/13/2010
Biju Thomas	12/13/2010
Combat General Trading Company	12/13/2010
Jank Singh	11/24/2010
Blue Marine Services	11/24/2010
Blue Marines General Trading, LLC	11/24/2010

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NAME	DEBARRED
Blue Marines	11/24/2010
Blue Marines Group	11/24/2010
BMS Logistics	11/24/2010
BMS Group	11/24/2010
BMS General Trading, LLC	11/24/2010
Christopher Murray	11/10/2010
Curtis Whiteford	10/22/2010
William Driver	10/22/2010
Allied Arms Company, Ltd.	9/28/2010
Allied Arms Company, W.L.L.	9/28/2010
Shahir Nabih Fawzi Audah	9/28/2010
Defense Consulting and Contracting Group, LLC	9/28/2010
Amwaj Al-Neel Company	9/22/2010
Baladi Company	9/22/2010
Desert Moon Company	9/22/2010
Ameer S. Fadheel	9/22/2010
Oday Abdul Kareem	9/22/2010
Maytham Jassim Mohammad	9/22/2010
Michael Dung Nguyen	8/19/2010
Michael Wheeler	7/28/2010
Austin Key	7/14/2010
Ashraf Mohammad Gamal	4/16/2010
Triple A United General Trading and Contracting	4/16/2010
Jeff Thompson	3/29/2010
John Cockerham	3/17/2010
Melissa Cockerham	3/17/2010
Carolyn Blake	3/17/2010
Nyree Pettaway	3/17/2010
Robert Young	3/9/2010
Elbert Westley George III	1/21/2010
Roy Greene	1/21/2010
Ofelia Webb	1/21/2010
Patrick Faust	1/21/2010
Ali N. Jabak	9/30/2009
Liberty A. Jabak	9/30/2009
Liberty's Construction Company	9/30/2009
Tharwat Taresh	9/30/2009
Babwat Dourat Al-Arab	9/30/2009

Continued on next column

NAME	DEBARRED
Dourat Al-Arab	9/30/2009
Hussein Ali Yehia	9/30/2009
Amina Ali Issa	9/30/2009
Adel Ali Yehia	9/30/2009
Javid Yousef Dalvi	9/25/2009
Mohamed Abdel Latif Zahed	9/10/2009
Gerald Thomas Krage	9/4/2009
Andrew John Castro	9/4/2009
Airafidane, LLC	9/4/2009
Kevin Arthis Davis	8/20/2009
Jacqueline Fankhauser	8/7/2009
Debra M. Harrison, LTC, USAR	8/7/2009
Nazar Abd Alama	7/1/2009
San Juan Company	7/1/2009
Mississippi Company for the General Contract	7/1/2009
Lee Dynamics International	6/17/2009
Lee Defense Services Corporation	6/17/2009
George H. Lee	6/17/2009
Justin W. Lee	6/17/2009
Oai Lee	6/17/2009
Mark J. Anthony	6/17/2009
Levonda J. Selph	6/17/2009
Starcon Ltd., LLC	6/17/2009
Cedar J. Lanmon, CPT, USA	6/3/2009
D+J Trading Company	5/14/2009
Jesse D. Lane, Jr.	1/30/2009
Jennifer Anjakos	1/30/2009
Carlos Lomeli Chavez	1/30/2009
Derryl Hollier	1/30/2009
Luis A. Lopez	1/30/2009
Mohammed Shabbir Kahn	10/10/2008
Kevin Andre Smoot	9/30/2008
Green Valley Company	9/17/2008, 5/18/2007
Triad United Technologies, LLC	9/17/2008
Dewa Europe	9/17/2008
Dewa Trading Establishment	9/17/2008
Al Ghannom and Nair General Trading Company	9/17/2008
Dewa Projects (Private), Ltd.	9/17/2008

