



# Special Inspector General for Iraq Reconstruction

Quarterly Report to the  
United States Congress

[ April 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

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

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



February 25, 2011: On Iraq's "Day of Rage," Iraqi Security Forces unsuccessfully attempt to stop protesters in Falluja from entering—and subsequently burning down—the Falluja District Council building. (Radio Falluja photo)

An outline map of Iraq, showing its geographical shape and internal provincial boundaries. The map is rendered in a light brown or tan color. It serves as a background for the text.

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## MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

I am pleased to present this 29<sup>th</sup> Quarterly Report to the United States Congress and the Secretaries of State and Defense.

The \$61.45 billion U.S. reconstruction program in Iraq is undergoing its most significant transition since inception eight years ago. Of the many changes that will occur in the balance of 2011, the most momentous will be the departure of all U.S. troops by December 31. This historic event will signal the completion of the “civilianizing” of the U.S. reconstruction program.

The U.S. military has accomplished an extraordinary amount since 2003, from training and equipping 700,000 Iraqi Security Forces (ISF) personnel through the Multi-National Security Transition Command-Iraq, to the management of billions of dollars in construction projects by the U.S. Army Corps of Engineers (USACE). Regular U.S. Army brigades also spent about \$4 billion in Commander’s Emergency Response Program funds to meet the needs of the Iraqi people. Indeed, Iraq is the place where money came to be seen as a “weapon system” and where the Army’s new stabilization doctrine became fully realized. The military’s enormous programs will wind up this year or move, as necessary, to Department of State (DoS) control.

Significant DoS transition milestones for 2011 include:

- the closure of the 14 remaining Provincial Reconstruction Teams
- the opening of new diplomatic outposts in several cities
- the assumption of the Police Development Program
- an increase in civilian personnel (government and contractor) from 8,000 to 17,000

In the face of these impending and ongoing changes, Iraq is enduring a period of increasing instability marked by the following:

- frequent street protests, with thousands involved in cities stretching from Sulaymaniyah to Baghdad to Basrah, usually voicing anger about poor services and rampant corruption and sometimes suffering violent repression by Iraqi police; protests have been banned in several cities
- breakdowns in the governing coalition that resolved the political stalemate last December, most notably underscored by Ayad Allawi’s refusal to take office as the Chair of the proposed National Council for Higher Policies
- continuing vacancies in key cabinet offices, including the Ministries of Interior and Defense
- a rise in assassinations of ISF personnel

Despite these difficulties, Iraq made progress this quarter:

- The Council of Representatives passed an \$82.6 billion budget, debated government pay cuts (because salaries are seen as exorbitant by the Iraqi populace), suggested term limits for senior officials, suspended the implementation of new tariffs on key consumer goods, and addressed the corruption problem by repealing the notorious Article 136(b) of the Iraqi Criminal Procedure Code, which allowed ministers to protect subordinates from prosecution.

- The economy continued to benefit from oil-sector growth, with the Ministry of Oil announcing a fourth round of bidding to auction off more exploration blocks this fall.
- National security remained stable, with February marking the lowest number of total reported security incidents since 2004. (However, in late March, a team of suicide attackers stormed a provincial government facility in Tikrit, murdering at least 58 people, including three Provincial Council members.)

SIGIR published six audits this quarter, including:

- a review of how DoS and the U.S. Agency for International Development (USAID) managed Quick Response Fund monies, totaling more than \$250 million, determining that, while USAID had good management controls in place over its part of the program, DoS lacked sufficient documentation
- an audit of USAID's oversight of the Cooperative Housing Foundation's management of the Community Action Program, finding that the contractor performed well, but USAID relied too greatly on outside sources for information about project implementation and results
- a report concluding that USAID has implemented all but two of SIGIR's previous findings
- audits finding that USACE's Gulf Region District effectively monitored its private security contractor and used appropriate criteria in determining whether to recommend completion of its remaining projects by the end of 2011

This quarter, SIGIR's investigative work yielded its 50<sup>th</sup> conviction for crimes committed in connection with the U.S. reconstruction effort in Iraq. In April, the Council of Inspectors General on Integrity and Efficiency announced that SIGIR's Investigations Directorate had passed its mandated peer review. Other investigative accomplishments include:

- a guilty plea by a former DoS official on charges relating to the fraudulent steering of \$2.7 million in contracts to Iraqi firms
- the sentencing to six years in prison of a U.S. Marine Corps captain for stealing funds intended to purchase explosive detectors and first-aid kits for his fellow Marines and other materials intended for the ISF
- the convictions of a U.S. Army officer and his wife on 22 criminal counts arising from a bribery and money-laundering scheme

In late April, I will make my 30<sup>th</sup> trip to Iraq to confer with senior U.S. civilian and military personnel about the major transitions occurring this year. I will also meet with GOI officials to obtain their views on the state of the U.S. reconstruction effort, including the Police Development Program, and their plans for sustaining U.S. reconstruction projects.

I remain grateful for the consistently excellent performance by my SIGIR team in Baghdad, Iraq; Arlington, Virginia; and other locations across the United States. We collectively remain committed to the highest standards of professionalism and productivity as we persevere in accomplishing our mission on behalf of U.S. taxpayers.



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

# SIGIR SUMMARY OF PERFORMANCE

## SIGIR SUMMARY OF PERFORMANCE AS OF APRIL 30, 2011

AUDITS	CUMULATIVE	LAST 12 MONTHS
Reports Issued	188	22
Recommendations Issued	455	39
Dollars Saved and Recovered (\$ Millions)	\$610.61	\$0.77
Dollars Put to Better Use (\$ Millions)	\$586.62	\$12.00
Questioned Costs (\$ Millions)	\$113.72	\$1.86

### INSPECTIONS<sup>a</sup>

Project Assessments Issued	170	-
Limited On-site Assessments Issued	96	-
Aerial Assessments	891	43

### INVESTIGATIONS

Investigations Initiated	546	40
Investigations Closed or Referred	428	43
Open Investigations	118	118
Arrests	31	3
Indictments	56	17
Convictions	50	20
Monetary Results (\$ Millions)	\$144.3	\$74.6

### HOTLINE CONTACTS, AS OF MARCH 31, 2011

Email	404	26
Fax	18	0
Mail	29	1
Referrals	26	0
SIGIR Website	175	24
Telephone	81	3
Walk-in	112	0
<b>Total Hotline Contacts</b>	<b>845</b>	<b>54</b>

### OTHER PRODUCTS

Congressional Testimony	32	4
Lessons Learned Reports Issued	5	0
Quarterly Reports	29	4

<sup>a</sup> The Inspections Directorate ceased conducting project assessments on April 30, 2010.





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## 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](http://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

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SECTION

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# 1

## SUSTAINING PROGRESS IN A TIME OF TRANSITION

April marks the eighth anniversary of the fall of Baghdad. With a new Iraqi government still taking shape, overall violence levels down significantly from 2007 highs, and a booming oil industry fueling economic growth, the U.S. program is working to secure the hard-won gains achieved since 2003.<sup>1</sup> The events of this quarter underscore the tenuous nature of those gains. Iraq is still insecure, the current government is unsettled, and leading parliamentarians are speculating on the possibility of early elections.

Assassinations of security personnel continued to rise during the past three months, with senior police officials regularly targeted. Two of the most important Government of Iraq (GOI) ministries—Defense and Interior—still lack permanent leaders, with those ministries led by Prime Minister Nuri al-Maliki on an acting basis, a far from ideal circumstance. In the Kurdistan Region, simmering discontent boiled over into lethal violence, leading the Kurdistan Regional Government (KRG) to prohibit unauthorized protests in Sulaymaniyah and causing its prime minister to threaten resignation. Important legislation remains stalled in the Council of Representatives (CoR), perhaps for more than procedural reasons. And the inadequate provision of public services, especially electric power, has been the subject of public demonstrations this quarter.

The first months of 2011 demonstrated the governing coalition's fragility. Prime Minister al-Maliki's loose alliance, woven together last year to secure a second term in office, began to fray. Three developments underscore the ruling coalition's weakness:

- former Prime Minister Ayad Allawi's refusal to serve as chairman of the National Council of Higher Policies (NCHP), a body proposed

largely to mollify him and permit Prime Minister al-Maliki to form a government

- the fracturing of Allawi's al-Iraqiya bloc, as several prominent members formed a breakaway party in the wake of Allawi's refusal to accept the new post
- the reemergence of Muqtada al-Sadr as a political force, particularly evidenced by his threat to reactivate the lethal Jaish al-Mahdi militia and resume violence if any new agreement allows U.S. troops to stay in Iraq beyond December 2011

As the GOI reacts to these roiling developments, the United States continues to carry out planning for several crucial transitions that must occur before the end of the year, when, pursuant to the existing U.S.-Iraq Security Agreement, U.S. military forces are scheduled to depart Iraq.

As of March 31, 2011, U.S. Forces-Iraq (USF-I) reported that it had 45,601 troops stationed in the country.<sup>2</sup> The Department of State (DoS) is planning to augment the number of persons it has under Chief of Mission authority from the current 8,000 to approximately 17,000.<sup>3</sup> The most significant near-term challenge confronting the Embassy is ensuring the effective transfer of remaining reconstruction and relief activities from the Department of Defense (DoD).

### U.S. Transition Plans

These four key transitions will reshape the U.S. reconstruction mission during the remainder of 2011:

- **Terminating all Provincial Reconstruction Teams (PRTs).** DoS plans to close the 14 remaining PRTs by September.<sup>4</sup>
- **Establishing consulates and embassy branch offices (EBOs).** Contingent on funding, DoS plans to establish two permanent consulates (Erbil and Basrah) and two temporary EBOs (Mosul and Kirkuk) by 2012. Together, they would comprise U.S. Embassy-Baghdad's provincial presence and host approximately 3,600 DoS personnel, contractors, and support personnel.<sup>5</sup>
- **Transitioning police training from DoD to DoS.** On October 1, DoS's Bureau of International

The most significant near-term challenge confronting the Embassy is ensuring the effective transfer of remaining reconstruction and relief activities from the Department of Defense.

Narcotics and Law Enforcement Affairs (INL) will assume full responsibility for training Iraqi police. The size and scope of INL's mission will be significantly smaller than DoD's, with plans for it to reach about half of Iraq's 300,000 police officers.<sup>6</sup>

- **Office of Security Cooperation-Iraq (OSC-I).** On October 1, 2011, the newly established OSC-I will take over continuing management of the U.S. military's relationship with the GOI. Staffed primarily by DoD personnel, OSC-I will operate under Chief of Mission authority from five locations across Iraq with responsibilities including oversight of Foreign Military Sales cases, joint military exercises, and outreach to the Iraqi military.

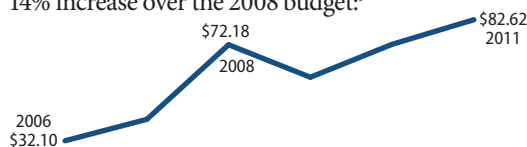
### U.S. Funding

Since 2003, the United States has appropriated or otherwise made available \$61.45 billion for Iraq reconstruction efforts, primarily from five major funds: the Iraq Security Forces Fund (ISFF), the Economic Support Fund (ESF), the Iraq Relief and Reconstruction Fund (IRRF), the International Narcotics Control and Law Enforcement (INCLE) account, and the Commander's Emergency Response Program (CERP).<sup>7</sup> Of these total appropriations, \$50.08 billion has been expended.

To put those billions in perspective, the United States has spent an average of \$17 million per day over the past eight years on the Iraq reconstruction effort.<sup>8</sup> For more on U.S. reconstruction funding, see Section 2 of this Report.

### Iraqi Funding

On February 20 the CoR approved the 2011 GOI budget. This \$82.6 billion budget appropriates \$56.9 billion for GOI operating costs and \$25.7 billion for capital expenditures. It estimates annual revenues at \$69.2 billion, resulting in a projected deficit of \$13.4 billion. The 2011 budget represents a 157% increase over the GOI's 2006 budget and a 14% increase over the 2008 budget.<sup>9</sup>



The 2011 budget assumes an average price per barrel of oil of \$76.50, a 22% increase from the \$62.50 price assumed for the 2010 budget, but 32% lower than the price for Kirkuk crude oil on April 1 (\$111.93). The Minister of Finance told SIGIR in February that he expects this year's projected deficit to be covered by the difference between the price of oil on the world market and the lower assumption contained in the budget.<sup>10</sup>

## GOVERNANCE

More than a year has passed since the last parliamentary elections and more than four months since Prime Minister al-Maliki secured another term, but crucial high-level government posts remain unfilled. Foremost among them are the Ministries of Defense (MOD) and Interior (MOI) and the three vice-presidencies. In addition, the proposed NCHP has not formed and appears to be stillborn. In February, former Prime Minister Allawi, for whom the NCHP was created in the "December deal," said he would refuse to lead it. The CoR did confirm new ministers at Electricity, Trade, and Planning and stepped up its oversight responsibilities, summoning for questioning several high-ranking GOI officials.

### The State of Iraq's Democracy

SIGIR recently met with several U.S. and GOI officials who observed that the democratic institutions established by the Iraqi Constitution of 2005 appear to be gaining acceptance within Iraqi society. But other prominent GOI officials told SIGIR they were profoundly worried about their country's future stability because of these serious concerns:<sup>11</sup>

- Iraq's ministries lack experienced technocrats and administrators.
- Ministries still struggle to deliver essential services.
- The gap between a wealthy elite and the impoverished masses has grown.
- Public corruption remains pervasive.

Crucial high-level government posts remain unfilled.

In an April meeting with SIGIR, the Council of Ministers (CoM) Secretary General pointed to political instability as the toughest challenge facing the new government.<sup>12</sup> This quarter saw significant defections from both Prime Minister al-Maliki’s State of Law (SoL) bloc and former Prime Minister Allawi’s al-Iraqiya list. For example, in February, Jafar al-Sadr, the winner of the second-most votes on Maliki’s SoL list, resigned from the CoR, criticizing parliament as corrupt and unable to deliver basic services to the Iraqi people. Several weeks later, Safia al-Souhail, arguably Iraq’s most prominent female parliamentarian, announced her resignation from SoL, claiming that she was increasingly marginalized within the bloc and that it had devolved into an autocracy. Madame al-Souhail stated that she would continue serving in the CoR as a liberal independent and advocate for women’s rights.<sup>13</sup>

In early March, eight CoR members from al-Iraqiya split to form the new “White Iraqiya” party, citing Allawi’s ineffectiveness as a political leader and the need for a stronger parliamentary opposition to the governing coalition. The new opposition party is led by Hassan al-Allawi (no relation) and includes the prominent anticorruption activist Aliya Nassif.<sup>14</sup>

## A Season of Protests

Throughout this quarter, Iraqi citizens conducted public, and occasionally violent, demonstrations in major urban centers, including Baghdad, Sulaymaniyah, Falluja, Basrah, Mosul, Kirkuk, and Kut. Iraqi Security Forces (ISF) units forcibly broke up some of these gatherings, resulting in many deaths and hundreds of injuries. In mid-April, the GOI, citing traffic problems and complaints by local business owners, banned all street protests in Baghdad, restricting demonstrations there to three soccer stadiums. Demonstrations have also been banned in Mosul.<sup>15</sup>

In a troubling development, large and violent protests occurred in the long-tranquil Kurdish city of Sulaymaniyah. More than 50 days of frequently



Young protester in Falluja whose sign reads: “No Sunni and no Shia anymore; I’m a pure Iraqi. And anyone who promotes sectarianism is worse than Qaddafi—Sons of Falluja.” (PRT photo)

violent demonstrations occurred there since February. Protesters denounced the political bloc comprising Iraqi President Jalal Talabani’s Patriotic Union of Kurdistan (PUK) and Massoud Barzani’s Kurdistan Democratic Party (KDP), which long have dominated the region. The demonstrators demanded early elections, seeking to end the PUK-KDP control. As of April 23, 10 Kurdish protesters had died in this year’s demonstrations.<sup>16</sup>

Figure 1.1 shows the location of some of this quarter’s significant protests.<sup>17</sup>

## Continuing Discontent over Public Services

Echoing dissent in other Middle Eastern countries this winter, Iraqi protests coalesced around collective anger over poor government services, rampant public corruption, and a lack of jobs. Many took to the streets because of frequent electricity shortages—a grievance that will become all the more aggravated as summer approaches. Despite rising demand, Iraq’s supply of electricity has remained almost flat since autumn 2009. Nationally, the government grid supplied about 56% of estimated demand this quarter, though regional differences abound, with the Kurdistan Region being far better off than the southern provinces of Babylon, Najaf, and Qadisiya.<sup>18</sup>

Iraqi protests coalesced around collective anger over poor government services, rampant public corruption, and a lack of jobs.

FIGURE 1.1  
SELECTED IRAQI POLITICAL PROTESTS, 2/2011–4/2011



**Note:** The graphic above is not meant to be a comprehensive tally of all demonstrations that occurred this quarter.

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

In late January, Deputy Prime Minister (DPM) for Energy Affairs Hussein al-Shahristani told SIGIR that the previous government's biggest failure in energy policy was not implementing the large electricity-sector contracts, which caused Iraq to lose 18–24 months of progress. Moreover, he noted that the GOI's performance to date in rehabilitating Iraq's electricity infrastructure has been unsatisfactory, estimating that it will take until the end of 2013 to produce enough electricity to satisfy demand.

DPM al-Shahristani added that, in an effort to ameliorate anticipated summer shortages,

the Ministry of Electricity (MOE) had advanced several short-term projects that could add about 1,500 megawatts (MW) of generation capacity, and it may increase electricity importation from Iran.<sup>19</sup> The MOE announced in March an emergency \$6.25 billion plan to add an additional 5,000 MW of generating capacity to the grid by summer 2012.<sup>20</sup>

### Unemployment

Widespread unemployment also motivated many protesters. In a mid-April meeting with SIGIR, the CoM Secretary General pointed to the severe unemployment problem (estimated to be as high as 30%) as the most daunting economic challenge facing Iraq.<sup>21</sup> He emphasized that the private sector must produce new jobs and hoped that foreign direct investment would play a larger role in creating new job opportunities. His sentiments were echoed by the KRG Prime Minister, who told SIGIR that Iraq's bloated public sector simply could not afford to hire more employees and that growing the private sector is the only path to increasing employment.<sup>22</sup>

### Corruption and More Calls for Reform

From Ayatollah Ali al-Sistani, who denounced corruption in a January 2011 meeting with President Talabani, to the street protesters of February and March, the problem of public corruption had a wide-ranging impact on Iraqi society this quarter. A recent survey conducted by an Iraqi media organization found that 27.8% of Arab Iraqis and 37.9% of Kurdish Iraqis cited the need to combat corruption as their top priority.<sup>23</sup>

Effective solutions remain elusive. Iraq's anticorruption institutions continue to be hampered by myriad factors, including political interference, judicial inaction, inexperienced staff, and legal uncertainty.

In February, Iraq's chief anticorruption official, Judge Raheem al-Ugaili, detailed the extent of the corruption problem during a particularly frank meeting with SIGIR. He emphasized that certain officials are effectively immune from prosecution because of the positions they hold or the powerful allies they have cultivated. The highest levels of the

GOI, he said, operate in complete secrecy, spending public money without proper oversight. When asked by SIGIR if he could change one thing about Iraq, Judge Raheem said that he would enhance governmental transparency and increase the ability of law enforcement institutions to monitor the affairs of all GOI officials—no matter what their rank or their relationship to influential Iraqis.<sup>24</sup>

Judge Raheem described the Commission of Integrity (COI), which he leads, as a young agency (the Coalition Provisional Authority established it in 2004), lacking the tools needed to fight corruption. Even his 2007 appointment as Commissioner has yet to be taken up for confirmation by the CoR. But he expressed satisfaction at the COI's institutional growth, with 450 investigators now on board—a record high.

The judge observed that well-publicized media reports of alleged official misdeeds had increased pressure on the government. However, Judge Raheem cautioned that elements within the CoM continue to interfere with the freedom of the press and to harass or close down media outlets (as seen this quarter in the Kurdistan Region).<sup>25</sup>

While the COI is investigating allegations of corruption levied against low-level public employees, Judge Raheem declared that two major impediments have prevented him from pursuing cases against high-ranking GOI officials:<sup>26</sup>

- **Judicial fear or compromise.** Some investigative judges are unwilling to pursue cases against high-ranking GOI officials, effectively precluding the COI from moving forward with cases against senior officials.
- **Article 136(b) of the Iraqi Criminal Procedure Code.** This provision allows ministers to block legal action against their subordinates. In 2010, ministers invoked 136(b) at least 178 times.

On a positive note, in mid-April, the CoR passed a bill repealing Article 136(b), which will become law once it is signed by President Talabani and published in the Official Gazette.<sup>27</sup> It was repealed once

before, but because it was not properly published, the GOI ignored the repeal.