NAME	DEBARRED
Future AIM United	9/17/2008
First AIM Trading and Contracting	9/17/2008
Vasanth Nair	9/17/2008
K. V. Gopal	9/17/2008
Falah Al-Ajmi	9/17/2008
Trans Orient General Trading	9/17/2008
Zenith Enterprises, Ltd.	9/17/2008
Peleti "Pete" Peleti, CWO, USA	6/15/2008
Al Sawari General Trading and Contracting Company	3/13/2008
John Allen Rivard, MAJ, USAR	1/14/2008
Samir Mahmoud	11/29/2007
Robert Grove	10/30/2007
Steven Merkes	9/27/2007
Bruce D. Hopfengardner, LTC, USAR	9/20/2007
Robert J. Stein, Jr.	8/16/2007
Philip H. Bloom	8/8/2007
Global Business Group S.R.L.	8/8/2007
Stephen Lowell Seamans	7/27/2007
Gheevarghese Pappen	6/28/2007
Faheem Mousa Salam	6/28/2007
QAH Mechanical and Electrical Works	6/27/2007
Abdullah Hady Qussay	6/27/2007
Al Riyadh Laboratories and Electricity Co.	1/26/2007
Thomas Nelson Barnes	1/24/2007
Danube Engineering and General Contracting	12/28/2006
Alwan Faiq	12/28/2006
Christopher Joseph Cahill	11/9/2006
Ahmed Hassan Dayekh	9/26/2006
Diaa Ahmen Abdul Latif Salem	5/14/2009, 6/2/2006
Jasmine International Trading and Service Company	5/14/2009, 6/2/2006
Custer Battles	3/17/2006
Robert Wiesemann, CW2, USA	3/6/2006
Glenn Allen Powell	2/16/2006
Amro Al Khadra	1/12/2006
Dan Trading and Contracting	1/12/2006
Steven Ludwig	9/29/2005
DXB International	9/29/2005

Continued on next column

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.

Third Quarter Reporting

As of September 30, 2011, the SIGIR Hotline had initiated 863 cases. Of these cases, 834 have been closed, and 29 cases remain open. For a summary of these cases, see Table 5.4.

New Cases

During this reporting period, the SIGIR Hotline received 7 new complaints, bringing the cumulative total to 863 Hotline cases. The new complaints were classified in these categories:

- 4 involved contract fraud.
- 1 involved criminal activity.
- 1 involved personnel issues.
- 1 involved a contract information request.

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 7 new Hotline complaints, 3 were received through the SIGIR website, 3 were received through electronic mail, and 1 was received by telephone.

Closed Cases

During this quarter, SIGIR closed 33 Hotline cases:

- 18 were closed by the SIGIR Investigations Directorate.

TABLE 5.4
SUMMARY OF SIGIR HOTLINE CASES,
AS OF 9/30/2011

OPEN CASES					
Investigations/Review					28
Audits					1
Total Open					29
CLOSED CASES	1ST QTR 2011	2ND QTR 2011	3RD QTR 2011	CUMULATIVE*	
FOIA	0	0	0	4	
OSC Review	0	0	0	2	
Assists	0	0	0	47	
Dismissed	0	1	1	142	
Referred	16	8	2	384	
Inspections	0	0	0	80	
Investigations	12	0	18	146	
Audits	0	0	12	29	
Total Closed	28	9	33	834	
Cumulative* Open & Closed				863	

SUMMARY OF SIGIR HOTLINE PERFORMANCE

HOTLINE CONTACTS	4TH QTR 2011	CUMULATIVE*
Email	12	407
SIGIR Website	22	187
Walk-In	0	112
Telephone	5	83
Standard Mail	2	30
Referrals	0	26
Fax	0	18
Total Hotline Contacts	41	863

*Cumulative totals cover the period since the SIGIR Hotline began operations—from 3/24/2004 to 9/30/2011.

- 12 were closed by the SIGIR Audits Directorate.
- 2 were referred to another inspector general.
- 1 was dismissed as it was not within SIGIR's purview.

Referred Complaints

After a thorough review, SIGIR referred 2 complaints to the Department of Defense Office of Inspector General. ♦

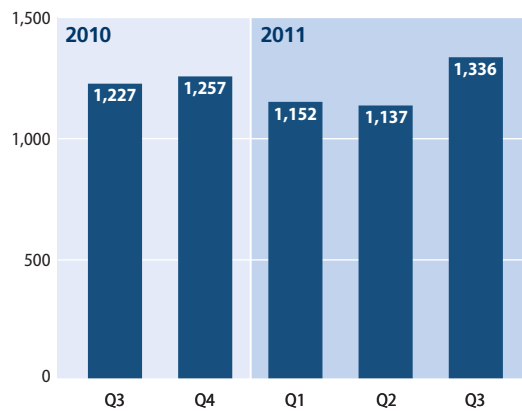
SIGIR WEBSITE

During this reporting period, the SIGIR website (www.sigir.mil) recorded these activities:

- More than 122,900 users visited the SIGIR website—1,336 users per day.
- The Arabic-language section of the site received 3,730 visits.
- The most frequently downloaded documents were SIGIR’s most recent Quarterly Reports.
- The SIGIR website fed more than 36,000 content subscriptions. Information is updated to the web feeds, which are automatically downloaded to subscribers’ computers and can be viewed by feed-reader programs.
- SIGIR’s custom Google Site search has returned more than 10,000 results since inception. The most popular search terms have been “Anham,” “Wamar,” “Mosul,” and “Missan Surgical Hospital.”