## GOI Response to Demonstrations

Cognizant of recent conflict across the Middle East, the GOI moved quickly to address protester demands. Responses included:<sup>28</sup>

- Prime Minister al-Maliki's "100-day" order to ministers directing them to make rapid progress toward institutional improvement
- the CoR debating a series of pay cuts for a wide range of GOI officials
- the Speaker of the CoR suggesting that early national and provincial elections are a possibility
- the CoM authorizing suspending the implementation of a new tariff regime that would have raised prices on most imported goods

On the provincial level, the demonstrations appeared to force similarly immediate responses. The governors of Basrah and Babylon resigned shortly after the first signs of significant unrest in their provinces, while the governors of Wassit and Tameem were removed by their Provincial Councils.<sup>29</sup>

The highest levels of the GOI, he said, operate in complete secrecy, spending public money without proper oversight.

## SECURITY

### Recent Violence

At least 487 Iraqis were killed in apparent acts of terrorist violence between January 1 and March 31, 2011, including 147 ISF personnel.<sup>30</sup> A DoS Travel Warning, dated April 12, 2011, reaffirmed that, despite marked security improvements of recent years, terrorist attacks remain an ever-present danger, cautioning that "no region should be considered safe from dangerous conditions."<sup>31</sup> Tragically underscoring the validity of this advisory, on April 18 two suicide bombers detonated their explosives-laden vehicles outside one of the entrances to the International Zone, reportedly killing at least nine and wounding many others.<sup>32</sup>



In one of the most brutal attacks on a GOI facility in recent months, insurgents stormed Salah Al-Din's Provincial Council headquarters in Tikrit on March 29, murdering at least 58 people, including 3 council members. Suicide bombers also targeted Shia religious pilgrims in a series of large attacks earlier this quarter. Figure 1.2 shows this quarter's major security incidents.<sup>33</sup>

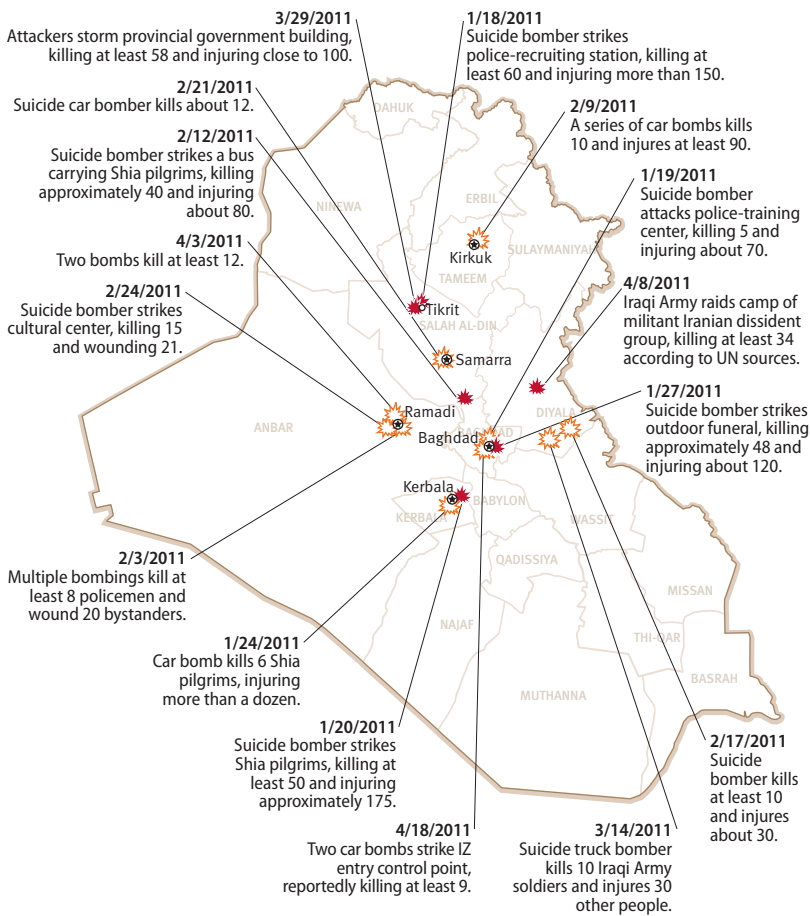
In recent months, the campaign of intimidation and assassination targeting senior GOI officials appeared to gain ground. On April 21, the head of the CoR's Integrity Committee survived an assassination attempt, escaping unharmed from three

gunmen who attacked him as he was leaving for work. Figure 1.3 presents information on attacks carried out against senior civilian and military officials between August 2010 and March 2011. Reacting to this trend, almost 200 CoR members signed a petition this quarter demanding the government provide them with armored vehicles.<sup>34</sup> For a list of recent incidents of targeted violence, see the Security section of this Report.

**Future of U.S. Military Presence in Iraq**

During an April visit with U.S. troops in Baghdad, Secretary Gates again opened the door to the possibility that some U.S. forces might remain in Iraq after December. But the Secretary stated that, while there is an "interest in having a continuing presence" on the part of some Iraqi leaders, the GOI would have to take the initiative and request

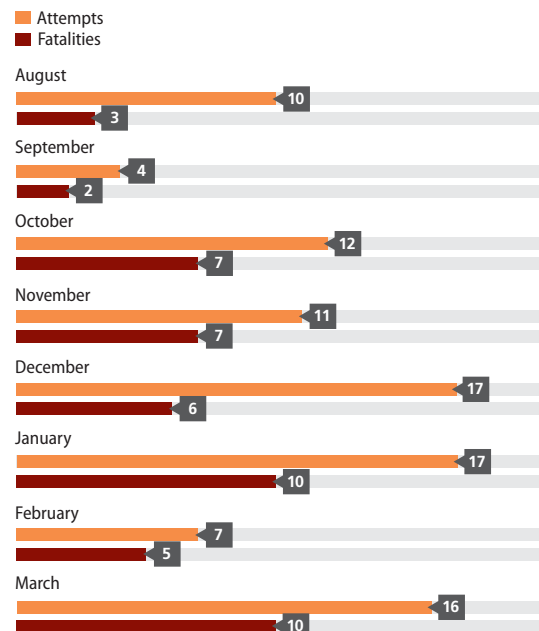
**FIGURE 1.2**  
**SIGNIFICANT SECURITY INCIDENTS, 1/18/2011-4/18/2011**



**Note:** Does not include casualties linked to recent demonstrations.

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

**FIGURE 1.3**  
**ASSASSINATIONS, ATTEMPTS VS. FATALITIES, 8/2010-3/2011**



**Note:** May not capture all attempted assassinations and fatalities during the specified time period.

**Source:** SIGIR analysis of open-source documents in Arabic and English, 8/2010-3/2011.

that U.S. troops remain beyond their scheduled departure date of December 31, 2011.<sup>35</sup>

Some GOI officials have expressed to SIGIR their openness to such a continued presence. In a February meeting with the Inspector General, DPM for Economic Affairs Rowsch Shaways, a Kurd, spoke of his hope that at least some U.S. troops would remain beyond the deadline. He said this hope was shared by many GOI ministers. A statement recently issued by the Prime Minister's office, however, appeared to reject Gates's offer and contravene Shaways's desires by stating that the GOI remains opposed to extending the U.S. military mission in Iraq beyond December 2011.<sup>36</sup>

Shortly after Secretary Gates made his public comments, thousands of supporters of Shia cleric Muqtada al-Sadr marched in Baghdad calling for an end to the U.S. presence in Iraq. In a statement read by a spokesman to his followers, Sadr threatened to resume armed resistance if the United States kept troops in country after December 2011. His party currently controls 40 seats in the CoR and 6 ministries, providing him significant leverage in internal GOI debates about the future of the U.S. military presence in Iraq.<sup>37</sup>

## ISF Capability Gaps

In January meetings with SIGIR, Embassy, USF-I, and ISF officials focused on three main areas of concern that could potentially affect security in Iraq once U.S. forces leave:<sup>38</sup>

- **Disputed northern territories.** Embassy officials emphasized the need for a continued monitoring presence in northern Iraq to prevent Arab-Kurd disputes from erupting into armed clashes. Control of Kirkuk and the surrounding towns remains in severe dispute between the KRG and the central government in Baghdad. Located outside the Kurdistan Region in Tameem province and sitting atop vast oil reserves, the city is inhabited by Kurds, Arabs, and Turkmen. Joint patrols combining USF-I, ISF, and Kurdish *Peshmerga* elements have maintained a presence along the



Secretary of Defense Gates meets with KRG President Barzani in April 2011. (DoD photo)

Shaways spoke of his hope that at least some U.S. troops would remain beyond the deadline. He said this hope was shared by many GOI ministers.

so-called "Green Line," helping to preserve a fragile peace.

- **External defense.** Previewing comments made by Secretary Gates in his February testimony before the Senate Armed Services Committee, U.S. officials stated to SIGIR in January that the ISF's ability to guard against foreign threats is still maturing and that Iraq will be unable to control its own airspace for several years. In particular, the ISF's still-developing logistics, maintenance, and intelligence capabilities limit its ability to guard Iraq's borders.
- **Counterterrorism.** While acknowledging that the ISF's counterterrorism forces have made substantial gains in recent years, U.S. officials expressed concern about the ability of these forces to operate independently in the absence of U.S. advisors and logistics and intelligence support. Senior MOI and MOD generals stressed to SIGIR that U.S. intelligence assets have been essential to maintaining the security gains made since 2008. They expressed concern that these gains may be endangered as the U.S. draws down its presence, including intelligence resources, presenting regional powers with an opportunity to interfere in Iraq's internal affairs.

## U.S. Support for the ISF

Weapons and training provided by the United States are and will remain integral to the development of the ISF, regardless of when the last U.S. soldier departs Iraq. As part of its ongoing effort to



Iraqi Army officers plan a live-fire exercise. (DoD photo)

acquire modern military equipment and facilities, the GOI has signed more than 374 Foreign Military Sales (FMS) cases with DoD (nearly 72% of FMS expenses are funded by the GOI, and the remainder by the United States).<sup>39</sup> However, ISF officials with whom SIGIR met this quarter voiced concerns that some U.S. and GOI personnel managing these transactions were not working well together and that Iraqi procedures were being ignored.

With respect to monitoring FMS cases, on the Iraqi side, the MOI Inspector General stressed that his office, the Board of Supreme Audit (BSA), and the COI should have oversight of these transactions from their inception so as to detect problems at an early stage.<sup>40</sup> The CoM Secretary General added that the current vacancies at the MOD and MOI are also slowing down the process because all FMS paperwork has to go through the acting minister, who is also the prime minister.<sup>41</sup>

Beginning in October, INL will assume complete responsibility for training Iraqi police units. No longer focusing on basic skills, INL's police program will concentrate on mentoring, building management capacities, and developing a culture of respect for democratic policing norms.

In several meetings with SIGIR, ISF and Embassy officials both recognized the serious challenges that INL will face as it takes over from USF-I later this year. According to GOI and U.S. officials involved in the police-advisory effort, these challenges are made more difficult by the lack of a permanent Minister of Interior to provide guidance and direction on the GOI side.<sup>42</sup>

Major General Jassam, the MOI's Director General for Training, stated that INL's priorities should be fundamentally different from those of USF-I. The training program's focus should be on improving policing skills to combat criminal gangs and maintain the peace. General Jassam commented favorably on USF-I's ability to learn from its mistakes and cultivate close working relationships with MOI officials, emphasizing the critical need for INL personnel to develop similar bonds with their Iraqi counterparts.<sup>43</sup>

Senior INL officials told SIGIR that the new Police Development Program (PDP) will not replicate the size or scope of USF-I's training mission. At its peak, USF-I had 167 separate sites dedicated in whole or in part to police training, with civilian contract advisors supplemented by more than 5,000 uniformed personnel. In contrast, INL will likely have three main bases (Camp Shield in Baghdad and locations in Basrah and Erbil) and additional secondary training sites staffed by a total of 198 core personnel (52 DoS employees and 146 contractors). INL will conduct hands-on mentoring in 10 provinces and will have no training presence in Dahuk, Diyala, Wassit, Missan, Babylon, Thi-Qar, Muthanna, and Qadissiya. Moreover, the program will not have the personnel needed to penetrate to the district and sub-district levels.<sup>44</sup>

INL's chief PDP challenges will be:<sup>45</sup>

- obtaining sufficient funds from the Congress to purchase equipment and execute the program in a timely manner
- hiring qualified personnel capable of conducting in-depth assessments of police units
- transporting staff throughout Iraq without the significant assistance now provided by USF-I
- resolving office- and training-space issues at locations that may have a substantial U.S. military presence for most of 2011
- effectively delivering training and monitoring results without embedding with Iraqi units and accompanying them on operations

The new Police Development Program will not replicate the size or scope of USF-I's training mission.



Iraqi police officers practice fingerprinting techniques under the direction of U.S. civilian trainers attached to USF-I. (DoD photo)

## RULE OF LAW

In two meetings with SIGIR this quarter, Iraq’s leading jurist, Chief Justice Medhat al-Mahmoud, provided a *tour d’horizon* of the rule of law in his country, sharing his observations on key issues.<sup>46</sup>

- **Security.** Having lost more than 40 judges and court officers to assassination since 2003, the Chief Justice stressed the urgent need to improve judicial security. In the absence of adequate protections, many judges are subjected to intimidation, producing a chilling effect throughout the entire judiciary. While conceding that the security situation for judicial personnel had improved somewhat, he noted that most judges still lack armored cars, weapons permits, and a sufficient number of bodyguards. According to the Chief Justice, the MOI has been obstructing judges’ applications for weapon permits for several years. Armored cars are a particularly important requirement because of the insurgents’ propensity for assassinating GOI officials as they drive to and from their offices. In his budget request for 2011, the Chief Justice requested additional funds for

security, but the final budget did not contain his desired appropriations.

- **Training.** In most circumstances, the investigative judges (IJs) and their staffs are responsible for investigating criminal activity—not the police. In recent years, the Chief Justice has hired additional judicial investigators to assist the IJs, but they lack the necessary training to be effective. Chief Justice Medhat cited the need for the IJs and their investigators to receive forensics training and assistance in using the latest investigative technologies.
- **Independence.** While somewhat isolated from the recent changes in the CoM and CoR, the Chief Justice acknowledged that the principle of judicial independence is not uniformly accepted by all actors within the GOI. He stated that preserving the independence of the judiciary remains a constant struggle, but praised the Iraqi media for publishing and airing many stories supporting the notion of an independent, apolitical judicial establishment.
- **Corruption.** To combat public corruption, the Chief Justice suggested that all senior GOI officials—the prime minister, the CoM, and the CoR—declare annually and in detail how their offices spent their budgets. He added that it is currently impossible to determine how many of the offices—including the prime minister’s—spend their annual appropriations.

He stated that preserving the independence of the judiciary remains a constant struggle.

An additional concern raised by Chief Justice Medhat in January (amplified by the MOI Inspector General in April) is the lack of a clear national policy delineating the different agencies’ investigative authorities. Currently, U.S. advisors provide extensive investigative training to MOI personnel, even though Iraqi law—in keeping with traditional European civil law practice—places most investigative responsibilities with the IJs.

This de facto bifurcation of investigative powers has led to significant confusion and duplication of effort. Moreover, according to the MOI IG, multiple departments within the MOI often conduct

overlapping investigations because there are no internal policies delineating spheres of responsibility.

To ameliorate this problem, the MOI IG suggested that Iraq may eventually arrive at a compromise solution, with MOI police conducting initial investigations and then passing the file to the IJs for further review, but stated that such a reform would “take several years” to implement.<sup>47</sup>

Chief Justice Medhat also explained his controversial January legal opinion, which some within the GOI perceived as limiting the autonomy of Iraq’s independent agencies (such as the COI). He argued that the media improperly interpreted his ruling, stating that it did not strip any agency of its independence. Chief Justice Medhat maintains that his decision clarified which agencies fell under the oversight of the CoM or the CoR. He went on to say that his decision was intended to galvanize the CoR to passing new legislation governing agencies that still operate under orders issued by the Coalition Provisional Authority in 2003–2004.<sup>48</sup>

## ECONOMY

The International Monetary Fund (IMF) and GOI both project that Iraq’s gross domestic product will grow by at least 12% this year, making it one of the world’s fastest growing economies. Iraq’s recent economic growth is led by Iraq’s booming oil sector.<sup>49</sup>

### Oil Sector

This quarter, Iraq reached post-2003 production and export highs, with crude oil production averaging 2.54 million barrels per day (MBPD) and exports averaging 2.18 MBPD.<sup>50</sup> The days of easily obtained increases in export volume, however, appear to be coming to an end for now. Embassy officials cautioned that insufficient pipeline capacities and inadequate oil storage facilities will make major export increases unlikely in the near term, at least until the \$733 million expansion of al-Basrah Oil Terminal comes on line in 2012.<sup>51</sup>



A major effort is underway to increase the export capacity of al-Basrah Oil Terminal. (USACE photo)

Since 2003, Iraqi oil revenue has been deposited in the Development Fund for Iraq (DFI). An account in the Federal Reserve Bank of New York, the DFI shelters Iraq’s oil revenue from international creditors’ claims. The DFI, however, is scheduled to terminate on June 30, 2011, when Iraq’s Committee of Financial Experts (COFE) will assume responsibility for overseeing the oil revenue account. The UN-backed protection provided to the DFI against creditor claims also expires June 30, leading Embassy officials to note that Iraq—like any other sovereign country—may soon have to defend itself against lawsuits in foreign forums.<sup>52</sup> When the immunity lapses, GOI officials expect that Iraq will be sued by some creditors holding outstanding claims. BSA President Dr. Abdul Bassit Turki al-Sae’ed, who heads COFE, stated to SIGIR that there is a significant risk that Kuwait will eventually be one of the countries to take legal action, wryly commenting: “We can’t change history.”<sup>53</sup>

In December 2010, Iraq took another step toward fully rejoining the community of nations when the UN Security Council (UNSC) passed three resolutions lifting a series of sanctions dating from the Ba’athist era. Embassy officials stated that U.S. support for these resolutions constituted an example of U.S. diplomatic influence, noting that the United States is able to work on Iraq’s behalf in international bodies where the reach of other powers is, at best, circumscribed.<sup>54</sup> Notwithstanding the passage of these resolutions, several matters remain under UNSC Chapter VII supervision,

Embassy officials cautioned that insufficient pipeline capacities and inadequate oil storage facilities will make major export increases unlikely in the near term.



Ferris wheel in central Baghdad park.

including compensating Kuwait for damages inflicted by Iraq during its 1990 invasion. Resolving these outstanding issues will be a major challenge for U.S. and Iraqi diplomats in the years to come.

## Macroeconomic Developments: Progress and Challenges

U.S. and GOI officials who briefed SIGIR this quarter on the state of Iraq's economic development noted several positive trends that augur well for continued growth:<sup>55</sup>

- **IMF support.** According to the Chairman of the Trade Bank of Iraq, the conditions imposed by Iraq's two Stand-By Arrangements with the IMF have improved fiscal prudence.
- **Currency stability.** Inflation has remained largely in check since 2003. Several GOI officials involved in economic policy making noted that despite the prolonged delay in forming a new government, price stability was the rule rather than the exception in 2010.
- **Uninterrupted government functions.** Embassy officials observed that the GOI continued to perform during 2010 despite the prolonged period of political uncertainty following the March elections.
- **Private-sector activity.** Although Iraq's private sector was all but destroyed under the Ba'athist regime, U.S. officials noted that entrepreneurial activity appears to be on the rise.

As February's attack on Iraq's main refinery at Baiji made clear, maintaining security remains

a prerequisite for continued economic progress. But several other factors limit Iraq's economic development:<sup>56</sup>

- **Archaic laws.** Many of Iraq's current commercial laws and regulations reflect Ba'athist, state-centric biases, making opening a new business a costly and lengthy process. Of 183 countries ranked by the World Bank in terms of the ease of doing business there, Iraq comes in 166th place overall, and last among countries in the Middle East.
- **Poor public services.** U.S. and GOI officials were unanimous in their opinion that electricity shortages deter investors from committing to Iraq for the long term. DPM for Services Salih al-Mutlaq stressed to SIGIR the need to improve the GOI's capacity to provide clean water and reliable power for all Iraqis.
- **Inefficient state-owned enterprises (SOEs).** According to Embassy officials, Iraq's SOEs employ more than 600,000 people, making any sudden and dramatic changes in their operations potentially destabilizing. With assistance from the UN, the GOI has embarked on a long-term restructuring plan for 176 SOEs, which will take more than 20 years. Reliance on outdated technologies and practices makes it uncertain whether these enterprises can be successfully transformed into profit-making businesses.
- **Isolation from the global marketplace.** U.S. diplomats told SIGIR that it will be years before Iraq is able to join the World Trade Organization, citing the anticipated difficulties in enacting the necessary legal and financial reforms required for accession.
- **Tight credit.** Because it lacks a stable revenue base and an internationally recognized sovereign risk rating, Iraq is unable to borrow funds at a reasonable cost from overseas via public-debt offerings. This increases the already-profound degree to which the GOI depends on current oil revenue to finance its operations. According to Embassy officials, these financing challenges may preclude the GOI from funding

U.S. and GOI officials were unanimous in their opinion that electricity shortages deter investors.



SIGIR Deputy Inspector General meets with Deputy Prime Minister for Services Salih al-Mutlaq.

essential improvements to its aging hydrocarbon infrastructure.

Embassy officials are monitoring four key economic areas this year—modernization of the oil industry, declining agricultural yields, continued electricity shortages, and SOE restructuring—stating that the degree of progress Iraq makes on these issues will largely determine its near-term economic prospects.

## SIGIR OVERSIGHT

### Investigations

Since 2003, SIGIR’s investigative work has resulted in 31 arrests, 56 indictments, and 50 convictions, with more than \$144 million in fines, forfeitures, recoveries, and restitution payments. In April, the Council of Inspectors General on Integrity and Efficiency (CIGIE) announced that SIGIR’s Investigations Directorate had passed its mandated peer review, which was conducted by the Tennessee Valley Authority’s Office of Inspector General (TVA OIG). TVA OIG also singled out three best practices as worthy of recognition—the SIGIR Prosecutorial Initiative (SIGPRO), the SIGIR International Criminal Enforcement and Prosecution Team (INTERCEPT), and SIGIR’s Forensic Evaluation, Research, Recovery, and Enforcement Team (FERRET).

TVA OIG singled out three best practices as worthy of recognition.

This quarter, SIGIR investigators, working in close collaboration with other federal law enforcement agencies, achieved several notable results, including:

- On January 25, a federal judge sentenced Dorothy Ellis, a former senior employee of a U.S. military contractor, to more than three years imprisonment for participating in a conspiracy to pay \$360,000 in bribes to U.S. Army contracting officials in exchange for her company receiving preferential treatment in the bidding process.
- Four days later, a federal judge in California sentenced Marine Corps Captain Eric Schmidt to six years in prison for his role in a plot to skim about \$1.7 million from U.S. government contracts awarded under the Iraqi First Program. While stationed in Iraq in 2008, Schmidt conspired with his wife and an Iraqi company to purchase fewer, and more inferior, materials than required by the contracts, skimming the difference in costs for himself. Janet Schmidt, his wife, was subsequently sentenced to one year of home confinement.
- On February 8, U.S. Army Major Kevin Schrock pled guilty to money laundering charges. He admitted that he stole funds intended for humanitarian or reconstruction purposes in Iraq and then deposited them into his own bank accounts, laundering more than \$47,000 of the stolen funds by breaking the currency into a series of small deposits. Under the terms of his guilty plea, Schrock will pay back to the U.S. government all of the laundered funds. His sentencing is scheduled for June.
- In late February, Richard Razo pled guilty to wire fraud and conspiracy to commit wire fraud in connection with crimes committed during his time in Iraq as a private contractor and DoS official. Razo fraudulently provided Iraqi contractors with confidential bidding information for U.S.-funded Iraq reconstruction projects in exchange for up to 10% of the face value of the fraudulently obtained contracts. While in Iraq as a private citizen in 2005–2006, he received

more than \$93,000 in illicit wire transfers and cash from an Iraqi construction firm. During his 2008 service with DoS in Basrah, Razo helped steer \$2.7 million in contracts to Iraqi firms in exchange for promised, but unpaid, payments totaling approximately \$144,000.

- On March 1, a federal jury convicted Eddie Pressley, a former U.S. Army Major, and his wife, Eurica Pressley, on all counts of a 22-count indictment in connection with a bribery and money-laundering scheme related to defense contracts awarded in support of the U.S. effort in Iraq. The Pressleys received approximately \$2.9 million in bribe payments and prepared false invoices that were designed to justify the bribes as payment for non-existent consulting services. Sentencing is scheduled for June.
- On March 25, retired U.S. Army National Guard Lieutenant Colonel David Pfluger pled guilty to conspiracy, accepting gratuities, and converting property of another to his own use while serving as a public official. Pfluger admitted to abusing his status as the “Mayor” of a Forward Operating Base to enrich himself by accepting cash and gifts from contractors in exchange for awarding them contracts and special privileges.
- On March 28, a judge sentenced Mariam Mendoza Steinbuch, a former U.S. Marine Corps staff sergeant, to five years probation and ordered her to pay \$25,000 in restitution. She had pled guilty to accepting a \$25,000 bribe in exchange for awarding numerous contracts to a Lebanon-based company while serving in Fal-luja as a contracting specialist in 2006.

For a detailed synopsis of SIGIR’s recent investigative achievements, see Section 5 of this Report.

## SIGIR Prosecutorial Initiative

In late 2009, as part of an innovative effort to handle its expanding caseload, SIGIR hired three former Department of Justice (DoJ) prosecutors, detailing them back to DoJ’s Criminal Division to prosecute fraud cases developed by SIGIR



Mercedes seized from Marine Corps Captain Eric Schmidt.

investigators. In addition to managing cases, SIGPRO prosecutors have also proffered novel arguments that set significant legal precedents. In one recent matter, SIGPRO attorneys successfully argued that violations of the federal conflict-of-interest statute are subject to the extraterritorial jurisdiction of the United States. Consequently, there is now broader judicial authority to prosecute such offenses when they occur in places like Iraq and Afghanistan. In a second case, a federal judge in Texas accepted a SIGPRO attorney’s argument that the Wartime Suspension of Limitations Act operated to suspend the statute of limitations on a reconstruction-related crime during the pendency of the war in Iraq. After this decision, the defendant pled guilty.<sup>57</sup>

## Audits

This quarter, SIGIR issued six audit reports. To date, SIGIR has published 188 audits. This quarter’s audits reviewed:

- **Quick Response Fund (QRF).** DoS established the QRF to fund local projects promoting economic and social development. In Iraq, the U.S. Agency for International Development (USAID) managed \$153 million of these monies and DoS managed \$103 million. This audit concluded that DoS has improved its management controls over its component of the program since SIGIR’s January 2009 report on the QRF. Nevertheless, SIGIR found that DoS still has not addressed accountability issues—particularly in assuring that

SIGPRO prosecutors have also proffered novel arguments that set significant legal precedents.



it has documentation on project outcomes and the use of QRF funds—leaving projects vulnerable to fraud, waste, and abuse. By contrast, the audit found that USAID had good management controls over its part of the program, including detailed information and financial documents showing how its grant money was used.

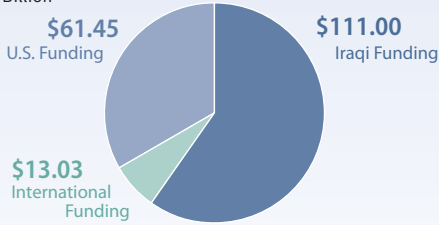
- **Iraq Relief and Reconstruction Fund 2 (IRRF 2).** SIGIR's review of the status of the \$18.45 billion IRRF 2 determined that, by the end of FY 2010, agencies had expended \$17.26 billion but still had about \$145.25 million in obligations for orders or contracts that required future payment. In addition, SIGIR found that agencies had not obligated about \$402.46 million, and that the Office of Management and Budget had not obligated funds totaling \$26.33 million. The failure to obligate these monies means that these nearly \$429 million in unobligated funds could be canceled at the end of FY 2013 and returned to the Treasury's General Fund.
- **USAID Oversight of a Contractor's Management of the Community Action Program III.** Notwithstanding the Cooperative Housing Foundation International (CHF) self-report that it had exceeded USAID's target level for 17 of 23 indicators for the Community Action Program, this audit determined that USAID did not require CHF to track key performance metrics, including the number of communities seeking funds or progress in assisting internally displaced persons. Because of security conditions and insufficient personnel, USAID relied on CHF, other contractors, external auditors, and PRTs for information on program implementation and results. Finally, while USAID requires that CHF projects be sustainable, SIGIR found that completed projects' files do not contain concrete sustainment plans, increasing the likelihood that some projects may not be maintained after CHF and USAID leave.
- **USAID Responsiveness to Previous SIGIR Audit Recommendations.** The first in a planned series, this report found that USAID has implemented all but two of SIGIR's recommendations and has a sound process to track and monitor their implementation of SIGIR recommendations. Subsequent reports in this series will review the progress of DoD and DoS in responding to SIGIR recommendations.
- **U.S. Army Corps of Engineers (USACE) Gulf Region District (GRD) Management of Security Contractors.** This audit determined that GRD's process for adjusting its Aegis security contract's requirements appeared reasonable and responsive to changes in reconstruction activities. Since SIGIR's 2009 report on the Aegis security contracts, the number of USACE's active projects, and the number of Aegis's security personnel services in Iraq, have declined. Moreover, USACE's active projects and security requirements are projected to decline much further by July 2011. SIGIR found that GRD monitors how it uses Aegis's security teams and provides appropriate information to Aegis so the company can determine the number and composition of security personnel needed to meet contract requirements. GRD also monitors the utilization of the security teams to ensure that it adjusts the contract's requirements to reflect changes in its reconstruction activities.
- **USACE Recommendations on Completing or Canceling Projects.** SIGIR examined USACE's decisions to recommend completing or canceling 20 sampled projects concluding that USACE used the criteria it established to arrive at its recommendations. USACE is no longer involved in transferring projects directly to the GOI since a November 2009 agreement between the Embassy and the GOI to formalize the process to transfer completed projects to the Iraqi government. ♦

## QUICK FACTS

### \$ Reconstruction Funding

#### Cumulative Funding

\$ Billion

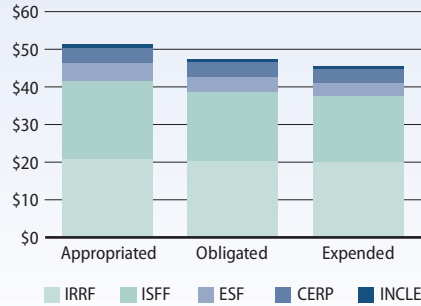


#### Recent Funding

FY 2011 <b>\$3.37 B</b> U.S. Funding	2011 <b>\$25.70 B</b> Iraqi Capital Budget	2011 <b>\$471 M</b> International Commitments
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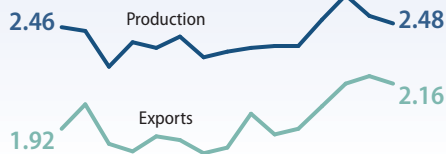
#### Major U.S. Funds

\$ Billion



Oil

#### MBPD, by Month (1/2010–3/2011)



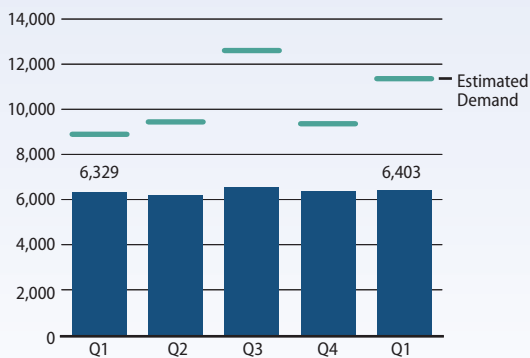
#### Average Price per Barrel, by week (1/2010–3/2011)



### Electricity

#### Supply vs. Demand (1/1/2010–3/31/2011)

MW

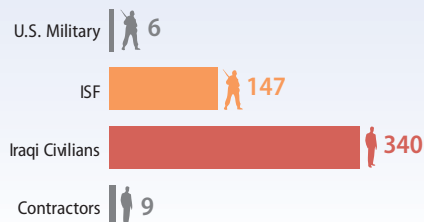


### Security

#### Average Daily Incidents, by week (10/2009–3/2011)



#### Persons Killed (1/1/2011–3/31/2011)



# FUNDING FOR IRAQ RECONSTRUCTION

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SECTION

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2

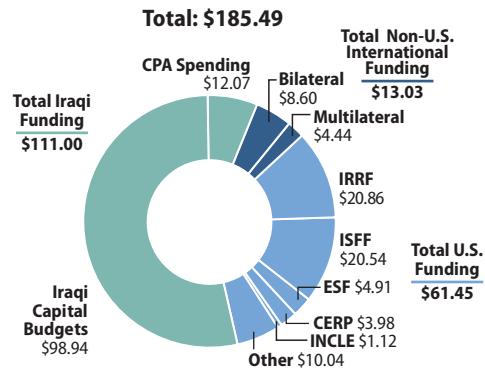
## FUNDING OVERVIEW

As of March 31, 2011, \$185.49 billion had been made available for the relief and reconstruction of Iraq through three main sources:<sup>58</sup>

- U.S. appropriations—\$61.45 billion
- Iraqi funds overseen by the Coalition Provisional Authority (CPA) and expenditures of the Iraqi capital budget—\$111.00 billion
- International commitments of assistance and loans from non-U.S. sources—\$13.03 billion

See Figure 2.1 for an overview of these funding sources. See Figure 2.2 for a historical comparison of cumulative U.S., Iraqi, and non-U.S. international funding for Iraq reconstruction. ♦

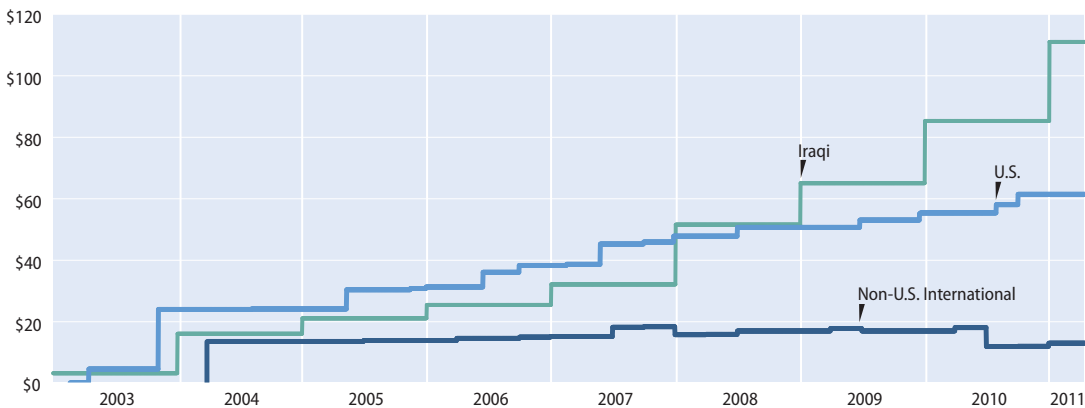
FIGURE 2.1  
FUNDING SOURCES, 2003–2011  
\$ Billions



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. In the fiscal-year quarter ending on June 30, 2010, SIGIR switched its metric for tracking International support from pledged dollars to committed dollars, which accounts for the apparent drop in the International contribution on that date in this chart. P.L. 112-10, enacted on April 15, 2011, provided an estimated \$3.37 billion for FY 2011; this amount is represented here as available from the beginning of the fiscal year.

Sources: USACE, response to SIGIR data call, 10/6/2008; DoS, DRL, response to SIGIR data call, 4/12/2011; TFBSO, response to SIGIR data call, 1/4/2011; USAID, "U.S. Overseas Loans and Grants [Greenbook]," 2008, [http://gbk.eads.usaidallnet.gov/query/do?\\_program=eads/gbk/countryReport&unit=N](http://gbk.eads.usaidallnet.gov/query/do?_program=eads/gbk/countryReport&unit=N), accessed 4/15/2010; Justice Management Division, response to SIGIR data call, 4/5/2011 and 4/11/2011; NEA-I, responses to SIGIR data calls, 10/4/2010, 10/6/2010, 4/5/2011, 4/7/2011, and 4/15/2011; DoS, ECA, response to SIGIR data call, 4/14/2010; OUSD(C), response to SIGIR data call, 10/14/2010; U.S. Treasury, OTA, "Office of Technical Assistance Overview," 12/30/2005, [ustreas.gov/offices/international-affairs/assistance/](http://ustreas.gov/offices/international-affairs/assistance/), accessed 10/16/2009; DoS, PIM, response to SIGIR data call, 3/28/2011; BBG, response to SIGIR data call, 3/7/2011; Congressional Budget Justification, Foreign Assistance Summary Tables, FY 2009–2011; USAID, responses to SIGIR data calls, 1/12/2009 and 4/8/2009; OMB, response to SIGIR data call, 6/21/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009; GoI, CoR, "Federal Public Budget Law for the Fiscal Year 2011," 2/20/2011, Article 2; GoI, Presidential Council, "Federal Public Budget Law for the Fiscal Year 2010," 2/10/2010; U.S. Treasury, responses to SIGIR data calls, 1/4/2008 and 4/9/2009; "GOI Budget" (as approved by TNA and written into law December 2005); GoI, Presidency of the Iraqi Interim National Assembly, "The State General Budget for 2005," 2005; GoI, "Budget Revenues and Expenses 2003, July-December," 2003; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–1/2011; 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. 111-242; P.L. 111-290; P.L. 111-317; P.L. 112-10.

## U.S. FUNDING

Since 2003, the United States has appropriated or otherwise made available \$61.45 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.<sup>59</sup>

As of March 31, 2011, \$51.41 billion had been made available through five major funds:<sup>60</sup>

- Iraq Relief and Reconstruction Fund (IRRF)—\$20.86 billion
- Iraq Security Forces Fund (ISFF)—\$20.54 billion
- Economic Support Fund (ESF)—\$4.91 billion
- Commander’s Emergency Response Program (CERP)—\$3.98 billion

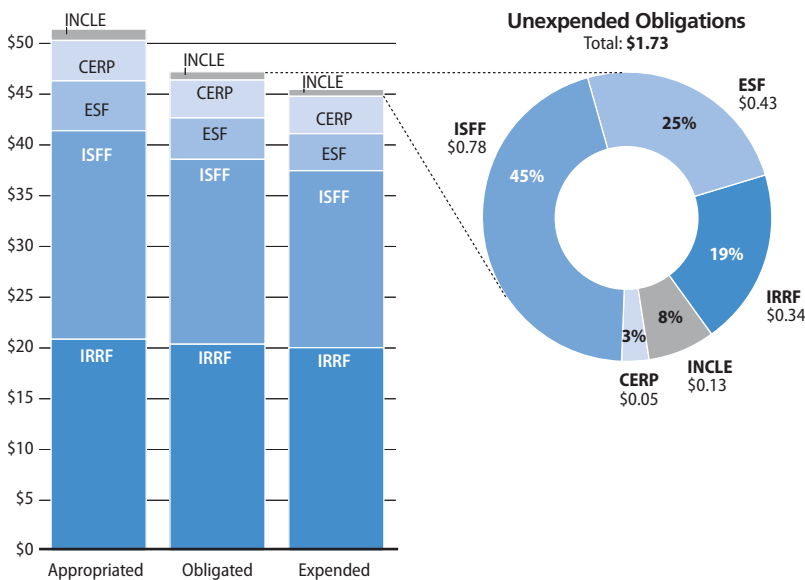
- International Narcotics Control and Law Enforcement (INCLE)—\$1.12 billion

As of March 31, 2011, \$4.46 billion in available budget authority remained unexpended for the five major funds (\$4.20 billion in unobligated funds plus \$1.73 billion in unexpended obligations minus \$1.48 billion in expired funds).<sup>61</sup>

The Congress also made \$10.04 billion available through several smaller funding streams.<sup>62</sup>

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.

**FIGURE 2.3**  
**STATUS OF MAJOR U.S. FUNDS, AS OF 3/31/2011**  
\$ Billions



## FY 2011 Appropriations

This quarter, the Congress appropriated an estimated \$3.37 billion in FY 2011 funding for Iraq reconstruction, comprising an estimated \$2.00 billion in new reconstruction assistance and an estimated \$1.37 billion in new funding for reconstruction-related operating expenses.<sup>63</sup> The funding was provided in the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (H.R. 1473),<sup>64</sup> which passed the House and Senate on April 14, 2011, and was signed into law (P.L. 112-10) on April 15, 2011.<sup>65</sup>

P.L. 112-10 replaces a series of continuing appropriations that provided temporary extensions of agencies’ FY 2010 budget authority; it was signed into law just before the seventh continuing appropriation expired.<sup>66</sup> For details, see Table 2.2.

P.L. 112-10 is divided into two parts:<sup>67</sup>

- The Department of Defense (DoD) received a full-year appropriation, which replaces previous extensions of FY 2010 budget authority, thereby providing more flexibility to reallocate funding, compared with a continuing appropriation.

**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; USACE, response to SIGIR data call, 4/5/2011; NEA-I, responses to SIGIR data call, 3/25/2011, 3/28/2011, 4/5/2011, 4/12/2011, and 4/15/2011; INL, response to SIGIR data call, 4/6/2011; SIGIR Audit 11-007, “Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Cancelled Funds,” 12/28/2010; OSD, response to SIGIR data call, 4/18/2011; ABO, response to SIGIR data call, 4/18/2011.