For an overview of daily visits to the SIGIR website, see Figure 5.2. ♦

FIGURE 5.2
AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, BY QUARTER, 7/1/2010–9/30/2011



Source: DoD, IMCEN, response to SIGIR data call, 10/12/2011.

LEGISLATIVE UPDATE

This quarter, the Congress continued to act on, but did not complete, FY 2012 appropriations legislation for the Department of Defense (DoD) and for the Department of State (DoS), foreign operations, and related programs. It also passed continuing appropriations acts but took no further action on defense authorization measures. A bill authorizing appropriations for certain foreign assistance and foreign relations programs and making other changes in law was reported in the House.

The House of Representatives passed the “Department of Defense Appropriations Act, 2012,” last quarter; it was reported to the full Senate by the Senate Committee on Appropriations this quarter, but no further action has occurred. Also during this quarter, appropriations measures for DoS, foreign operations, and related programs were considered and passed by both the Senate Committee on Appropriations and the Subcommittee on State, Foreign Operations, and Related Programs of the House Committee on Appropriations. However, no further action in the full Senate or in the full Committee in the House has occurred.

At the end of September and the beginning of October, the Congress passed two different measures entitled the “Continuing Appropriations Act, 2012.” One measure (Public Law 112-33) was in effect for four days, and the other (Public Law 112-36) may be in effect through November 18, 2011 (or sooner if superseded by another statute).

Those measures generally continue funding for activities into FY 2012 at the rate that had been available for such activities in FY 2011, with several exceptions. In particular, pursuant to section 117 of each of Public Laws 112-33 and 112-36, overseas contingency operations expenses are to be funded during the period of effectiveness of the continuing appropriations acts at rates no greater than the rates permitted for such purposes in the House-passed version of the Department of Defense Appropriations Act, 2012 (H.R. 2219, 112th Congress). Notably, section 9005 of that House-passed act provides for funding of the Commander’s Emergency Response Program only for Afghanistan, despite a request from the Administration for \$25 million for the program in Iraq. The report of the Committee on Appropriations on H.R. 2219 makes it clear that the intent of the committee was to specifically deny funding for the program in Iraq.

The Congress took no further action this quarter on the “National Defense Authorization Act for Fiscal Year 2012,” which earlier this year passed the House of Representatives and was reported to the full Senate by the Senate Committee on Armed Services.

The House Committee on Foreign Affairs reported a bill entitled the “Foreign Relations Authorization Act, Fiscal Year 2012,” which contained a number of provisions related to Iraq and SIGIR. The bill has not been scheduled for floor action in the House. ♦

OTHER AGENCY OVERSIGHT

INTRODUCTION	134
OTHER AGENCY OVERSIGHT REPORTS	135
OTHER AGENCY INVESTIGATIONS	138

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. Its planned August meeting was postponed until October 2011 to provide member agencies the opportunity to further coordinate and develop their FY 2012 oversight plans.

Section 842 of the National Defense Authorization Act for Fiscal Year 2008 (P. L. 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.

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. ♦

OTHER AGENCY OVERSIGHT REPORTS

This quarter, other oversight agencies issued 20 reports related to Iraq reconstruction, bringing the cumulative total to 652 reports issued since 2003. This section updates the audits that former 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 9/30/2011