# 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
<b>MAJOR FUNDS</b>							
Iraq Relief and Reconstruction Fund (IRRF 1 and IRRF 2) <sup>a</sup>	2,475	18,389					
Iraq Security Forces Fund (ISFF)			5,490	3,007	5,542	3,000	1,000
Economic Support Fund (ESF) <sup>b</sup>	50			1,545	1,478	664	439
Commander's Emergency Response Program (CERP) <sup>c</sup>		140	718	708	750	996	339
International Narcotics Control and Law Enforcement (INCLE)				91	170	85	20
<b>Subtotal</b>	<b>2,525</b>	<b>18,529</b>	<b>6,208</b>	<b>5,351</b>	<b>7,941</b>	<b>4,745</b>	<b>1,798</b>
<b>OTHER ASSISTANCE PROGRAMS</b>							
Migration and Refugee Assistance (MRA) and Emergency Refugee & Migration Assistance (ERMA)	40			0	78	278	260
Natural Resources Risk Remediation Fund (NRRRF) <sup>d</sup>	801						
Iraq Freedom Fund (Other Reconstruction Activities) <sup>e</sup>	700						
P.L. 480 Food Aid (Title II and Non-Title II)	368		3			24	
Democracy Fund (Democracy)					190	75	
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	24		7	0	45	85	51
Iraq Freedom Fund (TFBSO)					50	50	74
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) <sup>f</sup>					19	16	36
Department of Justice (DoJ)	37		2	11	23	25	7
Child Survival and Health Programs Fund (CSH)	90						
Education and Cultural Exchange Programs (ECA)				7	5	7	7
Overseas Humanitarian, Disaster and Civic Aid (OHDACA)	9	15	3				
International Affairs Technical Assistance				13	3		
U.S. Marshals Service	0	2		3	2	2	1
International Military Education and Training (IMET)					1	2	2
Alhurra-Iraq Broadcasting		5					
<b>Subtotal</b>	<b>2,069</b>	<b>22</b>	<b>15</b>	<b>33</b>	<b>416</b>	<b>563</b>	<b>438</b>
<b>RECONSTRUCTION-RELATED OPERATING EXPENSES</b>							
Diplomatic and Consular Programs <sup>g</sup>							
Coalition Provisional Authority (CPA) <sup>h</sup>		908					
Project and Contracting Office (PCO) <sup>i</sup>				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		
<b>Subtotal</b>	<b>21</b>	<b>908</b>	<b>24</b>	<b>279</b>	<b>767</b>	<b>79</b>	<b>78</b>
<b>RECONSTRUCTION OVERSIGHT</b>							
Special Inspector General for Iraq Reconstruction (SIGIR)		75		24	35	3	44
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	
Defense Contract Audit Agency (DCAA)					16		
<b>Subtotal</b>	<b>4</b>	<b>77</b>	<b>3</b>	<b>30</b>	<b>57</b>	<b>34</b>	<b>54</b>
<b>Total</b>	<b>4,619</b>	<b>19,536</b>	<b>6,250</b>	<b>5,694</b>	<b>9,182</b>	<b>5,421</b>	<b>2,368</b>

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

<sup>b</sup> FY 2003 reflects \$40 million from the ESF base account that was not reimbursed and \$10 million from P.L. 108-11.

<sup>c</sup> 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.

<sup>d</sup> Includes funds transferred from the Iraq Freedom Fund (IFF).

<sup>e</sup> 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.

<sup>f</sup> The \$20 million reported for FY 2009 was appropriated by P.L. 111-8.

<sup>g</sup> Diplomatic and Consular Programs comprises FY 2010 supplemental funding to support U.S. Embassy-Baghdad in establishing an enduring provincial presence.

<sup>h</sup> Excludes \$75 million for the Special Inspector General for Iraq Reconstruction under P.L. 108-106.

<sup>i</sup> 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.

<sup>j</sup> FY 2011 budget authority for civilian accounts is estimated based on FY 2010 allocations and the provisions of the FY 2011 full-year continuing appropriation (P.L. 112-10); SIGIR will report agency-reported values when they become available. P.L. 112-10 replaces all prior FY 2011 continuing appropriations.

	FY 2010			FY 2011		STATUS OF FUNDS		
	P.L. 111-117	P.L. 111-118	P.L. 111-212	P.L. 112-10 <sup>j</sup>	TOTAL APPROPRIATED	OBLIGATED	EXPENDED	EXPIRED
	12/16/09	12/19/09	7/29/10	4/15/11				
<b>MAJOR FUNDS</b>								
Iraq Relief and Reconstruction Fund (IRRF 1 and IRRF 2)					20,864	20,365	20,030	499
Iraq Security Forces Fund (ISFF)			1,000	1,500	20,539	18,212	17,430	509
Economic Support Fund (ESF)	383			346	4,905	4,085	3,654	244
Commander's Emergency Response Program (CERP)		263		70	3,984	3,727	3,675	226
International Narcotics Control and Law Enforcement (INCLE)	52		650	52	1,120	822	690	0
<b>Subtotal</b>	<b>435</b>	<b>263</b>	<b>1,650</b>	<b>1,968</b>	<b>51,413</b>	<b>47,211</b>	<b>45,479</b>	<b>1,478</b>
<b>OTHER ASSISTANCE PROGRAMS</b>								
Migration and Refugee Assistance (MRA) and Emergency Refugee & Migration Assistance (ERMA)	300				956	955	915	
Natural Resources Risk Remediation Fund (NRRRF)					801	801	801	
Iraq Freedom Fund (Other Reconstruction Activities)					700	680	654	
P.L. 480 Food Aid (Title II and Non-Title II)					395	395	395	
Democracy Fund (Democracy)					265	265	245	
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	33		9		255	255	232	
Iraq Freedom Fund (TFBSO)					174	86	65	
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)	30			30	131	62	62	
Department of Justice (DoJ)	13				118	111	107	
Child Survival and Health Programs Fund (CSH)					90	90	90	
Education and Cultural Exchange Programs (ECA)	7			7	40			
Overseas Humanitarian, Disaster and Civic Aid (OHDACA)					27	27	10	
International Affairs Technical Assistance					16	16	14	
U.S. Marshals Service	0				9	9	9	
International Military Education and Training (IMET)	2			2	9	9	6	
Alhurra-Iraq Broadcasting					5	5	5	
<b>Subtotal</b>	<b>386</b>		<b>9</b>	<b>39</b>	<b>3,991</b>	<b>3,766</b>	<b>3,610</b>	
<b>RECONSTRUCTION-RELATED OPERATING EXPENSES</b>								
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			56	360			
U.S. Contributions to International Organizations (CIO)	33			31	132			
DoD OSC-I Support				129	129			
Iraq Freedom Fund (PRT Administrative Costs)					100			
<b>Subtotal</b>	<b>1,207</b>		<b>1,030</b>	<b>1,336</b>	<b>5,730</b>	<b>832</b>	<b>799</b>	
<b>RECONSTRUCTION OVERSIGHT</b>								
Special Inspector General for Iraq Reconstruction (SIGIR)	23			22	225	203	192	
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			
Defense Contract Audit Agency (DCAA)					16			
<b>Subtotal</b>	<b>37</b>			<b>27</b>	<b>322</b>	<b>203</b>	<b>192</b>	
<b>Total</b>	<b>2,064</b>	<b>263</b>	<b>2,689</b>	<b>3,370</b>	<b>61,455</b>	<b>52,012</b>	<b>50,080</b>	<b>1,478</b>

Sources: ABO, response to SIGIR data call, 4/18/2011; BBG, response to SIGIR data call, 3/7/2011; Congressional Budget Justification, Foreign Assistance Summary Tables, FY 2009–2011; DoS, DRL, response to SIGIR data call, 4/12/2011; DoS, ECA, response to SIGIR data call, 4/14/2010; OMB, response to SIGIR data call, 6/21/2010; DoS, PM, response to SIGIR data call, 3/28/2011; INL, response to SIGIR data call, 4/6/2011; Justice Management Division, responses to SIGIR data call, 4/5/2011 and 4/11/2011; NEA-I, responses to SIGIR data calls, 10/4/2010, 10/6/2010, 3/25/2011, 3/28/2011, 4/5/2011, 4/12/2011, and 4/15/2011; SIGIR Audit 11-007, "Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Cancelled Funds," 12/28/2010; TFBSO, response to SIGIR data call, 1/4/2011; OSD, response to SIGIR data call, 4/18/2011; 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/](http://ustreas.gov/offices/international-affairs/assistance/), accessed 10/16/2009; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009; USACE, responses to SIGIR data calls, 10/6/2008 and 4/5/2011; USAID, responses to SIGIR data calls, 1/12/2009 and 4/8/2009; USAID, "U.S. Overseas Loans and Grants [Greenbook]," 2008, [gbk.eads.usaidallnet.gov/query/do?\\_program=eads/gbk/countryReport&unit=N](http://gbk.eads.usaidallnet.gov/query/do?_program=eads/gbk/countryReport&unit=N), accessed 4/15/2010.

TABLE 2.2  
FY 2011 CONTINUING APPROPRIATIONS

PUBLIC LAW	DATE ENACTED	EXPIRATION DATE
P.L. 111-242	9/30/2010	12/3/2010
P.L. 111-290	12/4/2010	12/18/2010
P.L. 111-317	12/18/2010	12/21/2010
P.L. 111-322	12/22/2010	3/4/2011
P.L. 112-4	3/2/2011	3/18/2011
P.L. 112-6	3/18/2011	4/8/2011
P.L. 112-8	4/9/2011	4/15/2011
P.L. 112-10	4/15/2011	9/30/2011

**Note:** P.L. 112-10 is a full-year continuing appropriation for DoS and other civilian agencies and a full-year appropriation for DoD.

**Sources:** P.L. 111-242; P.L. 111-290; P.L. 111-317; P.L. 111-322; P.L. 112-4; P.L. 112-6; P.L. 112-8; P.L. 112-10.

- The Department of State (DoS) and other civilian agencies received a full-year continuing appropriation, which again extends FY 2010 budget authority—but with alternate amounts in some cases. All amounts provided are subject to an overriding rescission of 0.2%.

The budget impact for U.S. activities in Iraq is not yet completely certain—particularly in the case of the ESF. For details, see Table 2.3.

### FY 2011 ISFF and CERP Appropriations

P.L. 112-10 provides \$1.50 billion in FY 2011 funding to the ISFF,<sup>68</sup> \$500 million (25%) less than the \$2.00 billion requested,<sup>69</sup> but equal to the amount authorized by the FY 2011 National Defense Authorization Act (NDAA).<sup>70</sup>

P.L. 112-10 provides \$500 million in FY 2011 funding to the CERP in Afghanistan and Iraq,<sup>71</sup> of which \$70 million was allocated by DoD to the CERP in Iraq.<sup>72</sup>

### FY 2011 ESF Appropriations

P.L. 112-10 provides \$5.95 billion to the ESF worldwide (calculated as the amount provided in P.L. 112-10, Section 2109, subject to the 0.2% rescission provided in Section 1119),<sup>73</sup> a reduction of \$623 million (9%) from the FY 2010 enacted amount (inclusive of forward funding

and supplemental appropriations).<sup>74</sup> DoS has not yet determined the full-year FY 2011 allocation for Iraq. According to the Iraq office of the DoS Bureau of Near Eastern Affairs (NEA-I), once the top-line number for Iraq is available, it will work to allocate the funds among the various DoS bureaus and civilian agencies with which it partners, then share the ESF spend plan for Iraq with the Congress and SIGIR.<sup>75</sup>

For the purposes of analysis, SIGIR has estimated the FY 2011 ESF allocation to Iraq based on the share of the FY 2010 ESF appropriation that was allocated to Iraq—which amounts to \$346 million, or approximately 6% of the total ESF appropriation.<sup>76</sup> This is approximately \$37 million (10%) less than DoS requested for Iraq.<sup>77</sup> However, as noted, this number is subject to change.

### FY 2011 INCLE Appropriations

P.L. 112-10 provides \$1.84 billion to the INCLE worldwide (calculated as the amount enacted in FY 2010 subject to the 0.2% rescission provided in Section 1119).<sup>78</sup>

According to the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL), the FY 2011 budget impact on Iraq is still somewhat uncertain.<sup>79</sup> DoS requested \$315 million for INCLE in Iraq for FY 2011. P.L. 112-10 should provide approximately \$52 million in FY 2011 INCLE funding to Iraq—an amount slightly less than the FY 2010 regular appropriation (P.L. 111-117).<sup>80</sup> Coupled with \$200 million forward funding from the FY 2010 supplemental, that amounts to approximately \$252 million for FY 2011—or \$63 million (20%) less than requested for the year.<sup>81</sup> For additional details on estimated FY 2011–FY 2012 costs for the INL’s Police Development Program (PDP) and the status of funding, see Section 3 of this Report.

For the purposes of analysis, SIGIR has estimated the FY 2011 INCLE allocation to Iraq based on the FY 2010 allocation to Iraq from the regular appropriation (P.L. 111-117)—which amounts to approximately \$52 million.<sup>82</sup> As with ESF, this number is subject to change. The \$200 million in forward

The budget impact for U.S. activities in Iraq is not yet completely certain—particularly in the case of the ESF.



TABLE 2.3  
REGULAR AND SUPPLEMENTAL APPROPRIATIONS AND REQUESTS, FY 2010–FY 2012  
\$ Millions

	FUND	FY 2010 APPROPRIATIONS			FY 2011 REQUEST AND APPROPRIATIONS		FY 2012 REQUEST			
		REGULAR	SUPPLEMENTAL	TOTAL	REQUEST	APPROPRIATION	BASE	OCO	TOTAL	
Foreign Assistance	Defense	ISFF		1,000.0	1,000.0	2,000.0	1,500.0			
		CERP	239.9		239.9	200.0	70.0			
		<b>Subtotal</b>	<b>239.9</b>	<b>1,000.0</b>	<b>1,239.9</b>	<b>2,200.0</b>	<b>1,570.0</b>			
	Foreign Operations	INCLE	52.0	650.0	702.0	315.0	51.9		1,000.0	1,000.0
		FMF							1,000.0	1,000.0
		ESF	382.5		382.5	383.0	346.2	325.7		325.7
		MRA/ERMA	300.0		300.0					
		NADR	30.3		30.3	29.8	29.8	32.4		32.4
		IDA/IDFA	32.7	9.7	41.9					
		IMET	2.0		2.0	2.0	2.0	2.0		2.0
		<b>Subtotal</b>	<b>799.5</b>	<b>659.7</b>	<b>1,458.7</b>	<b>729.8</b>	<b>429.9</b>	<b>360.1</b>	<b>2,000.0</b>	<b>2,360.1</b>
	<b>Subtotal</b>	<b>1,039.3</b>	<b>1,659.7</b>	<b>2,698.5</b>	<b>2,929.8</b>	<b>1,999.9</b>	<b>360.1</b>	<b>2,000.0</b>	<b>2,360.1</b>	
	Operating Expenses	DoD	OSC-I Support			245.0	129.1		524.0	524.0
DoS		D&CP	1,121.6	1,030.0	2,151.6	1,787.1	1,119.4	495.9	3,229.5	3,725.4
		CIO	33.0		33.0		31.0	44.3		44.3
		ECSM						37.0		37.0
		ECA	7.4		7.4		6.9	7.0		7.0
		<b>Subtotal</b>	<b>1,162.0</b>	<b>1,030.0</b>	<b>2,192.0</b>	<b>1,787.1</b>	<b>1,157.3</b>	<b>584.2</b>	<b>3,229.5</b>	<b>3,813.7</b>
Other Civilian		USAID	51.9		51.9	62.8	56.5	75.4		75.4
		DoS OIG	5.0		5.0		4.9	9.2		9.2
		SIGIR	23.0		23.0	22.0	22.0		18.5	18.5
		<b>Subtotal</b>	<b>79.8</b>	<b></b>	<b>79.8</b>	<b>84.8</b>	<b>83.4</b>	<b>84.6</b>	<b>18.5</b>	<b>103.1</b>
<b>Subtotal</b>		<b>1,241.8</b>	<b>1,030.0</b>	<b>2,271.8</b>	<b>2,116.9</b>	<b>1,369.7</b>	<b>668.8</b>	<b>3,772.0</b>	<b>4,440.8</b>	
<b>Total</b>	<b>2,281.1</b>	<b>2,689.7</b>	<b>4,970.4</b>	<b>5,046.7</b>	<b>3,369.6</b>	<b>1,028.9</b>	<b>5,772.0</b>	<b>6,800.9</b>		

**Note:** Data not audited. Numbers affected by rounding. FY 2011 budget authority for civilian accounts is estimated based on FY 2010 allocations and the provisions of the FY 2011 full-year continuing appropriation (P.L. 112-10); SIGIR will report agency-reported values when they become available. DoD Operating Expenses include only those funds requested to support the Office of Security Cooperation-Iraq; in FY 2010–FY 2012, an additional \$119 billion was appropriated or requested for Operation Iraqi Freedom/New Dawn (\$62 billion in FY 2010, \$46 billion in FY 2011, and \$11 billion in FY 2012). DoS and USAID Operating Expenses include funds for operations (including diplomacy for DoS), security, construction, and all other purposes other than foreign assistance. FY 2010 appropriations are as enacted, except for MRA/ERMA and IDA/IDFA, which are contingency accounts for humanitarian crises; funding is not requested by country, but will rather be allocated during the fiscal year as needs arise.

**Sources:** P.L. 111-117; P.L. 111-118; P.L. 111-212; P.L. 112-10; DoS, “Congressional Budget Justification, Volume 1: Department of State Operations, FY 2012,” 2/14/2011, p. 779; DoS, “Executive Budget Summary: Function 150 & Other International Programs, FY 2012,” 2/14/2011, pp. 155, 162, 167, 171, 776; DoS, “Congressional Budget Justification: Foreign Assistance Summary Tables, FY 2011,” p. 88; DoS, “Congressional Budget Justification: Foreign Assistance Summary Tables, FY 2012,” p. 101; DoD, “Fiscal Year 2012 Budget Request: Overview,” 2/2011, p. 6-6.

funding discussed above is shown in this Report under the FY 2010 supplemental appropriation.<sup>83</sup>

## FY 2012 Budget Request

On February 14, 2011, the Administration released its budget request for FY 2012, which starts on October 1, 2011. More than \$6.80 billion was requested for foreign assistance and operating expenses for Iraq, \$1.83 billion (37%) more than was appropriated in FY 2010.<sup>84</sup>

The Administration’s FY 2012 budget request draws close parallels between ongoing Overseas

Contingency Operations (OCO) in Iraq, Afghanistan, and Pakistan but bifurcates the DoS budget in those countries between OCO and base budgets. This new practice matches the precedent set by DoD and, according to the Administration, will improve transparency for “extraordinary and temporary” costs.<sup>85</sup> For details, see Table 2.3.

## Overseas Contingency Operations Budget

The Administration’s OCO budget request for Iraq supports “key efforts” related to the transition from military to civilian-led reconstruction, including:<sup>86</sup>

- drawing down all U.S. troops in Iraq by December 31, 2011, in accordance with the U.S.-Iraq Security Agreement
- establishing two consulates and two Embassy Branch Offices (EBOs) and having DoS take responsibility for more than 400 “essential” activities that DoD currently performs
- establishing police and criminal justice hub-facilities and security cooperation sites to continue enhancing security forces and ministry capabilities

Retroactive analysis by DoS indicates that approximately \$2.19 billion in FY 2010 DoS operating expenses would have been classified as OCO costs under FY 2012’s criteria (exclusive of oversight costs associated with SIGIR). Compared with the request for FY 2012, this represents a \$1.04 billion (47%) increase to \$3.23 billion.<sup>87</sup> According to the Administration, this increase is “more than offset” by the decreased request for DoD, which is attributable to the withdrawal of U.S. forces from Iraq by December 31, 2011.<sup>88</sup>

In addition, the Administration is requesting \$2.00 billion in foreign assistance under two accounts in the FY 2012 OCO budget for DoS.<sup>89</sup>

- \$1.00 billion for the INCLE to support INL’s PDP
- \$1.00 billion for the Foreign Military Financing (FMF) program to provide security assistance to the Iraqi military

Both programs that the requested funding is meant to support are being transitioned from DoD to DoS on October 1, 2011. According to DoS, the request supports “primarily short-term engagement programs . . . meant to assist the GOI until it has the capacity and resources to perform critical government security functions on its own.”<sup>90</sup>

## Base Budget

In addition to the OCO budget, the Administration has requested “significant” resources in the base budget for Iraq to support core Embassy functions and assistance programs.<sup>91</sup> The \$584 million DoS budget justification for civilian operating

expenses is intended to fund full-year operations for the planned DoS presence outside of Baghdad and provide for the transition of DoD’s remaining Baghdad facilities to Chief of Mission control.<sup>92</sup>

DoS will also continue assistance programs related to employment, agriculture, and essential services. According to Secretary of State Hillary Clinton, “these programs are designed to work themselves out of existence,” and Iraq already “matches our assistance dollar-for-dollar.”<sup>93</sup> Toward this end, the Administration is requesting \$360 million under three accounts in the FY 2012 base budget for DoS:<sup>94</sup>

- \$326 million for the ESF—mostly to help “promote an Iraqi Government that is just, representative, and accountable” (\$202 million), but also to promote economic growth and opportunity (\$88 million) and support health, education, and other social services (\$36 million)
- \$32 million for Nonproliferation, Antiterrorism, Demining, and Related Programs (NADR)—to support security sector reform and counterterrorism efforts
- \$2 million for the International Military Education and Training (IMET)—to support military professional development courses

Of the three, the NADR and IMET requests are similar to appropriations in prior years, but the ESF request is \$57 million (15%) less than the FY 2010 appropriation.<sup>95</sup>

## Foreign Assistance Trends

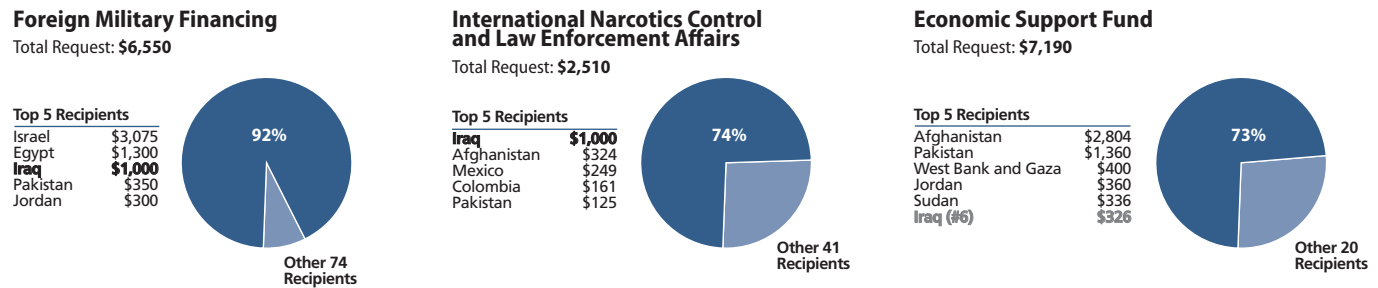
Iraq continues to be exceptional among recipients of U.S. foreign assistance. In the Administration’s FY 2012 congressional budget justification, allocations to Iraq ranked third among the three major civilian funding streams combined. For details, see Figure 2.4. Although FY 2012 marks a major shift away from DoD appropriations to DoS appropriations, support for the Iraqi Security Forces (ISF) remains the priority.<sup>96</sup> For details, see Figure 2.5.

According to Secretary of State Hillary Clinton, “these programs are designed to work themselves out of existence.”

FIGURE 2.4

CIVILIAN FUNDING STREAMS: ADMINISTRATION REQUESTS FOR FY 2012 APPROPRIATIONS

\$ Millions

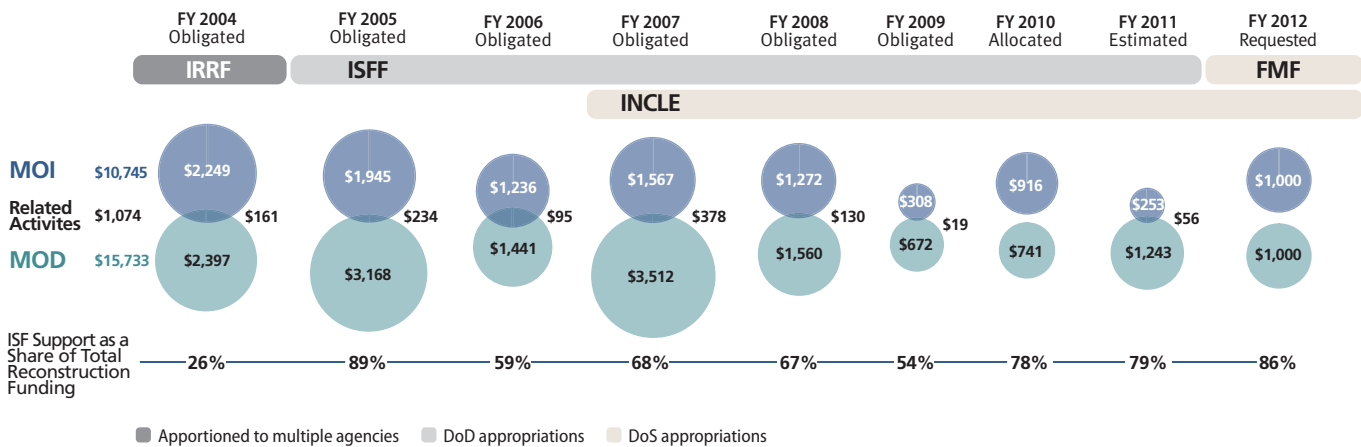


Source: DoS, "Executive Budget Summary, Function 150 & Other International Programs, Fiscal Year 2012," 2/14/2011, pp. 155-171.

FIGURE 2.5

U.S. SUPPORT FOR THE IRAQI SECURITY FORCES FROM THE FIVE MAJOR FUNDS, FY 2004-FY 2012

\$ Millions



Note: Data not audited. Numbers affected by rounding. U.S. support for the ISF includes: all of ISFF; the INCLE "Police Advisors" program; and selected subsectors of the IRRF 2 "Security & Law Enforcement" sector (Facilities Protection Service, IAF Equipment, IAF Facilities, IAF Training and Ops., ING Equipment, ING Facilities, ING Ops. & Personnel, ISF QRF, Police Training and Tech. Assist.). Funding excludes broader rule-of-law support to courts, prisons, and anti-corruption institutions. "Share of Total Reconstruction Funding" represents support for the ISF as a percentage of all activities supported by the five major funds, as well as FMF for FY 2012.

Sources: SIGIR, Quarterly and Semiannual Reports to the United States Congress, 3/2004-1/2011; OUSD(C), response to SIGIR data call, 4/18/2011; INL, response to SIGIR data call, 4/6/2011; NEA-I, response to SIGIR data call, 4/5/2011; P.L. 112-10; DoS, "Congressional Budget Justification: Foreign Operations, Annex: Regional Perspectives, FY 2012," 3/2011, pp. 523, 872; USF-I, "Iraq Security Forces Fund (ISFF), FY 2011 Spend Plan: Fourth Continuing Resolution through March 4, 2011," 2/2011, pp. 3, 7.

DoS Budget Constraints

In a letter to the chairman of the House Appropriations Committee, Secretary of State Clinton expressed her concern that Congress's proposed cuts to the Administration's budget request, "occur at exactly the most sensitive juncture as we transition from [a] military-lead to civilian-run programs and operations."<sup>97</sup> In March, the Under Secretary of State for Management testified before Congress that "to slash the State Department's budget in this way at this time is not only irresponsible, but it is a clear

and present danger to our national security." He also agreed with the proposition that, without full appropriation of the FY 2011 and FY 2012 DoS requests for Iraq, the United States risks "mission failure."<sup>98</sup>

According to an October 2010 report issued by the DoS OIG, "it appears that provincial staffing is now being driven by budget constraints, rather than an appraisal of what is needed to accomplish the mission; certainly there is no indication that the missions have been redefined or reduced as funding and staffing projections shrink."<sup>99</sup>

## Iraq Security Forces Fund

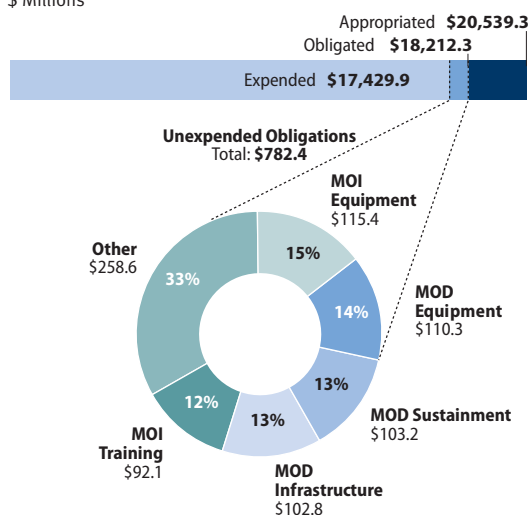
Since 2005, the Congress has appropriated \$20.54 billion to the ISFF to enable U.S. Forces-Iraq (USF-I) and its predecessor, Multi-National Force-Iraq, to support Iraq’s Ministry of Defense (MOD) and Ministry of Interior (MOI) in developing the ISF and increasing ministerial capacity.<sup>100</sup> This includes \$1.50 billion provided by P.L. 112-10.<sup>101</sup>

As of March 31, 2011, \$18.21 billion of ISFF had been obligated, surpassing the \$18.14 billion obligated for IRRF 2.<sup>102</sup> By this measure, ISFF is the largest reconstruction fund for Iraq.

As of March 31, 2011, \$782 million of obligated ISFF funds had not been expended. An additional \$2.33 billion had not been obligated, but \$509 million of this amount has expired. This leaves \$1.82 billion available for obligation to new projects. In total, \$2.60 billion in available budget authority remained unexpended for the ISFF.<sup>103</sup>

For the status of the ISFF, including a breakdown of unexpended obligations, see Figure 2.6.

**FIGURE 2.6**  
**ISFF: STATUS OF FUNDS, AS OF 3/31/2011**  
\$ Millions



Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 109-13; P.L. 109-102; P.L. 109-234; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-212; P.L. 111-290; P.L. 111-317; P.L. 112-10; OSD, response to SIGIR data call, 4/18/2011.

## ISFF Quarterly Obligations and Expenditures

As of March 31, 2011, \$18.52 billion (95%) of the \$20.54 billion appropriated to the ISFF had been allocated to four major sub-activity groups: Equipment, Infrastructure, Sustainment, and Training. The remainder has been allocated to “related activities.”<sup>104</sup>

For the status and quarterly change of the ISFF, by ministry and sub-activity group, see Table 2.4.

## ISFF Requests and Appropriations

Since 2005, the Administration has requested \$22.90 billion for the ISFF, and the Congress has appropriated \$20.54 billion. Appropriations were generally larger at the beginning of the program, averaging \$3.51 billion in FY 2005–FY 2007 and \$1.30 billion in FY 2008–FY 2011. Supplemental appropriations have been approximately twice the size of regular appropriations—\$2.97 billion versus \$1.55 billion—and were provided at amounts closer to the Administration’s request.<sup>105</sup>

At the beginning of the program, larger appropriations were coupled with greater rates of obligation. Even so, available budget authority (unobligated funds less expired funds) remained in excess of \$1.00 billion until late 2009. As the size of appropriations decreased in FY 2009–FY 2010, available budget authority dwindled and the rate of obligation slowed significantly. With the appropriation of \$1.50 billion to the ISFF by P.L. 112-10, available budget authority is at its highest level since 2008.<sup>106</sup>

The FY 2005–FY 2009 ISFF appropriations have expired. USF-I cannot obligate funds from these appropriations to new projects, but can adjust existing obligations and expend funds for a period of five years after their respective expiration dates. The FY 2005 appropriation, which expired on September 30, 2006, will be canceled on September 30, 2011; any unexpended obligations will be canceled, and all unexpended funds will be returned to the U.S. Treasury. Over the course of the ISFF program, quarterly obligations have averaged \$792 million,

By this measure, ISFF is the largest reconstruction fund for Iraq.

TABLE 2.4  
ISFF: STATUS OF FUNDS, BY MINISTRY AND SUB-ACTIVITY GROUP,  
AS OF 3/31/2011  
\$ Millions

MINISTRY	SUB-ACTIVITY GROUP	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Defense	Equipment	4,858.9	4,748.6	66.5 (1%)	89.2 (2%)
	Infrastructure	3,074.7	2,971.9	-0.2 (0%)	36.8 (1%)
	Sustainment	2,264.9	2,161.7	30.0 (1%)	44.5 (2%)
	Training	600.0	526.3	4.5 (1%)	22.4 (4%)
	<b>Subtotal</b>	<b>10,798.5</b>	<b>10,408.5</b>	<b>100.8 (1%)</b>	<b>192.9 (2%)</b>
Interior	Training	2,660.3	2,568.2	8.8 (0%)	159.0 (7%)
	Equipment	1,921.5	1,806.1	-27.3 (-1%)	39.1 (2%)
	Infrastructure	1,346.9	1,259.9	-30.8 (-2%)	48.7 (4%)
	Sustainment	628.4	566.2	-0.8 (0%)	3.9 (1%)
	<b>Subtotal</b>	<b>6,557.1</b>	<b>6,200.4</b>	<b>-50.0 (-1%)</b>	<b>250.7 (4%)</b>
Varies	Related Activities	856.6	821.0	-5.9 (-1%)	-1.4 (0%)
<b>Total</b>		<b>18,212.3</b>	<b>17,429.9</b>	<b>44.8 (0%)</b>	<b>442.1 (3%)</b>

Note: Data not audited. Numbers affected by rounding.

Sources: OSD, responses to SIGIR data calls, 1/13/2011 and 4/18/2011.

In their final quarters of availability, USF-I obligated nearly 36% and 47% of the FY 2008 and FY 2009 appropriations, respectively.

and quarterly expenditures have averaged \$758 million (which amounts to approximately \$8.5 million and \$8.1 million per day, respectively). In their final quarters of availability, USF-I obligated nearly 36% and 47% of the FY 2008 and FY 2009 appropriations, respectively, suggesting a “rush to commit” these appropriations before they expired.<sup>107</sup>

For details on ISFF appropriations, see Figure 2.7 and Table 2.5.

### ISFF Allocations, FY 2005–FY 2008

In the first four years of the ISFF, FY 2005–FY 2008, USF-I allocated \$16.96 billion to five sub-activity groups:<sup>108</sup>

- Equipment—\$6.21 billion (37%)
- Infrastructure \$4.70 billion (28%)
- Training—\$2.76 billion (16%)
- Sustainment—\$2.41 billion (14%)
- Related Activities—\$885 million (5%)

USF-I allocated more funding to Equipment than any other sub-activity group in every year but 2006, when Infrastructure received nearly \$160 million more.<sup>109</sup>

USF-I divided allocations for Equipment, Infrastructure, Training, and Sustainment between the MOD (\$9.90 billion, or 58%) and MOI (\$6.17 billion, or 36%). Allocations for Related Activities are not made to a specific ministry.<sup>110</sup> For details, see Figure 2.8.

### ISFF Allocations, FY 2009

In FY 2009, USF-I allocated \$680 million (68%) of the FY 2009 ISFF to support the MOD. More than half of the MOD’s allocation—\$359 million (36% of the total appropriation)—was for Equipment, including significant allocations for command and control equipment. The largest single line item was \$107 million for equipment to modernize the Iraqi Navy.<sup>111</sup> USF-I allocated \$300 million of the FY 2009 ISFF to support the MOI. The largest single line item was \$72 million for International Police Advisors (IPAs), who are contracted through INL.<sup>112</sup>

FY 2009 was the first year in which no money was allocated to Infrastructure, because of a congressional prohibition of such spending in the FY 2009 NDAA.<sup>113</sup>

For details, see Figure 2.8 and Table 2.6.

### ISFF Allocations, FY 2010

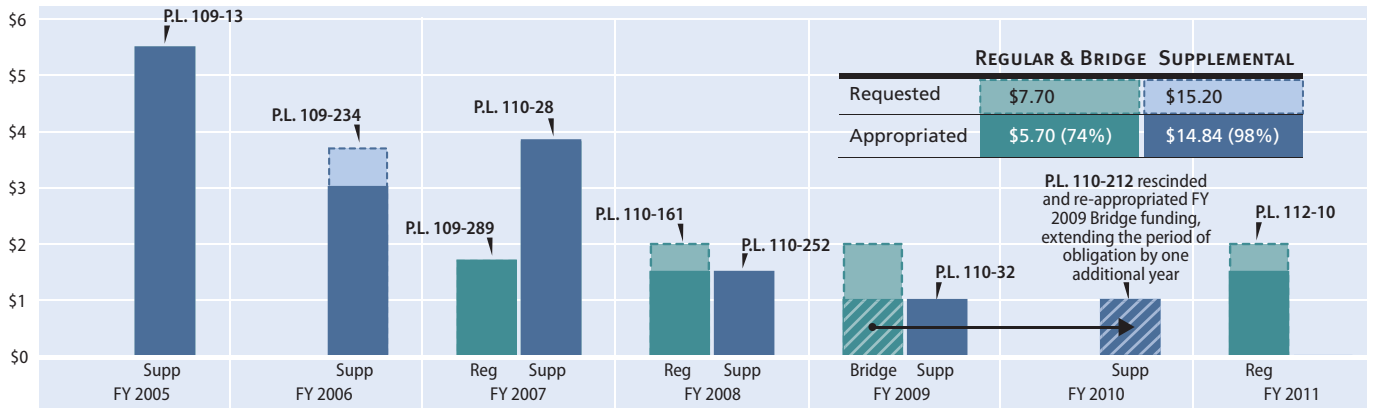
According to USF-I, the \$1.00 billion FY 2010 ISFF appropriation (P.L. 111-212, which expires on September 30, 2011) was intended to enable USF-I to continue to sustain, equip, train, and ensure that the ISF achieves minimum essential capability (MEC). In particular, the FY 2010 ISFF spend plan prioritized:<sup>114</sup>

- modernization of the Iraqi Army 9th Mechanized Division
- procurement and employment of “enablers” for MOD infantry divisions and artillery battalions
- development of “enduring” sustainment capability
- “police primacy,” through support for ministerial and professional development, forensic labs, and K9 support services
- integration of the Kurdistan Regional Guard within the ISF

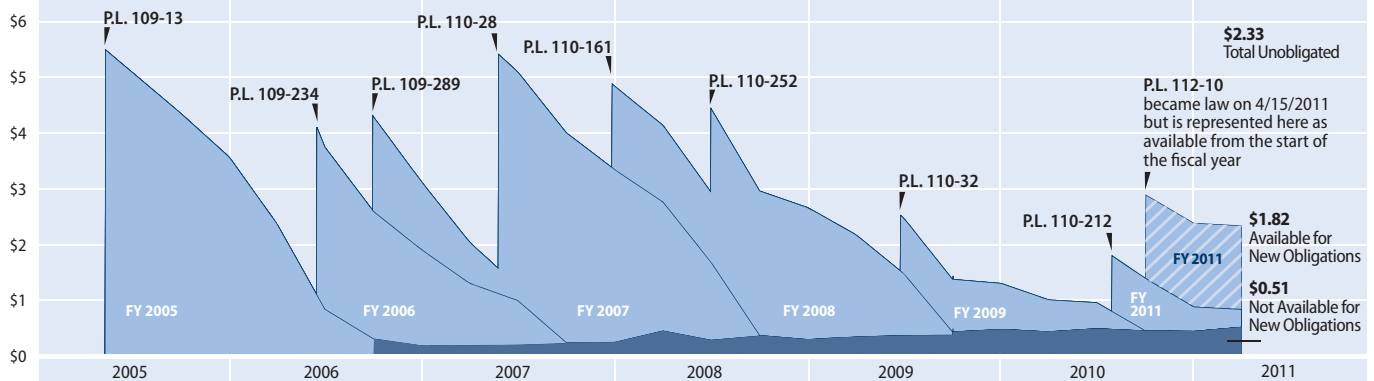
# FUNDING FOR IRAQ RECONSTRUCTION

**FIGURE 2.7**  
**ISFF: APPROPRIATIONS, OBLIGATIONS, AND EXPENDITURES, FY 2005–FY 2011**  
 \$ Billions

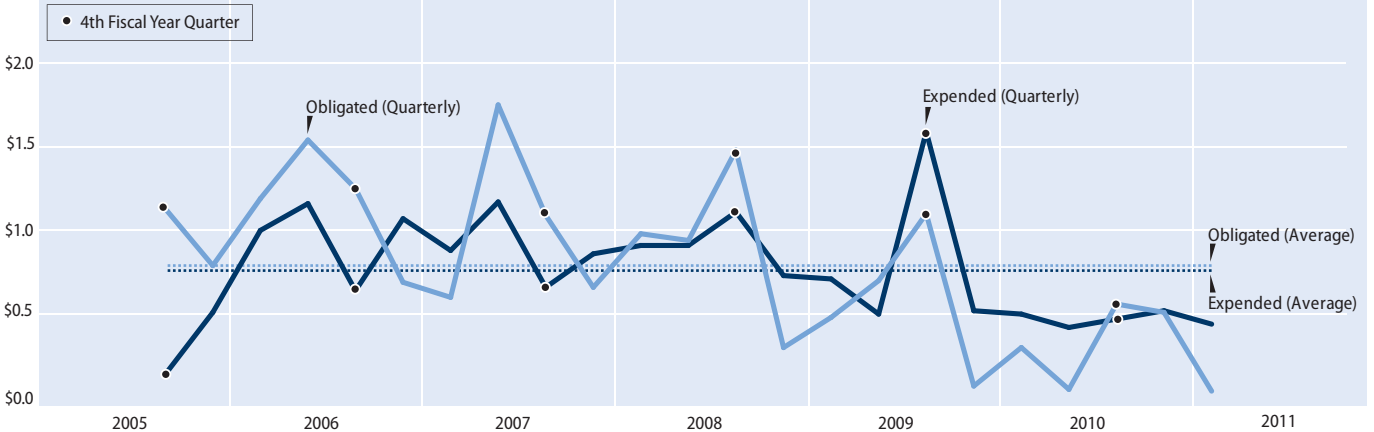
**Regular, Bridge, and Supplemental Appropriations, FY 2005–FY 2011**