AGENCY	REPORT NUMBER	REPORT DATE	REPORT TITLE
DoD OIG	SPO-2011-009	9/28/2011	Exposure to Sodium Dichromate at Qarmat Ali Iraq in 2003: Part II—Evaluation of Army and Contractor Actions Related to Hazardous Industrial Exposure
DoD OIG	D-2011-105	9/19/2011	Competition for Interrogation Arm Contracts Needs Improvement
DoD OIG	D-2011-104	9/8/2011	Pricing and Escalation Issues Weaken the Effectiveness of the Army Contract With Sikorsky to Support the Corpus Christi Army Depot
DoD OIG	D-2011-103	8/17/2011	Special Operations Forces Plans for the Drawdown and Reset of Property in Iraq
DoD OIG	D-2011-101	8/17/2011	Controls over Army Deployable Disbursing System Payments Need Improvement
DoD OIG	D-2011-088	7/27/2011	Ballistic Testing for Interceptor Body Armor Inserts Needs Improvement
DoD OIG	D-2011-090	7/22/2011	Cost of War Data for Marine Corps Contingency Operations Were Not Reliable
DoD OIG	D-2011-081	7/11/2011	Contract Management of Joint Logistics Integrator Services in Support of Mine Resistant Ambush Protected Vehicles Needs Improvement
DoS OIG	AUD/CG-11-47	9/1/2011	Audit of Overtime Pay for Locally Employed Staff Assigned to Embassy Baghdad
GAO	GAO-11-891	9/27/2011	Contingency Contracting: Improved Planning and Management Oversight Needed to Address Challenges with Closing Contracts
GAO	GAO-11-774	9/16/2011	Iraq Drawdown: Opportunities Exist to Improve Equipment Visibility, Contractor Demobilization, and Clarity of Post-2011 DoD Role
GAO	GAO-11-886	9/15/2011	Iraq and Afghanistan: DoD, State, and USAID Cannot Fully Account for Contracts, Assistance Instruments, and Associated Personnel
GAO	GAO-11-523	8/4/2011	Defense Logistics: Actions Needed to Improve the Marine Corps' Equipment Reset Strategies and the Reporting of Total Reset Costs
GAO	GAO-11-760	8/2/2011	Iraq and Afghanistan: Actions Needed to Enhance the Ability of Army Brigades to Support the Advising Mission
GAO	GAO-11-715	7/29/2011	DoD Task Force For Business and Stability Operations: Actions Needed to Establish Project Management Guidelines and Enhance Information Sharing
USAAA	A-2011-0211-FFF	9/22/2011	Improvised Explosive Device Defeat (IED-D) Home Station Lane Training
USAAA	A-2011-0159-ALL	7/18/2011	Disposal of Army Material Into Dumpsites by Units in Iraq
USAAA	A-2011-0142-ALM	7/6/2011	Follow-up Audit of Automatic Reset Induction
USAAA	A-2011-0120-ALC	7/6/2011	Army's Human Capital Plans—Contracting
USAID OIG	E-267-11-003-P	8/4/2011	Audit of USAID/Iraq's Microfinance Activities Under its Provincial Economic Growth Program

OTHER AGENCY OVERSIGHT

TABLE 6.2
ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 9/30/2011

AGENCY	PROJECT NUMBER	DATE INITIATED	PROJECT TITLE
DoD OIG	D2011-D000JA-0281.000	7/11/2011	DoD Management of the Redistribution Property Assistance Team Operations in Kuwait
DoD OIG	D2011-D000JA-0212.000	4/25/2011	Theater-Provided Equipment Refurbishment Program for Tactical Wheeled Vehicles
DoD OIG	D2011-D005PO-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-D005PO-0209.000	4/16/2010	Assessment of DoD Wounded Warrior Matters
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-D005PO-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-D000AS-0266.000	7/31/2009	Contracts Supporting Base Operations in Kuwait
DoD OIG	D2009-D000FB-0112.000	1/5/2009	Deployment of the Standard Procurement System in the Joint Contracting Command Iraq/Afghanistan
DoS OIG	MERO 3014	5/17/2011	Evaluation of Emergency Action Plan for Embassy Baghdad
DoS OIG	MERO 3010	1/10/2011	Antiterrorism Assistance Program in Iraq
DoS OIG	MERO 3012	11/23/2010	Evaluation of PAE Operations and Maintenance Support of Embassy Baghdad
GAO	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	351550	10/8/2010	Army's Strategies to Reset Non-Standard Equipment Returning from Iraq
GAO	351431	1/7/2010	Army's Equipping Strategies to Reset Equipment Returning from Iraq
USAAA	A-2011-ALL-0525.000	4Q/FY 2011	Commander's Emergency Response Fund and I-CERP Closeout-Iraq
USAAA	A-2011-0094.000	4Q/FY 2011	Army Prepositioned Stock (APS V) Requirements Determination Processes-Kuwait
USAAA	A-2012-ALL-0018.000	4Q/FY 2011	Followup Audit of Management and Visibility of Government Property Provided on the Base Operations Support Contract in Kuwait
USAAA	A-2011-ALL-0539.000	4Q/FY 2011	Contractor Payments in Afghanistan
USAAA	A-2011-ALL-0534.000	4Q/FY 2011	Financial Transparency in the Afghanistan Transportation Network Contract, Regional Command-South
USAAA	A-2011-ALL-0490.000	4Q/FY 2011	Contract Management-Atmospherics Program-Afghanistan
USAAA	A-2011-ALL-0330.000	4Q/FY 2011	Bulk Fuel Accountability in Afghanistan-Phase II
USAAA	A-2011-ALL-0414.000	3Q/FY 2011	Property Accountability of Organizational and Theater-Provided Equipment in Iraq
USAAA	A-2011-ALL-0346.000	2Q/FY 2011	Property Accountability -Over Unit Equipment Shipped to Afghanistan-CONUS