**Unobligated ISFF Appropriations**



**ISFF: Obligation and Expenditure Rates**



**Note:** Data not audited. Numbers affected by rounding.

**Sources:** See Table 2.5.

TABLE 2.5

ISFF: REQUESTS, JUSTIFICATIONS, APPROPRIATIONS, AND EARMARKS, FY 2005–FY 2011

\$ Billions

FY REQUEST	ADMINISTRATION'S BUDGET JUSTIFICATION	APPROPRIATION	CONGRESSIONAL EARMARKS AND RESTRICTIONS
FY 2005 Supplemental \$5.70	Provide assistance to the ISF to enable independent counterinsurgency operations and a secure environment; build institutional logistics and training capacity; help field and increase capabilities of security and support forces; improve equipment, sustainment, and command and control; and provide Quick Response Funding	P.L. 109-13 \$5.49 Expired 9/30/2006	Provides \$5.70, of which \$0.21 was transferred to the Army O&M account to reimburse for costs incurred to train and equip the ISF; provides broad transfer authority to other accounts or agencies to fulfill purpose and provide for contributions to ISFF from other governments and international organizations (both requiring notification and continuing into future FYs)
FY 2006 Supplemental \$3.70	Continue current train-and-equip program, build operational units' capabilities and readiness, and develop institutional logistics and administrative functions	P.L. 109-234 \$3.01 Expired 9/30/2007	Conference agreement notes that it would not have been possible for the full request to be fully obligated and expended in the remaining months of FY 2006 and that "the reduction is taken without prejudice;" conference report urges DoD and Administration to seek support for the ISF from regional countries
FY 2007 Regular \$1.70	Joint regular and supplemental appropriations request to build and sustain ISF institutional capability and generate a professional and capable ISF; reorient ISF to quell sectarian violence; provide MoD logistics capabilities, combat support units, mobility/force protection, and equipment; provide MoI with embedded U.S. advisors	P.L. 109-289 \$1.70 Expired 9/30/2008	Conference report directs DoD to provide comprehensive financial plans for the ISF
FY 2007 Supplemental \$3.80		P.L. 110-28 \$3.84 Expired 9/30/2008	Includes funding to disarm, demobilize, and reintegrate militias; requires OMB to submit cost-to-complete reports on a project-by-project basis and an estimated total cost to train and equip the ISF
FY 2008 Regular \$2.00	Continue ministerial development and advisory functions to enhance Iraqi air and naval capabilities; develop IED defeat capabilities; standardize weapons and vehicle fleets; support logistics development, primarily at Taji	P.L. 110-161 \$1.50 Expired 9/30/2009	Includes standard appropriation language for ISFF
FY 2008 Supplemental \$1.00	Includes additional FY 2008 appropriation to support adding 100,000 ISF personnel "required for Iraq to concurrently secure its borders and conduct COIN operations," as well as to hold areas recently cleared as U.S. forces increasingly assume an overwatch mission	P.L. 110-252 \$1.50 Expired 9/30/2009	Prohibits ISFF to be "utilized for the provision of salaries, wages, or bonuses to personnel of the Iraqi Security Forces"
FY 2009 Bridge \$2.00	Enable the GoI to improve its ability to manage Iraqi security institutions and increase the operational independence of the ISF; support ministerial development, logistics and sustainment capacity, equipment replenishment, and equipment for enabler units	P.L. 110-252 \$0.00 Expired 9/30/2009	Appropriates \$1.00, which is later rescinded by P.L. 111-32; FY 2009 bridge funding is under a separate heading of the same name as the FY 2008 supplemental funding; (the FY 2009 NDAA prohibits ISFF spending on new infrastructure)
FY 2009 Supplemental \$0.00	Request to extend the period of obligation for FY 2009 bridge funding through 9/30/2010 (no new funding)	P.L. 111-32 \$1.00 Expired 9/30/2010	Rescinds \$1.00 in FY 2009 bridge funding and appropriates the same amount to remain available until 9/30/2010; does not include authority to transfer ISFF to other accounts or agencies, which was provided FY 2005–2008; sets limits on "investment unit cost" of purchased items
FY 2010 Supplemental \$1.00	Strengthen the ISF "to fulfill their vital role" and ensure "no degradation in progress;" focus on MOD sustainment, including transfer of U.S. equipment, modernization of mechanized division, improved asset management, and aircraft sustainment; support MOI training and advisory activities	P.L. 111-212 \$1.00 Expires 9/30/2011	Includes standard appropriation language for ISFF (without authority to transfer funds to other accounts or agencies); conference report directs DoD to submit monthly commitment, obligation, and expenditure data to the congressional committees no later than 30 days after each month
FY 2011 Regular \$2.00	Achieve "minimum essential capability" prior to U.S. withdrawal; focus on remaining MOD equipment requirements, including divisional-level ISR and signal capabilities and full organizational communications and armored transport; continued training of defense forces and equipping and sustaining the police	P.L. 112-10 \$1.50 Expires 9/30/2012	Requires notification from DoD of any proposed new projects or transfer of funds between budget sub-activity groups in excess of \$0.02

Note: Numbers affected by rounding.

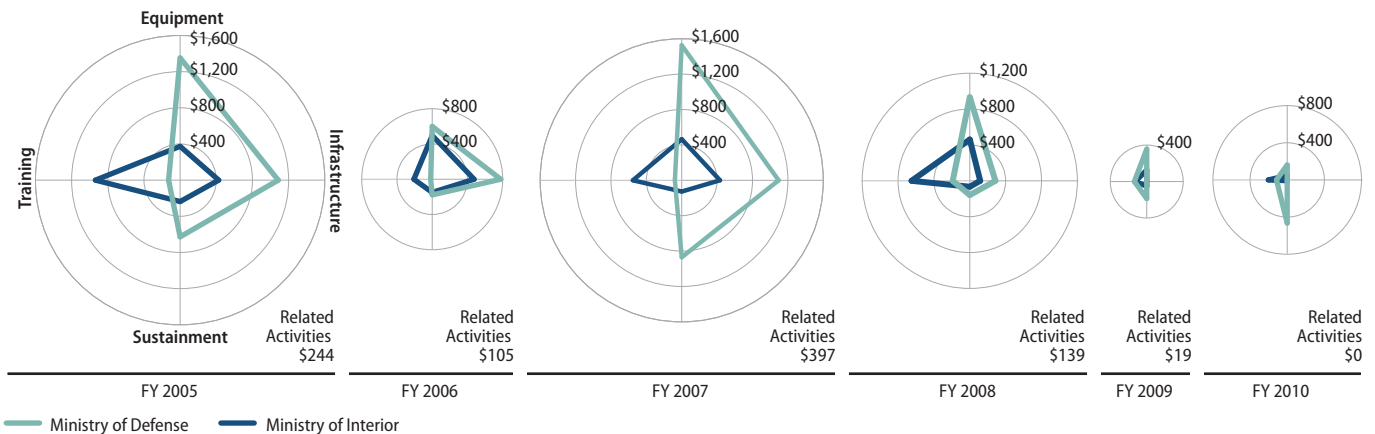
Sources: OSD, response to SIGIR data call, 4/18/2011; DoD, "FY 2005 Supplemental Request for Operation Iraqi Freedom (OIF), Operation Enduring Freedom (OEF), and Operation Unified Assistance," 2/2005, pp. 78-79; DoD, "FY 2006 Supplemental Request for Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF)," 2/2006, pp. 60-61; DoD, "Amendment to FY 2007 Emergency Supplemental Request for the Global War on Terror," 3/2007, p. 5; DoD, "FY 2007 Emergency Supplemental Request for the Global War on Terror," 2/2007, pp. 38-49; DoD, "FY 2008 Global War on Terror Request," 2/2007, pp. 34-40; DoD, "FY 2008 Global War on Terror Amendment, Department of Defense," 10/2007, pp. 26-27; DoD, "FY 2009 Global War on Terror Bridge Request," 5/2008, pp. 15-16; DoD, "FY 2009 Supplemental Request," 4/2009, pp. 41-43; DoD, "FY 2011 Budget Request Overview," 2/2010, pp. 6-8-6-9; P.L. 109-13; P.L. 109-234; P.L. 109-252; P.L. 109-289; P.L. 110-161; P.L. 110-28; P.L. 111-212; P.L. 111-32; P.L. 112-10; House Report 109-234, to accompany H.R. 4939, 6/8/2006, pp. 83-84; House Report 109-676, to accompany H.R. 5631, 9/25/2006, p. 365; House Report 110-107, to accompany H.R. 1591, 4/24/2007, p. 131; Senate Report 111-188, to accompany H.R. 4899, 5/14/2010, p. 25.

# FUNDING FOR IRAQ RECONSTRUCTION

FIGURE 2.8

## ISFF: ALLOCATIONS, BY MINISTRY AND SUB-ACTIVITY GROUP, FY 2005–FY 2010

\$ Millions



Note: Data not audited. Numbers affected by rounding. Allocations for Related Activities are not made to a specific ministry.

Source: OSD, response to SIGIR data call, 4/18/2011.

USF-I allocated \$741 million (74%) of the FY 2010 ISFF to support the MOD. Most of the MOD’s allocation—\$464 million (46% of the total appropriation)—went to Sustainment, which includes “modernization,” life support, logistics, spare parts, and maintenance.<sup>115</sup> The largest line item for the MOD was \$243 million for modernization of the 9th Mechanized Division.<sup>116</sup>

USF-I allocated \$259 million (26%) of the FY 2010 ISFF to support the MOI. Most of the MOI’s allocation—\$200 million (20% of the total appropriation)—went to Training, which includes Department of Homeland Security border support and professional development programs. The largest line item for the MOI was \$175 million for IPAs. According to USF-I, the number of planned IPAs was reduced in FY 2010 to more closely match the projected footprint of the PDP, which is scheduled to start on October 1, 2011. However, the reduction was not expected to “impact the level of service or period of performance.”<sup>117</sup> For details, see Figure 2.8 and Table 2.6.

As of March 31, 2011, 91% of the FY 2010 allocation to the MOI had been obligated and 71% had been expended. In contrast, of the allocation to the MOD, only 60% had been obligated and 53% had been expended.<sup>118</sup> The FY 2010 appropriation to the ISFF expires on September 30, 2011.<sup>119</sup>

### ISFF Allocations, FY 2011

As with FY 2010 appropriation, the intent of the FY 2011 ISFF appropriation—according to

USF-I—is to sustain, equip, and train the ISF to reach MEC by the “end of mission” on December 31, 2011. In particular, the FY 2011 spend plan prioritizes:

- sustainment of MOD forces through procurement of repair parts for the Iraqi Army’s key weapon systems, including tanks, trucks, armored personnel carriers, and artillery systems
- equipment for Corps Headquarters that will allow the Iraqi Ground Forces Command to support divisional units at Iraqi border protection locations, including an Iraqi Special Forces Academy and unmanned aerial vehicle services
- equipment for the 5th Federal Police Division, including surveillance and identification systems to conduct counterterrorism

The most recent spend plan available from USF-I was current as of the fourth continuing appropriation, which provided ISFF funding through March 4, 2011, at rates slightly reduced from FY 2010. That spend plan provides allocations for just \$388 million (26%) of the \$1.50 billion ultimately appropriated on April 15, 2011, all of which USF-I intended to execute in the second quarter of FY 2011. As such, it provides only an approximate guide of USF-I’s intentions through September 30, 2012, when the FY 2011 appropriation is set to expire.<sup>120</sup> More than half of the Administration’s \$2.00 billion request was to be allocated to MOD equipment.<sup>121</sup> For details, see Table 2.7.

The intent of the FY 2011 ISFF appropriation is to sustain, equip, and train the ISF to reach MEC by December 31, 2011.



TABLE 2.6

## ISFF ALLOCATIONS, BY MINISTRY, SUB-ACTIVITY GROUP, AND PROJECT, FY 2009–FY 2010

\$ Millions

MINISTRY	SUB-ACTIVITY GROUP	FY 2009 (P.L. 111-32)		FY 2010 (P.L. 111-212)		
		PROJECT	COST	PROJECT	COST	
Defense	Equipment	Modernize Iraqi Navy and Support Equipment	107.2	Kurdish Regional Guard Integration	93.4	
		Location Commands	88.8	Air Force Equipment	34.9	
		Mobility and IED Defeat Engineering Structure	41.8	Iraqi International Academy	10.0	
		Complete Signal Battalion Structure	36.9	JFSOCC-I Equipment	10.0	
		Trainers at Units and Institutions	28.0	M109A5 Self-Propelled BN and Artillery School	5.0	
		Comm. for Intelligence, C2, and Air Traffic Control	18.6	Other	7.3	
		Training Capability for Enablers	18.1			
		Air Traffic Command and Control	12.3			
		Other	7.0			
		<b>Subtotal</b>	<b>358.7</b>	<b>Subtotal</b>	<b>160.6</b>	
	Sustainment	Logistic Operations Sustainment	93.6	9th Mech DIV Modernization (USETTI Program)	243.1	
		Combat Enablers Training Facilities Sustainment	37.2	Strategic Logistics	106.2	
		Training Facilities Sustainment	20.9	Infantry Division Round-Out (USETTI Program)	34.3	
		Logistics Support to IAF Data Links	20.0	King Air 350	25.0	
		Sustainment of IED Defeat Engineering Structure	7.5	Armed & ISR Caravan Sustainment	22.3	
		Other	7.1	Supply Chain Management	17.0	
				Other	16.5	
			<b>Subtotal</b>	<b>186.3</b>	<b>Subtotal</b>	<b>464.4</b>
	Training	Training Capability for Enablers	83.1	Ministry of Defense Advising and Training	43.5	
		Trainers at Units and Institutions	33.2	RW/FW Training	36.0	
		Complete Signal Battalion Structure	6.7	Signal Professional Development Training	14.0	
		Mobility & IED Defeat Engineering Structure	6.6	Infantry Division Round-Out (USETTI Program)	10.3	
		Other	5.9	Other	12.0	
		<b>Subtotal</b>	<b>135.4</b>	<b>Subtotal</b>	<b>115.8</b>	
		<b>Subtotal</b>	<b>680.4</b>		<b>740.7</b>	
	Interior	Equipment	Future Force Modernization	63.6	KMOI Integration	24.7
			National Police Equipment	50.3	ICDD and ERB Equipment	7.8
Other			8.3	Other	19.2	
			<b>Subtotal</b>	<b>122.2</b>	<b>Subtotal</b>	<b>51.6</b>
Sustainment		Equipment Support	27.4	Other	8.1	
		Vehicle Sustainment	23.0			
		Other	0.7			
		<b>Subtotal</b>	<b>51.0</b>	<b>Subtotal</b>	<b>8.1</b>	
Training		International Narcotics and Law Enforcement (INL)	71.8	International Police Advisors	175.0	
		Ministerial Capacity Development	41.2	Ministry of Interior Advising and Training	8.0	
		Command and Control for Ports of Entry	7.1	Professional Development & Training	7.7	
		Border/Ports of Entry Screening and Capacity	6.0	DHS Border Mentors/Support	7.5	
		Other	0.9	Other	1.4	
			<b>Subtotal</b>	<b>127.0</b>	<b>Subtotal</b>	<b>199.6</b>
		<b>Subtotal</b>	<b>300.2</b>		<b>259.3</b>	
Related Activities	Quick Response Fund	10.9				
	Other	8.5				
		<b>Subtotal</b>	<b>19.4</b>	<b>Subtotal</b>	<b>0.0</b>	
<b>Total</b>		<b>1,000.0</b>		<b>1,000.0</b>		

Note: Data not audited. Numbers affected by rounding.

Source: OUSD(C), response to SIGIR data call, 1/13/2011.

TABLE 2.7  
ISFF ALLOCATIONS, BY MINISTRY AND SUB-ACTIVITY GROUP, FY 2011  
\$ Millions

MINISTRY	SUB-ACTIVITY GROUP	ADMINISTRATION REQUEST	4TH FY 2011 CONTINUING APPROPRIATION	APPROPRIATION (P.L. 112-10)
Defense	Equipment	1,067.7	125.3	FY 2011 allocations, by ministry and sub-activity group, were not yet available as of 4/23/2011
	Sustainment	341.1	144.8	
	Training	248.1		
	<b>Subtotal</b>	<b>1,656.9</b>	<b>270.2</b>	
Interior	Equipment	220.5	95.0	
	Sustainment	47.6	18.0	
	<b>Subtotal</b>	<b>268.1</b>	<b>113.0</b>	
Related Activities	Quick Response Fund	75.0	5.0	
<b>Total</b>		<b>2,000.0</b>	<b>388.2</b>	<b>1,500</b>

Note: Data not audited. Numbers affected by rounding. Budget authority for the 4th continuing appropriation was through March 4, 2011.

Sources: DoD, "FY 2011 Budget: Military Personnel Programs (M-1); Operation and Maintenance Programs (O-1); Revolving and Management Funds (RF-1)," p. 14, 2/2010; USF-I, "Iraq Security Forces Fund (ISFF), FY 2011 Spend Plan: Fourth Continuing Resolution through March 4, 2011," 2/2011, pp. 3, 7.

The House Armed Services Committee expressed several concerns about the FY 2011 ISFF budget request in its report accompanying the FY 2011 NDAA, including:<sup>122</sup>

- planned procurement of systems and support contracts that the GOI apparently did not consider as priorities and for which it did not provide its own funds, including kitchen equipment, office supplies, basic first-aid kits, and other "easily obtainable items" that the committee found "less than compelling"
- lack of full commitment from the GOI in maintaining capabilities provided by the United States, in particular those associated with logistics and sustainment
- inapplicability of many planned equipment purchases to meeting the Administration's goal of "minimum essential capability" for the ISF prior to the withdrawal of all U.S. troops

The committee expressed its belief that the ISFF should instead be used to purchase significant military equipment, which both governments view as vital, to "enhance Iraqi capabilities as well as to provide a foundation for a close security relationship in the future." Finally, the committee expressed its concern that building

consensus with the GOI over what capabilities should be pursued may not be possible before the withdrawal of U.S. troops.<sup>123</sup>

According to USF-I, any FY 2011 ISFF funds remaining after December 31, 2011—the deadline for withdrawal—would be executed from Kuwait in coordination with U.S. Embassy-Baghdad's Office of Security Cooperation-Iraq (OSC-I). However, as of March 31, 2011, it had yet to be determined who would be designated to oversee the ISFF once the USF-I commander (the current designee of the Secretary of Defense) leaves Iraq.<sup>124</sup>

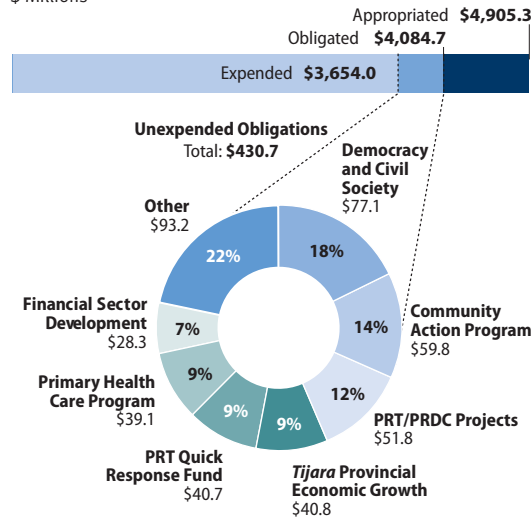
It had yet to be determined who would oversee the ISFF once the USF-I commander leaves Iraq.

## Economic Support Fund

Since 2003, the Congress has appropriated \$4.91 billion to the ESF to improve infrastructure and community security, promote democracy and civil society, and support capacity building and economic development.<sup>125</sup> This includes an estimated \$346 million provided by P.L. 112-10.<sup>126</sup>

As of March 31, 2011, \$431 million of obligated ESF funds had not been expended. An additional \$821 million had not been obligated, but \$244 million of this amount has expired. This leaves \$577 million available for obligation to new projects.

FIGURE 2.9  
ESF: STATUS OF FUNDS, AS OF 3/31/2011  
\$ Millions



Note: Data not audited. Numbers affected by rounding.  
Sources: P.L. 108-7; P.L. 109-102; P.L. 110-28; P.L. 110-161; P.L. 111-32; P.L. 111-117; P.L. 111-242; P.L. 111-290; P.L. 111-317; P.L. 112-10; USACE, response to SIGIR data call, 4/5/2011; NEA-I, responses to SIGIR data call, 3/25/2011, 3/28/2011, 4/5/2011, 4/12/2011, and 4/15/2011.

In total, \$1.01 billion in available budget authority remained unexpended for the ESF.<sup>127</sup>

For the status of the ESF, including a breakdown of unexpended obligations, see Figure 2.9.

### ESF Quarterly Obligations and Expenditures

The ESF has been allocated to programs in three tracks: Security, Political, and Economic. The majority of ESF allocations have been made to the Security track each year.<sup>128</sup>

For the status and quarterly change of the ESF, by track and program, see Table 2.8.

### Commander’s Emergency Response Program

Since 2004, the Congress has provided \$3.98 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.<sup>129</sup> This includes \$70 million provided by P.L. 112-10.<sup>130</sup>

As of March 31, 2011, \$52 million of obligated CERP funds had not been expended. An additional \$257 million had not been obligated, but \$226 million of this amount has expired. This leaves \$30 million available for obligation to new projects. In total, \$82 million in available budget authority remained unexpended for the CERP.<sup>131</sup>

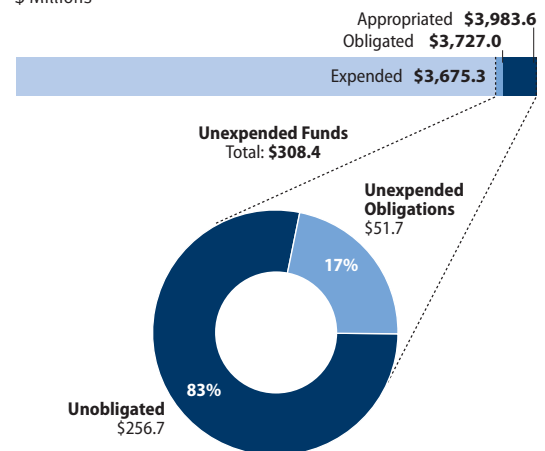
For the status of the CERP, including a breakdown of unexpended funds, see Figure 2.10.