Continued on next page

OTHER AGENCY OVERSIGHT REPORTS

AGENCY	PROJECT NUMBER	DATE INITIATED	PROJECT TITLE
USAAA	A-2011-ALL-0344.000	2Q/FY 2011	Property Accountability –Over Unit Equipment Shipped to Afghanistan-Afghanistan
USAAA	A-2011-ALL-0342.000	2Q/FY 2011	Commander’s Emergency Response Program-Afghanistan
USAAA	A-2011-ALL-0092.000	2Q/FY 2011	Foreign Excess Personal Property (FEPP) Program–Phase II
USAAA	A-2011-ALL-0135.000	1Q/FY 2011	Micro-Purchases of Field Ordering Officers–Afghanistan
USAAA	A-2011-ALL-0107.000	1Q/FY 2011	The U.S. Equipment Transfer to Iraq (USETTI) Program–Phase II
USAAA	A-2011-ALL-0098.000	1Q/FY 2011	Bulk Fuel Operations in Afghanistan
USAAA	A-2011-ALL-0087.001	1Q/FY 2011	Management Controls Over Payments for Overseas Contingency Operations Transportation–ARCENT
USAAA	A-2011-ALL-0087.000	1Q/FY 2011	Management Controls over Department of Defense Activity Address Codes (DODAAC), U.S. Army Central Command
USAAA	A-2010-ALL-0541.000	4Q/FY 2010	Bulk Fuel Operations in Iraq
USAAA	A-2010-ALL-0421.000	2Q/FY 2010	LOGCAP IV Contract Requirements Determination–Afghanistan
USAAA	A-2009-ALL-0118.000	2Q/FY 2009	Controls over Vendor Payments–Southwest Asia (Phase II)
USAID OIG	Not reported	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	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 9/30/2011

AGENCY	INVESTIGATORS IN IRAQ	INVESTIGATORS IN KUWAIT	OPEN/ONGOING CASES*
U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit	1	2	104
Defense Criminal Investigative Service	0	2	154
DoS OIG	2	0	20
FBI	2	1	76
Naval Criminal Investigative Service	0	1	3
U.S. Air Force, Office of Special Investigations	0	0	6
USAID	1	0	13
Total	6	6	376

* Numbers include pending cases worked with other agencies within the Joint Operations Center.