### CERP Quarterly Obligations and Expenditures

For the status and quarterly change of the CERP, by project category, as of March 31, 2011, see Table 2.9. The table compares aggregate category-level data provided by USF-I through its quarterly CERP reports to the Congress with the accurate top-line financial data provided by the Army Budget Office (ABO).

As shown in the table, the USF-I quarterly reports to the Congress have generally overstated the amount of CERP funds ultimately obligated from any given fiscal-year appropriation, presumably because obligations are canceled during the

FIGURE 2.10  
CERP: STATUS OF FUNDS, AS OF 3/31/2011  
\$ Millions



Note: Data not audited. Numbers affected by rounding.  
Source: ABO, response to SIGIR data call, 4/18/2011.

# FUNDING FOR IRAQ RECONSTRUCTION

TABLE 2.8

**ESF: STATUS OF FUNDS, BY TRACK AND PROGRAM, AS OF 3/31/2011**

\$ Millions

TRACK	PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Security	Community Stabilization Program	619.3	608.6		-10.3 (-2%)
	PRT/PRDC Projects	586.3	534.6	5.9 (1%)	29.1 (6%)
	Local Governance Program	435.5	409.5		13.2 (3%)
	Community Action Program	384.3	324.5		5.4 (2%)
	PRT Quick Response Fund	273.8	233.1	3.1 (1%)	10.1 (5%)
	Infrastructure Security Protection	194.8	189.5		1.4 (1%)
	<b>Subtotal</b>		<b>2,494.0</b>	<b>2,299.9</b>	<b>9.0 (0%)</b>
Political	Tatweer National Capacity Development	309.4	299.3		2.6 (1%)
	Democracy and Civil Society	260.6	183.5		14.9 (9%)
	Iraqi Refugees	95.0	93.2		
	Economic Governance II, Policy and Regulatory Reforms	85.0	83.9		-1.1 (-1%)
	Ministerial Capacity Development	37.6	35.5	-0.1 (0%)	1.0 (3%)
	Regime Crimes Liaison Office	28.5	28.4		0.4 (1%)
	Elections Support	13.9	13.8		
	Monitoring and Evaluation	8.5	5.4		0.3 (5%)
	<b>Subtotal</b>		<b>838.6</b>	<b>743.1</b>	
Economic	O&M Sustainment	275.2	273.7		0.3 (0%)
	Inma Agribusiness Development	144.8	128.9		4.9 (4%)
	Tijara Provincial Economic Growth	117.8	77.0		2.1 (3%)
	Targeted Development Program	60.4	45.9		4.8 (12%)
	Plant-Level Capacity Development & Technical Training	50.4	50.1		
	Primary Health Care Program	39.1		39.1	
	Izdiyar Private Sector Development	32.8	32.2		0.4 (1%)
	Financial Sector Development	31.6	3.3		0.6 (24%)
<b>Subtotal</b>		<b>752.1</b>	<b>611.0</b>	<b>39.1 (5%)</b>	<b>13.1 (2%)</b>
<b>Total</b>		<b>4,084.7</b>	<b>3,654.0</b>	<b>48.1 (1%)</b>	<b>79.9 (2%)</b>

Note: Data not audited. Numbers affected by rounding.

Sources: USAID, response to SIGIR data call, 1/10/2011; USACE, responses to SIGIR data calls, 1/4/2011 and 4/5/2011; NEA-I, responses to SIGIR data calls, 12/20/2010, 12/21/2010, 1/7/2011, 1/10/2011, 3/25/2011, 3/28/2011, 4/5/2011, 4/12/2011, and 4/15/2011.

reporting and outlay phase (the five-year period after an appropriation expires for new obligations), on which USF-I does not report. FY 2006 is a notable exception because USF-I understated the amount of funds ultimately obligated by \$136.7 million.<sup>132</sup> This discrepancy is most likely explained by the uniquely long period of obligation for funds appropriated to the CERP by the

FY 2006 supplemental appropriation. In contrast to the regular FY 2006 appropriation to the CERP, which expired for new obligations on September 30, 2006, the supplemental appropriation was made available until December 31, 2007.<sup>133</sup> This means that USF-I was still obligating FY 2006 CERP after it stopped reporting on those obligations to the Congress.

TABLE 2.9  
CERP: STATUS OF FUNDS, BY PROJECT CATEGORY, AS OF 3/31/2011  
\$ 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	673.7	219.4	11.8 (2%)	3.4 (2%)
	Protective Measures	490.2	267.5	1.1 (0%)	0.6 (0%)
	Electricity	444.5	131.6	3.2 (1%)	0.5 (0%)
	Education	428.3	177.5	3.7 (1%)	1.7 (1%)
	Transportation	385.9	148.1	2.1 (1%)	0.5 (0%)
	Civic Cleanup Activities	240.5	116.5	1.3 (1%)	0.7 (1%)
	Other Urgent Humanitarian or Reconstruction Projects	224.3	83.6	7.5 (3%)	2.4 (3%)
	Agriculture	208.4	74.3	2.0 (1%)	0.3 (0%)
	Economic, Financial, and Management Improvements	183.0	76.3	1.6 (1%)	0.8 (1%)
	Health Care	152.0	60.4	2.5 (2%)	1.6 (3%)
	Rule of Law & Governance	112.2	44.7	19.2 (21%)	1.2 (3%)
	Civic Infrastructure Repair	67.5	23.9		
	Repair of Civic & Cultural Facilities	63.1	27.1	0.5 (1%)	
	Civic Support Vehicles	58.5	30.8	4.6 (8%)	1.6 (5%)
	Condolence Payments	50.7	35.4	0.1 (0%)	0.1 (0%)
	Telecommunications	39.6	10.2		
	Temporary Contract Guards for Critical Infrastructure	35.6	35.3		
	Battle Damage Repair	23.7	17.9	0.1 (0%)	0.1 (0%)
	Food Production & Distribution	21.2	8.0	0.3 (2%)	0.2 (3%)
	Non-FMR	5.8		-21.8 (-79%)	
	Detainee Payments	1.0	0.6		
	Iraqi Hero Payments	0.7	0.7	0.0 (2%)	0.0 (1%)
	<b>Subtotal</b>		<b>3,910.3</b>	<b>1,589.8</b>	<b>39.8 (1%)</b>
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	0.1 (0%)	1.2 (0%)
	FY 2007	-180.5	324.0	0.1 (0%)	0.1 (0%)
	FY 2008	-91.4	513.7	-2.9 (3%)	1.3 (0%)
	FY 2009	-9.2	116.0	-1.5 (19%)	2.5 (2%)
	FY 2010	16.1	94.0	38.6 (-172%)	107.9 (-777%)
	FY 2011				
	<b>Subtotal</b>		<b>-183.3</b>	<b>2,085.5</b>	<b>34.3 (-16%)</b>
<b>Total, According to ABO Financial Data</b>		<b>3,727.0</b>	<b>3,675.3</b>	<b>51.6 (1%)</b>	<b>114.9 (3%)</b>

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

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

Also evident in the table is that the USF-I quarterly reports to the Congress have generally understated the amount of CERP funds ultimately expended from any given fiscal-year appropriation, often to a significant degree. For example, in FY 2006 and in FY 2008, USF-I's reporting did not account for approximately \$500 million.<sup>134</sup> Presumably this is because USF-I does not report on a CERP appropriation beyond the fiscal year in which it was appropriated. Historically, more than half of CERP expenditures occurred during the five-year reporting and outlay phase, which contributes to the reporting gap at the project and category levels.<sup>135</sup>

## Project- and Category-level CERP Data

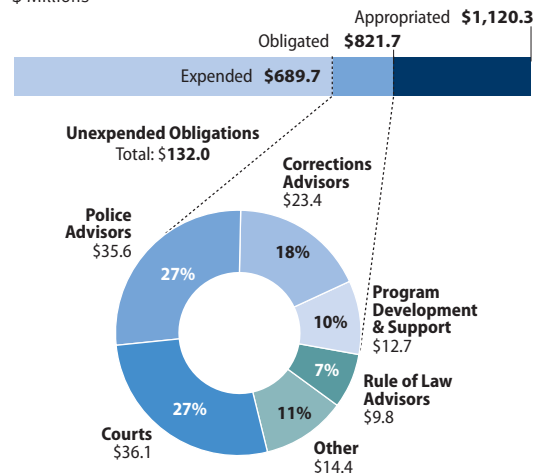
Because of the data problems that SIGIR identified in the January 2011 Quarterly Report, SIGIR has determined that it is unable to readily or completely match the financial data provided by ABO to individual project data provided by USF-I or to project categories defined by DoD's Financial Management Regulation (FMR). Unless SIGIR is able to obtain consistent and complete records for prior fiscal-year appropriations—including Document Reference Numbers—SIGIR can no longer provide relatively complete CERP project-level and category-level data in its Quarterly Reports.<sup>136</sup>

## International Narcotics Control and Law Enforcement

Since 2006, the Congress has appropriated \$1.12 billion to the INCLE in Iraq to support rule-of-law activities.<sup>137</sup> This includes roughly \$52 million provided by P.L. 112-10.<sup>138</sup> As of March 31, 2011, \$132 million of obligated INCLE funds had not been expended. An additional \$299 million had not been obligated, nearly all of which is available for new projects. In total, \$431 billion in available budget authority remained unexpended for the INCLE.<sup>139</sup>

For the status of the INCLE, including a breakdown of unexpended obligations, see Figure 2.11.

FIGURE 2.11  
INCLE: STATUS OF FUNDS, AS OF 3/31/2011  
\$ Millions



Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 109-234; P.L. 110-5; P.L. 110-28; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-212; P.L. 111-242; P.L. 111-290; P.L. 111-317; P.L. 112-10; INL, response to SIGIR data call, 4/6/2011.

## INCLE Quarterly Obligations and Expenditures

The INCLE has been allocated to 11 programs in four sectors: criminal justice, corrections, counter-narcotics, and other (which includes funding for program development and support). The majority of INCLE obligations to date have been made to programs in the criminal justice sector.<sup>140</sup>

For the status and quarterly change of the INCLE, by program, see Table 2.10.

## Iraq Relief and Reconstruction Fund

The IRRF comprises \$20.86 billion made available through two appropriations: IRRF 1 (\$2.48 billion) and IRRF 2 (\$18.39 billion).<sup>141</sup> The IRRF 1 was canceled on September 30, 2009, and there is no longer authority to obligate or expend any funds from it.<sup>142</sup> P.L. 109-234 and P.L. 110-28 extended the period of obligation for some of the IRRF 2 until September 30, 2008. Consequently, some IRRF 2 funds will

The majority of INCLE obligations to date have been made to programs in the criminal justice sector.

TABLE 2.10  
**INCLE: STATUS OF FUNDS, BY SECTOR AND PROGRAM, AS OF 3/31/2011**  
 \$ Millions

SECTOR	PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
<b>Criminal Justice</b>	Police Advisors	432.4	396.8	375.9 (665%)	395.2 (24,609%)
	Courts	104.4	68.3	2.9 (3%)	5.5 (9%)
	Public Integrity	33.7	27.1		0.3 (1%)
	Rule of Law Advisors	26.0	16.1	3.6 (16%)	3.7 (30%)
	Major Crimes Task Force	13.1	9.1		0.8 (9%)
	Justice Integration	6.8	5.5		0.1 (1%)
	Legal Framework	2.5	2.5		
	<b>Subtotal</b>	<b>618.9</b>	<b>525.5</b>	<b>382.5 (162%)</b>	<b>405.5 (338%)</b>
<b>Corrections</b>	Advisors	88.0	64.6	1.5 (2%)	3.1 (5%)
	Construction	83.7	82.2		11.7 (17%)
	<b>Subtotal</b>	<b>171.7</b>	<b>146.8</b>	<b>1.5 (1%)</b>	<b>14.8 (11%)</b>
<b>Other</b>	Program Development and Support	30.1	17.4	3.1 (12%)	-0.1 (0%)
<b>Counternarcotics</b>	Counternarcotics	1.0	0.0	1.0	
<b>Total</b>		<b>821.7</b>	<b>689.7</b>	<b>388.0 (89%)</b>	<b>420.3 (156%)</b>

Note: Data not audited. Numbers affected by rounding.

Sources: INL, responses to SIGIR data calls, 1/10/2011 and 4/6/2011.

remain available for expenditure until September 30, 2013.<sup>143</sup> As of March 31, 2011, \$335 million of obligated funds had not been expended from the IRRF 2.<sup>144</sup> For the status and quarterly change of the IRRF, see Table 2.11.

This quarter, SIGIR released an audit of the status of IRRF 2 as of September 30, 2010. According to the audit, \$18.45 billion was appropriated for security, relief, rehabilitation, and reconstruction in Iraq, all of which was apportioned to five agencies: DoD/U.S. Army, USAID, DoS, U.S. Treasury, and the U.S. Institute of Peace (USIP). For details, see Table 2.12. It should be noted that these amounts differ from those reported by the agencies and reflected in SIGIR's October 2010 Quarterly Report. All IRRF 2 funds that remain unexpended as of September 30, 2013, will be canceled and returned to the U.S. Treasury's General Fund.<sup>145</sup>

## Smaller Funds

The Congress has appropriated or otherwise made available nearly \$10.04 billion in smaller funding streams for Iraq reconstruction. SIGIR has classified them into three categories:<sup>146</sup>

- Other Assistance Programs—\$3.99 billion
- Reconstruction-related Operating Expenses—\$5.73 billion
- Reconstruction Oversight—\$322 million

As of March 31, 2011, at least \$4.80 billion (48%) of these funds had been obligated, and at least \$4.60 billion (46%) had been expended.<sup>147</sup> However, agency reporting is inconsistent for the smaller funds, and these values likely understate actual obligations and expenditures through these funding streams. For details on the status of funds, see Table 2.1. ♦

# FUNDING FOR IRAQ RECONSTRUCTION

TABLE 2.11

**IRRF: STATUS OF FUNDS, BY APPROPRIATION AND SECTOR, AS OF 3/31/2011**

\$ Millions

APPROPRIATION	SECTOR	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
<b>IRRF 1</b>	<b>Subtotal</b>	<b>2,227.7</b>	<b>2,227.7</b>		
<b>IRRF 2</b>	Security & Law Enforcement	4,929.0	4,892.8		
	Electric Sector	4,117.4	4,076.1	9.3 (0%)	13.9 (0%)
	Justice, Public Safety Infrastructure, & Civil Society	2,309.2	2,209.4	-0.1 (0%)	
	Water Resources & Sanitation	1,968.0	1,957.8		1.8 (0%)
	Oil Infrastructure	1,604.2	1,593.1		
	Private Sector Development	860.0	830.0		
	Health Care	816.7	802.8		0.4 (0%)
	Education, Refugees, Human Rights, Democracy, & Governance	519.5	447.6		
	Transportation & Telecommunications Projects	469.0	463.3	0.2 (0%)	1.9 (0%)
	Roads, Bridges, & Construction	280.5	275.7		1.2 (0%)
	Administrative Expenses	219.5	217.9		
	ISPO Capacity Development	44.9	36.3		1.2 (3%)
	<b>Subtotal</b>	<b>18,137.8</b>	<b>17,802.8</b>	<b>9.4 (0%)</b>	<b>20.4 (0%)</b>
<b>Total</b>		<b>20,365.5</b>	<b>20,030.4</b>	<b>9.4 (0%)</b>	<b>20.4 (0%)</b>

Note: Data not audited. Numbers affected by rounding.

Sources: NEA-I, responses to SIGIR data calls, 12/28/2010 and 4/5/2011; OSD, response to SIGIR data call, 4/10/2009; DoS, response to SIGIR data call, 4/5/2007; USDA, response to SIGIR data call, 4/2/2009; U.S. Treasury, response to SIGIR data call, 4/2/2009; USAID, response to SIGIR data call, 7/8/2010; SIGIR Audit 11-007, "Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Cancelled Funds," 12/28/2010.

TABLE 2.12

**IRRF 2: AUDITED STATUS, AS OF 9/30/2010, BY AGENCY**

\$ Millions

	APPORTIONED	OBLIGATED	EXPENDED	UNOBLIGATED BALANCES	UNLIQUIDATED OBLIGATIONS
DoD/U.S. Army	13,521.06	12,966.79	12,868.55	311.00	98.24
USAID	3,043.57	3,048.01	3,040.39	28.90	7.62
DoS	1,483.31	1,344.68	1,306.08	62.34	38.60
U.S. Treasury	391.38	39.06	38.33	0.04	0.73
USIP	10.00	9.82	9.76	0.18	0.06
<b>Subtotal</b>				<b>402.46</b>	
OMB				26.62	
<b>Total</b>	<b>18,449.32</b>	<b>17,408.36</b>	<b>17,263.11</b>	<b>429.08</b>	<b>145.25</b>

Source: SIGIR Audit 11-013, "Iraq Relief and Reconstruction Fund 2: Report on Apportionments, Expenditures, and Status at End of Fiscal Year 2010," 4/22/2011.



## IRAQI FUNDING

As of March 31, 2011, Iraq had provided \$111.00 billion for relief and reconstruction through Iraqi funding from the CPA era and its annual capital budgets.<sup>148</sup> This includes \$25.70 billion from the 2011 budget.<sup>149</sup>

### 2011 Iraqi Budget

On February 20, 2011, the Iraqi Council of Representatives (CoR) approved the 2011 GOI budget. The budget projects \$69.18 billion in revenue, based mostly on an estimated oil price of \$76.50 per barrel and an estimated export rate of 2.20 million barrels per day (MBPD).<sup>150</sup> This is an increase of \$14.00 (22%) per barrel in price and 0.10 MBPD (5%) in export volume over the estimates used to project the 2010 GOI budget.<sup>151</sup> This differs slightly from the budget approved by the Council of Ministers—which was subsequently reviewed and amended by the CoR—on which SIGIR reported last quarter.

The budget projects \$82.62 billion in expenditures, leaving a projected deficit of \$13.44 billion. According to the budget, this deficit will be covered by unspent 2010 budget allocations and from

internal and external borrowing. Accordingly, the budget authorizes the Minister of Finance to borrow \$4.5 billion from the International Monetary Fund (IMF), \$2.0 billion from the World Bank, \$1.8 billion in Special Drawing Rights (SDR) from the IMF, and an undefined amount of domestic treasury transfers. In addition, the budget notes that a \$500 million loan from the “British Oil Company” will also be used to help cover the deficit.<sup>152</sup>

The GOI’s final budget broadly categorizes expenditures as those related to operations (\$56.92 billion) and capital investment (\$25.70 billion).<sup>153</sup> As of April 23, 2011, CoR-approved budget allocations to the ministries were not yet available.

### GOI Revenue for 2011

During the first three months of 2011, the GOI received \$16.31 billion in oil receipts, 32% more than the \$12.32 billion during the first three months of 2010, and 6% more than the \$15.36 billion projected in the 2011 GOI budget.<sup>154</sup> Over the course of 2011, Iraq has received an average of \$91.94 per barrel of oil exported,<sup>155</sup> well above the price of \$76.50 per barrel used to project Iraqi oil revenues for 2011.<sup>156</sup> ♦

The budget projects \$69.18 billion in revenue, based mostly on an estimated oil price of \$76.50 per barrel and an estimated export rate of 2.20 million barrels per day.