ENDNOTES AND ACRONYMS AND DEFINITIONS

ENDNOTES	140
SOURCES AND NOTES FOR THE INSERT	150
ACRONYMS AND DEFINITIONS	150

1. MOI official, meeting with SIGIR, 10/2011.
2. SIGIR Audit 12-006, "Iraqi Police Development Program: Opportunities for Improved Program Accountability and Budget Transparency," 10/2011.
3. SIGIR Audit 12-006, "Iraqi Police Development Program: Opportunities for Improved Program Accountability and Budget Transparency," 10/2011.
4. SIGIR, observations made during site visit to FOB Shield, Baghdad, 9/15/2011.
5. DoD, response to SIGIR data call, 10/17/2011.
6. For U.S. appropriations: 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; For the status of U.S. funds: ABO, response to SIGIR data call, 10/18/2011; INL, response to SIGIR data call, 10/14/2011; USAID, responses to SIGIR data calls, 1/12/2009, 4/8/2009, 10/11/2011, and 10/12/2011; USACE, responses to SIGIR data calls, 10/6/2008 and 10/4/2011; OUSD(C) response to SIGIR data call, 10/14/2010 and 10/4/2011; SIGIR Audit 11-007, "Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Cancelled Funds," 12/28/2010; DRL, response to SIGIR data call, 4/12/2011; TFBSO, response to SIGIR data call, 1/4/2011; USAID, "U.S. Overseas Loans and Grants [Greenbook]," 2008, gbk.eads.usaidallnet.gov/query/do?_program=eads/gbk/countryReport&unit=N, accessed 4/15/2010; OMB, response to SIGIR data call, 6/21/2010; NEA-I, responses to SIGIR data calls, 10/4/2010, 10/6/2010, 4/15/2011, 9/28/2011, and 9/30/2011; ECA, response to SIGIR data call, 4/14/2010; U.S. Treasury, OTA, "Office of Technical Assistance Overview," 12/30/2005, ustreas.gov/offices/international-affairs/assistance/, accessed 10/16/2009; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009; DoJ, Justice Management Division, response to SIGIR data call, 10/4/2011; PM, response to SIGIR data call, 7/6/2011; BBG, response to SIGIR data call, 3/7/2011; Congressional Budget Justification, Foreign Assistance Summary Tables, FY 2009-2011; DCAA, response to SIGIR data call, 10/4/2011; For the FY 2012 budget request: 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; 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.
7. USF-I, response to SIGIR data call, 10/5/2011.
8. USF-I, response to SIGIR data call, 10/4/2010.
9. USF-I, response to SIGIR data call, 10/5/2011.
10. USF-I, response to SIGIR data call, 10/17/2011.
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Photo Sources. Euphrates bridge: USMC photo. All other photos appear courtesy of the U.S. Army Corps of Engineers.

ACRONYMS AND DEFINITIONS

This section contains all of the abbreviations and acronyms found in this Report.

ACRONYM	DEFINITION
4th ID	U.S. Army 4th Infantry Division
AAB	Advise and Assist Brigade (USF-I)
AAFES	U.S. Army and Air Force Exchange Service
AAH	Assaib Ahl al-Haq (League of the Righteous)
ABO	U.S. Army Budget Office
ABOT	al-Basrah Oil Terminal
ACCO	Anti-Corruption Coordination Office (U.S. Embassy-Baghdad)
ACDI/VOCA	Agricultural Cooperative Development Int'l/Volunteers in Overseas Coop Assistance (CAPIII)
AFAA	U.S. Air Force Audit Agency
AFCEE	U.S. Air Force Center for Engineering and the Environment
AIC	Anbar Investment Commission
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)
BPD	barrels per day
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
CBG	Coastal Border Guard (GOI)
CBI	Central Bank of Iraq
CCC-I	Central Criminal Court of Iraq

Continued next column

ACRONYM	DEFINITION
CEFMS	Corps of Engineers Financial Management System
CENTCOM	U.S. Central Command
CERP	Commander's Emergency Response Program
CID-MPFU	Criminal Investigation Command-Major Procurement Fraud Unit (U.S. Army)
CIDNE	Combined Information Data Network Exchange
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CIO	Contributions to International Organizations (United States)
C-JTSCC	CENTCOM-Joint Theater Support Contracting Command
CMC	CERP Management Cell
CMC	Iraqi Communications and Media Commission
CNPC	China National Petroleum Corporation
COFE	Committee of Financial Experts
COI	Commission of Integrity
COIN	counterinsurgency
COM	Chief of Mission
CoM	Council of Ministers
Commerce	Department of Commerce
CONUS	Contiguous United States
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
CSM	Combined Security Mechanism
CSP	Community Stabilization Program (USAID)
CSSP	Common Seawater Supply Project
CTA	Case Tracking Application (ESF)

Continued next column

ACRONYMS AND DEFINITIONS

ACRONYM	DEFINITION
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
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)
DG	Director General (GOI)
DHHS	Department of Health and Human Services
DIA	Defense Intelligence Agency
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DoD	Department of Defense
DoDACC	Department of Defense Activity Address Codes (U.S. Army Central Command)
DoD OIG	Department of Defense Office of Inspector General
DoE	Department of Energy
DoI	Department of Interior

Continued next column

ACRONYM	DEFINITION
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
DS	Diplomatic Security (DoS)
DynCorp	DynCorp International, LLC
EBO	Embassy Branch Office
ECA	Bureau of Educational and Cultural Affairs (DoS)
ECA	Education and Cultural Exchange Programs
EDA	excess defense articles
EFPP	explosively formed penetrator (Iranian-supplied)
EIA	Energy Information Administration (DoE)
ENI	Eni International Resources
EPC	engineering, procurement, and construction (projects or contracts)
ERMA	Emergency Refugee & Migration Assistance
ESD	Energy and Services Division (USF-I)
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
FOIA	Freedom of Information Act
FPS	Facilities Protection Service (GOI)

Continued next column

ACRONYM	DEFINITION
FRBNY	Federal Reserve Bank of New York
FSD	Financial Sector Development Program (ESF)
FY	fiscal year
GAO	Government Accountability Office
GDP	gross domestic product
GE	General Electric
GIEWS	Global Information and Early Warning System
GIS	Geographic Information System (<i>Tatweer</i>)
GOI	Government of Iraq
GRD	Gulf Region Division (USACE)
GSA	General Services Administration
GSP	Governance Strengthening Project (ESF)
HJC	Higher Judicial Council
HQDA	Headquarters, U.S. Department of the Army
H.R.	House Resolution
IA	Iraqi Army
IACA	International Anti-Corruption Academy
IAFC	Iraqi Academy for Fighting Corruption
IAMB	International Advisory and Monitoring Board
IAO	Iraq Area Office (USACE MED)
IAU	Inter-Agency Information and Analysis Unit (UN)
ICAA	Iraqi 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)
ICS	Iraq Corrections Service
IDA	International Development Association (World Bank)
IDA	International Disaster Assistance (USAID humanitarian trust fund)

Continued next column

ACRONYMS AND DEFINITIONS

ACRONYM	DEFINITION
IDFA	International Disaster and Famine Assistance
IDP	internally displaced person
IED	improvised explosive device
IED-D	Improvised Explosive Device-Defeat
IFF	Iraq Freedom Fund
IFMIS	Iraq Financial Management Information System
IG	inspector general
IHEC	Independent High Electoral Commission
IIGC	Iraq Inspectors General Council
IILHR	Institute for International Law and Human Rights
IJ	investigative judge
IKP	Iraqi Kurdistan Parliament
IMET	International Military Education and Training Program
IMF	International Monetary Fund
IN	Iraqi Navy
INA	Iraqi National Alliance
INCLE	International Narcotics Control and Law Enforcement account (INL)
ING	Iraqi National Guard
INL	Bureau of International Narcotics and Law Enforcement Affairs (DoS)
<i>Inma</i>	"Growth" in Arabic—Agribusiness Program (USAID)
INOC	Iraqi National Oil Company
IOC	international oil company
IOM	International Organization for Migration
IP	Iraqi Police
IPP	independent power producer
IPS	Iraq Payment System
IqAF	Iraqi Air Force
IRAM	improvised rocket-assisted munitions
IRAP	Iraq Rapid Assistance Program (USAID component of QRF program)
IRFFI	International Reconstruction Fund Facility for Iraq

Continued next column

ACRONYM	DEFINITION
IRI	International Republican Institute
IRMS	Iraq Reconstruction Management System
IRR	Iraqi Republic Railway Company
IRRF	Iraq Relief and Reconstruction Fund
IRS-CI	Internal Revenue Service-Criminal Investigation
ISAM	Iraq Security Assistance Mission
ISCI	Islamic Supreme Council of Iraq
ISF	Iraqi Security Forces
ISFF	Iraq Security Forces Fund
ISP	Infrastructure Security Program
ISPO	Iraq Strategic Partnership Office (replaces ITAO)
ITAM	Iraq Training and Advisory Mission
ITAO	Iraq Transition Assistance Office
<i>Izdihar</i>	Private Sector Development Program
JAM	Jayish al-Mahdi (predecessor to the Promised Day Brigade)
JCC	Joint Coordination Committee (GOI)
KAAOT	Khawr al-Amaya Oil Terminal
KDP	Kurdistan Democratic Party
KA	Kurdistan Alliance (KDP-PUK)
KH	Kata'ib Hezbollah (Hezbollah Brigades)
km	kilometer
Kogas	Korea Gas Corporation
KRG	Kurdistan Regional Government
KRG CPI	Kurdistan Regional Government Commission on Public Integrity
KRG-MOE	Kurdistan Regional Government Ministry of Electricity
kV	kilovolt
LES	locally employed staff
LGP	Local Governance Program (USAID)
LOA	letters of acceptance

Continued next column

ACRONYM	DEFINITION
LOGCAP	Logistics Civil Augmentation Program
LPG	liquefied petroleum gas
MAAWS	<i>Money as a Weapon System</i> (DoD)
Marla Fund	Marla Ruzicka Iraqi War Victims Fund
MBPD	million barrels per day
MBH	Maschinenbau Halberstadt
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
MENA	Middle East and North Africa
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
MOE IG	Ministry of Electricity Inspector General
MOF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
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
MOSAIC	Media and Open Source Analysis and Information Center
MOT	Ministry of Transportation

Continued next column

ACRONYMS AND DEFINITIONS

ACRONYM	DEFINITION
MRA	Migration and Refugee Assistance
MRAP	Mine Resistant Ambush Protected (armored vehicles)
MSAT	Maritime Security Advisor Team (U.S. Coast Guard)
MW	megawatt
MWh	megawatt-hour
NACS	Iraq's <i>National Anti-Corruption Strategy for 2010–2014</i>
NADR	Nonproliferation, Anti-terrorism, Demining, and Related Programs
NCD	National Capacity Development Program (USAID) (also referred to as <i>Tatweer</i>)
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 <i>National Development Plan (2010–2014)</i>
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

Continued next column

ACRONYM	DEFINITION
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
OTA	Office of Technical Assistance (U.S. Department of the Treasury)
OUSD(AT&L)	Office of the Under Secretary of Defense (Acquisitions, Technology, and Logistics)
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)
Parsons	Parsons Delaware, Inc.
PC	Provincial Council
PCO	Project and Contracting Office
PDP	Police Development Program (DoS INL)
PDS	Public Distribution System
PEG	Provincial Economic Growth (also referred to as <i>Tijara</i>)
PEZ	Pipeline Exclusion Zone
PFB	Procurement Fraud Branch (Army Legal Services Agency)
PHCP	Primary Health Care Program (ESF)
PIC	Provincial Investment Commission (GOI)
PII	personally identifiable information
PJAK	Party of Free Life of Kurdistan
PKK	Kurdistan Workers' Party
P.L.	Public Law
PM	Bureau of Political-Military Affairs (DoS)
PM	Prime Minister
PMO	Prime Minister's Office (and Secretariat) (GOI)
PPP	public-private partnership
PRDC	Provincial Reconstruction Development Council

Continued next column

ACRONYM	DEFINITION
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
QAR	Quantitative Assessment Review (CIGIE)
QRF	Quick Response Fund
QRF-State	Quick Response Fund-State (DoS component of QRF program)
RCLO	Regime Crimes Liaison Office (DoS)
RERO	Real Estate Registry Office (GOI)
RFI	requests for information
RLA	Resident Legal Advisor
RoLC	Rule of Law Coordinator (U.S. Embassy-Baghdad)
ROM	rough order of magnitude
S/GWI	Office of Global Women's Issues (DoS)
S&P	Standard and Poor's
SA	Security Agreement (U.S.-Iraq)
Sadrist	Independent Liberals Trend
SAT	Security Assistance Team
SBA	Stand-By Arrangement (IMF)
SBDC	Small Business Development Center
SCADA	Supervisory Control and Data Acquisition
SDO	Senior Defense Official
SDR	Stability Development Roadmap
SECDEF	U.S. Secretary of Defense
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

Continued next column

ACRONYMS AND DEFINITIONS

ACRONYM	DEFINITION
SIV	Special Immigrant Visa
SMDC	Space and Missile Defense Command
SOE	state-owned enterprise
SOI	Sons of Iraq
SoL	State of Law Coalition (headed by Nuri al-Maliki)
SOI	Sons of Iraq
SPM	single-point mooring
SPOT	Synchronized Predeployment and Operational Tracker
<i>Tarabot</i>	Iraq National and Provincial Administrative Reform Project ("linkages") (USAID)
<i>Tatweer</i>	National Capacity Development Program (USAID)
TBI	Trade Bank of Iraq
TCF	trillion cubic feet
TFBSO	Task Force for Business and Stability Operations (DoD)
<i>Tijara</i>	Provincial Economic Growth Program (USAID)
TNA	Transitional National Assembly
Treasury	U.S. Department of Treasury
<i>Tumooah</i>	English-language training initiative ("Ambition") (ICITAP)
UAV	unmanned aerial vehicle
UK	United Kingdom
UN	United Nations
UNAMI	United Nations Assistance Mission for Iraq
UNCC	United Nations Compensation Commission
UNCT	United Nations Country Team
UNDAF	UN Development Assistance Framework for Iraq 2011–2014
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization

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ACRONYM	DEFINITION
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
USCG	U.S. Coast Guard
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
USFOR-A	U.S. Forces-Afghanistan
USIP	United States Institute of Peace
USMC	U.S. Marine Corps
USML	U.S. Munitions List (DoD)
USMS	U.S. Marshals Service (DoJ)
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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