## INTERNATIONAL SUPPORT

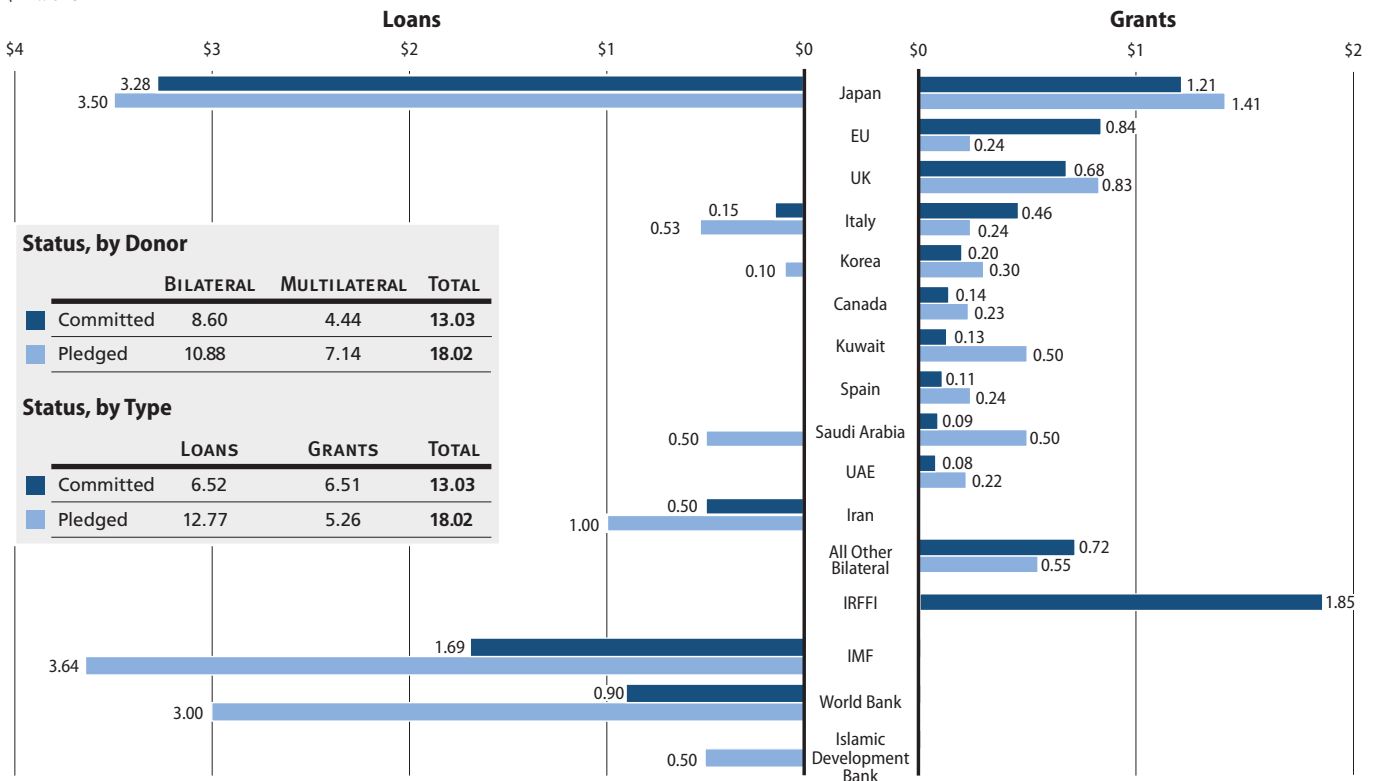
As of March 31, 2011, international (non-U.S.) donors had committed \$13.03 billion for the relief and reconstruction of Iraq: \$6.51 billion in grant assistance and \$6.52 billion in loans.<sup>157</sup> This quarter, the IMF approved disbursement of the second tranche of a \$3.77 billion Stand-By Arrangement to help ensure the country's macroeconomic stability and provide a framework for structural reforms. The payment of \$471 million brought the amount Iraq has drawn under the arrangement to about \$1.69 billion.<sup>158</sup>

As of March 31, 2011, international donors had pledged \$18.02 billion: \$5.26 billion in grant assistance and \$12.77 billion in loans.<sup>159</sup> As of March 31, 2011, commitments totaled 72% of pledges, but the percentage varied considerably among donors. Some donors, notably in the Middle East, have committed far less than they pledged.<sup>160</sup>

For a breakdown of pledges and commitments, by type of assistance and donor, see Figure 2.12. ♦

FIGURE 2.12

INTERNATIONAL GRANTS AND LOANS, BY TYPE OF ASSISTANCE, STATUS, AND DONOR, AS OF 3/31/2011  
\$ Billions



Note: Data not audited. Numbers affected by rounding. Bilateral commitments exclude IRFFI deposits. Amounts may differ from prior quarters due to changes in foreign exchange rates.

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

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3

## THE U.S. PRESENCE IN 2011

This quarter, civilians under the authority of Ambassador James Jeffrey, the U.S. Chief of Mission (COM) in Iraq, and troops under the command of General Lloyd Austin III, the commander of U.S. Forces-Iraq (USF-I), continued to make progress in transitioning toward a civilian-led U.S. presence in Iraq. Meanwhile, in Washington, much discussion focused on the capacity of the Department of State (DoS) to assume the lead from the Department of Defense (DoD) in light of the December 31, 2011, deadline for the withdrawal of U.S. forces and on the extent and impact of the Congress's proposed cuts to the DoS budget.

U.S. Embassy-Baghdad's reconstruction assistance activities are guided by the Strategic Framework Agreement (SFA), which outlines the U.S.-Iraqi relationship in key areas, including political and diplomatic cooperation, defense, culture, economics, energy, health, the environment, communications, and the rule of law.<sup>161</sup>

Significant work remains to secure the life support, security, transportation, and other Embassy requirements currently provided by USF-I.<sup>162</sup> DoS does not currently have the administrative and oversight capacity in Iraq to manage large-scale support requirements after transition and will, therefore, require continued DoD support through the Logistics Civil Augmentation Program (LOGCAP) through at least June 2012.<sup>163</sup> According to testimony from the Under Secretary of State for Management, U.S. Embassy-Baghdad's post-transition capacity is further threatened by potentially "devastating" budget cuts that could result in mission failure in Iraq.<sup>164</sup>

USF-I operates under the legal framework of the U.S.-Iraq Security Agreement, which sets limits on the types of activities U.S. forces can perform, removes immunity from Iraqi law for U.S. contractors, and stipulates that U.S. forces must leave the country by December 31, 2011.<sup>165</sup> However, the



Secretary of Defense Gates talks with soldiers assigned to 2nd Battalion, 1st Advise and Assist Brigade, during a visit to Camp Victory in Baghdad, Iraq, on April 7, 2011. Gates took questions and held an open discussion on issues facing deployed soldiers. (DoD photo)

withdrawal deadline applies only to so-called "Title X" forces—those forces serving a military role under military command.<sup>166</sup> The more broadly focused SFA stipulates that, "in order to strengthen security and stability in Iraq, and thereby contribute to international peace and stability," the United States and Iraq "shall continue to foster close cooperation concerning defense and security arrangements," pursuant to withdrawal requirements under the Security Agreement.<sup>167</sup> According to USF-I, this means that whereas the August 31, 2010, deadline to end combat operations represented a change under Title X, the December 31, 2011, withdrawal deadline will represent a change from a Title X military mission to a Title XXII security assistance mission.<sup>168</sup>

As of March 31, 2011, there were 45,601 U.S. troops in Iraq, down slightly from 47,320 last quarter and down more than 70% from the height of the U.S. "surge" in October 2007.<sup>169</sup> This quarter, approximately 20,000 U.S. troops were involved in training and mentoring programs for the Iraqi Security Forces (ISF). DoD anticipates comparable force strength until the December 31, 2011, withdrawal deadline.<sup>170</sup> After December 31, 2011, approximately 200 "DoD or government personnel" (and 800 contractors) will help provide security assistance,<sup>171</sup>

Significant work remains to secure the life support, security, transportation, and other Embassy requirements currently provided by USF-I.

Secretary Gates acknowledged that there was Iraqi interest in U.S. troops remaining past the December 31, 2011, withdrawal deadline, but that political concerns required any initiative to that effect to come from the Iraqi government.<sup>173</sup>

and “a couple of dozen” U.S. Marines under COM authority will help protect the Embassy.<sup>172</sup>

In early April 2011, Secretary of Defense Robert M. Gates met with U.S. troops and civilians in Iraq, as well as Iraqi leaders—including Prime Minister Nuri al-Maliki, Deputy Prime Minister Salih al-Mutlaq, President Jalal Talabani, and the Kurdistan Regional Government President Masoud Barzani. During a visit to Camp Liberty, in Baghdad, Secretary Gates acknowledged that there was Iraqi interest in U.S. troops remaining past the December 31, 2011, withdrawal deadline, but that political concerns required any initiative to that effect to come from the Iraqi government.<sup>173</sup>

## Strategic Management of the Transition

On February 14, 2011, Secretary of State Clinton announced the appointment of Ambassador Patricia M. Haslach as Iraq Transition Coordinator. This new Washington-based position reports to the Deputy Secretary for Management and Resources and is responsible for coordinating DoS aspects of the U.S. transition from military to civilian operations in Iraq. Ambassador Haslach previously served as the Assistant Chief of Mission for Assistance Transition in Iraq.<sup>174</sup>

In Iraq, the transition is being managed by U.S. Embassy-Baghdad’s current Assistant Chief of Mission for Transition Assistance, Ambassador Peter Bodde. The U.S. Agency for International Development (USAID) mission in Iraq, the Iraq Strategic Partnership Office (ISPO), and the Economic Affairs Section all report through him to the COM.<sup>175</sup> On February 22, 2011, Ambassador Bodde was appointed the Coordinator on Minority Issues. In that capacity, he heads U.S. Embassy-Baghdad’s outreach to local minority communities on issues of mutual concern, while continuing his transition-related role.<sup>176</sup>

Two other Embassy sections will be critical to the DoS-led reconstruction effort after December 31, 2011, as indicated by their share of requested foreign

assistance: International Narcotics and Law Enforcement Affairs (INL), which will implement the Police Development Program (PDP), and Political-Military Affairs, which will oversee the new Office of Security Cooperation-Iraq (OSC-I).<sup>177</sup> Both of these Embassy sections report through Deputy Chief of Mission Stuart Jones.<sup>178</sup>

## U.S. Embassy-Baghdad: Building Capacity To Sustain the Assistance Program

U.S. Embassy-Baghdad is the largest U.S. diplomatic mission in the world, with approximately 8,000 personnel currently under COM authority.<sup>179</sup> This number is expected to increase dramatically as U.S. forces withdraw ahead of the December 31, 2011, deadline, but estimates of the extent vary. In October 2010, the DoS Office of Inspector General (OIG) reported plans for approximately 13,000 personnel and contractors to serve under COM authority at the main Embassy complex, the four enduring provincial posts, and as many as 10 additional support and logistical sites across the country.<sup>180</sup> In March 2011, it was estimated that approximately 17,000 would serve under COM authority.<sup>181</sup>

Currently, security concerns largely restrict Embassy employees and contractors to the 22-building Embassy complex in Baghdad. According to the DoS OIG, the dangers of operating in Baghdad “make setting up meetings with Iraqi officials complicated, and reaching out to ordinary Iraqi citizens all but impossible.”<sup>182</sup> Similarly, Provincial Reconstruction Teams (PRTs)—which are scheduled to draw down through September 2011—move outside their compounds only under heavy security.<sup>183</sup>

Security risks are expected to increase as U.S. troops withdraw, requiring additional private security contractors (PSCs) and support personnel. Consequently, only a tiny fraction of personnel under COM authority outside Baghdad will substantively address mission priorities. According to DoS OIG, the ratio of substantive to support staff

in Iraq will range from 1:15 to 1:60, depending on how “support staff” is defined. In contrast, the ratio of substantive to support staff under COM authority in Beijing, Cairo, and New Delhi is approximately 4:3.<sup>184</sup>

## ISPO/USACE

This quarter, the Iraq Strategic Partnership Office (ISPO) continued its regular project monitoring, dialogue, and assistance efforts with the U.S. Army Corps of Engineers (USACE).

ISPO oversees a subset of the projects implemented by USACE—specifically, those projects funded by the Iraq Relief and Reconstruction Fund (IRRF) and Economic Support Fund (ESF). In addition to IRRF- and ESF-funded projects, USACE implements projects funded by the three other major funds: the Iraq Security Forces Fund (ISFF), the Commander’s Emergency Response Program (CERP), and the International Narcotics Control and Law Enforcement (INCLE) account, as well as sizeable projects supported by other U.S. and Iraqi funding streams not discussed here.<sup>185</sup>

This quarter, USACE completed 58 projects, valued at \$159.5 million. Among the completed projects were 28 overseen by ISPO, valued at \$67.6 million. As of March 31, 2011, USACE was implementing 85 ongoing projects, valued at \$365.1 million. Among the ongoing projects were 34 overseen by ISPO, valued at \$149.3 million.<sup>186</sup> For details on completed and ongoing projects, by agency and province, see Figure 3.1.

This quarter, SIGIR issued two audit reports on USACE’s management of its downsizing in Iraq. For complete details, see Section 5 of this Report.

## Office of Security Cooperation-Iraq

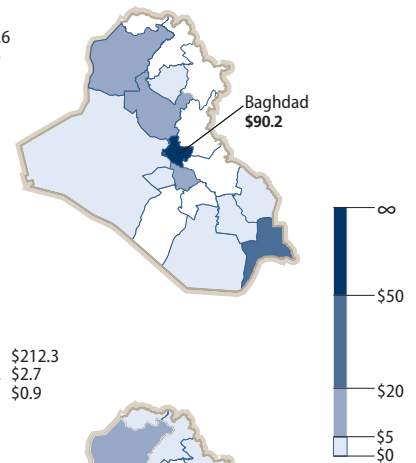
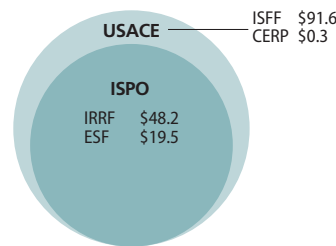
On October 1, 2011, U.S. Embassy-Baghdad plans to transition responsibility for U.S. assistance to

Iraq’s Ministry of Defense from the U.S. military to the OSC-I, which will function as an Embassy section under COM authority. CENTCOM will retain operational control of OSC-I personnel.<sup>187</sup>

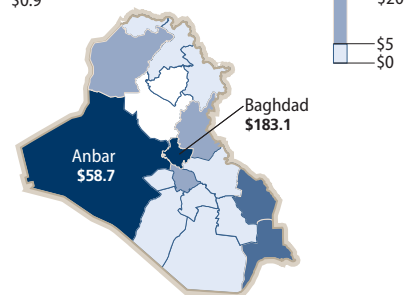
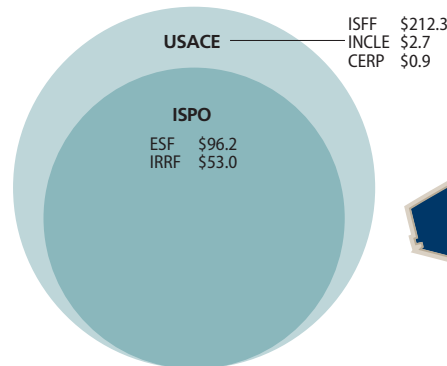
According to Ambassador Jeffrey, OSC-I will be charged with advising, training, and equipping Iraqi forces; supporting professional military education; and planning joint military exercises. These tasks entail administration of U.S. foreign assistance provided to the Iraqi military through the Foreign Military Financing (FMF) account (should it be provided in Iraq) and the International Military Education and Training (IMET) account. In addition to foreign assistance, OSC-I will facilitate other forms of bilateral military

FIGURE 3.1  
STATUS OF ISPO/USACE PROJECTS, AS OF 3/31/2011  
\$ Millions

### Completed, 1/1/2011–3/31/2011



### Ongoing, as of 3/31/2011



Notes: Data not audited. Numbers affected by rounding. Includes only those projects funded by the five major funds: IRRF, ISFF, ESF, CERP, and INCLE.

Sources: U.S. Embassy-Baghdad, ISPO, response to SIGIR data call, 4/1/2011; USACE, TAD, response to SIGIR data call, 4/5/2011.

engagement, most notably the Foreign Military Sales (FMS) program.<sup>188</sup>

### Continuity of Effort

After December 31, 2011, some U.S. military forces will remain in Iraq to provide security assistance—albeit under COM control rather than the military chain-of-command—and it appears there will be considerable continuity in staffing. U.S. security assistance is currently provided by USF-I under the authority of the Deputy Commanding General for Advising and Training (DCG-A&T). On October 1, 2011, he is slated to become the director of OSC-I. Likewise, the current head of USF-I's FMS unit will continue as the OSC-I director's deputy. This pattern will extend throughout the organization, with additional subject matter experts and staff transitioning from the existing organization to OSC-I.<sup>189</sup>

According to USF-I, DoD plans to designate the director of OSC-I as the senior defense official (SDO) in Iraq on January 1, 2012. The SDO is the COM's principal military advisor on defense and national security issues, the senior diplomatically accredited DoD officer assigned to the U.S. mission, and the single point of contact for all DoD matters involving U.S. Embassy-Baghdad or DoD elements assigned to or working from the Embassy. The SDO will also exercise coordinating authority over DoD elements under COM authority.<sup>190</sup>

Many activities will also remain the same. For example, DoD components will be largely responsible for fulfilling 374 ongoing FMS cases, valued at \$8.59 billion.<sup>191</sup> For more details on the current FMS program in Iraq, see the Security subsection of this Report.

### Organization and Staffing

OSC-I will feature a division of labor between a DoS Political-Military Affairs Section and a DoD security cooperation office, which is standard practice at U.S. embassies around the world.<sup>192</sup> Currently, U.S. Embassy-Baghdad is planning for a full-time, substantive OSC-I staff of 157: 118 military, 9 U.S. government civilians, and 30 locally

employed staff. This core staff will be responsible for overall management of the security assistance and security cooperation program.<sup>193</sup> As of March 31, 2011, it was not clear how many personnel and contractors will be required to support the OSC-I core staff; USF-I estimates approximately 3,000, but the number continues to be refined.<sup>194</sup>

U.S. Embassy-Baghdad plans to supplement the core OSC-I staff and support contractors with Security Assistance Teams (SATs), which will comprise mostly civilian contractors with some support from U.S. military officers or DoD civilians. SATs will be deployed to Iraq on temporary assignments to provide advice, training, technical assistance, and support as required by the terms of specific FMS cases. At the beginning of 2012, U.S. Embassy-Baghdad anticipates approximately 750 SAT members in Iraq.<sup>195</sup> According to USF-I, FMS case requirements will determine the SAT footprint.<sup>196</sup> According to the Principal Deputy Under Secretary of Defense for Acquisition, Technology, and Logistics, up to 200 DoD personnel and 800 DoD contractors will eventually be stationed across Iraq to support various FMS cases.<sup>197</sup>

While in the field administering FMS cases, OSC-I's DoD components will operate in a potentially dangerous security environment that may limit U.S. Embassy-Baghdad's day-to-day oversight. Given the inevitable problems of separating responsibility for program resources and management responsibility for program execution, OSC-I's structure creates significant risk of waste and mismanagement.<sup>198</sup>

### Locations of Operation

Current plans call for OSC-I to operate out of five dedicated sites, located on or near existing Iraqi military installations:<sup>199</sup>

- **Baghdad**—the current location of DCG-A&T at Forward Operating Base Union III
- **Tikrit**—home of the Iraqi Air Academy
- **Umm Qasr**—main port of the Iraqi Navy
- **Taji**—site of the Iraqi National Logistics Center and headquarters of the Iraqi Army
- **Besmaya**—site of the Iraqi Army Training Center

OSC-I's structure creates significant risk of waste and mismanagement.



The Iraqi National Logistics Center at Taji serves as the ISF's central logistics and supply center. (U.S. Army photo)

OSC-I may also operate at U.S. Embassy locations on the grounds of existing Joint Security Stations Shield and Sather, as well as in Kirkuk, Erbil, and Basrah. Finally, FMS case implementation may require OSC-I personnel, particularly SATs, to operate at additional locations.<sup>200</sup> According to the USF-I Deputy Commanding General for Support, every proposed OSC-I site is an existing USF-I base. Consequently, the “authorities exist already,” but plans “are continuing to mature.”<sup>201</sup>

## Funding

Funding for OSC-I has not yet been secured. DoD requested \$252 million for construction, but received \$129 million in the FY 2011 appropriation. In response, USF-I and U.S. Embassy-Baghdad “shifted plans” to maintain more of the sites’ existing footprints. According to their analysis, shrinking or otherwise adjusting footprints can increase costs if it requires “re-reconstruction” of key infrastructure—such as wastewater treatment facilities—that might fall outside the new footprint. In addition, instead of requesting all necessary funding in a single budget request, USF-I and U.S. Embassy-Baghdad divided construction into two phases: the first focuses on adjusting footprints; the second will focus on higher-level force protection, such as overhead cover.<sup>202</sup>

Operating costs are still more uncertain. SATs’ direct costs related to implementation of specific FMS cases will be included as budgeted items in parent FMS cases, but the indirect cost of life support and security—which are “anticipated to

be significant”—will have to be funded through other means, such as U.S. appropriations.<sup>203</sup> Other activities—such as administration of assistance provided through FMF and IMET and any support provided to INL at OSC-I sites—might also require support from U.S. appropriations. Options include supporting OSC-I through the DoS Diplomatic and Consular Programs account or through a special DoD fund, for which DoD might later be reimbursed by DoS. The Administration has requested \$524 million in the FY 2012 DoD Overseas Contingency Operations budget to support OSC-I activities, which is currently being considered by the Congress.<sup>204</sup>

## Police Development Program

On October 1, 2011, U.S. Embassy-Baghdad plans to transition responsibility for U.S. assistance to Iraq’s Ministry of Interior from the U.S. military to INL, which will provide the bulk of assistance through its flagship program—the PDP. According to U.S. Embassy-Baghdad, the PDP will have achieved initial operating capability by July 1, 2011, to start an effective transition from the current DoD police training mission.<sup>205</sup>

INL intends to focus the PDP on developing MOI leadership and managerial capacity to build institutional stability for future development and to achieve primary police responsibility for internal security throughout Iraq. According to U.S. Embassy-Baghdad, the PDP is primarily an advise-and-mentor mission and, as such, is intended to build on and supplement the MOI’s “highly developed” training system. With DoD support, the MOI had assumed control for all basic- and advanced-training responsibilities at its police training academies and police colleges, where it employs a standardized training curriculum. The limited training that will be available under the PDP will focus on instructor development—to sustain prior advances made in police training capacity—and on providing specialized training as requested by the MOI.<sup>206</sup>

INL intends to focus the PDP on developing MOI leadership and managerial capacity.



## Organization and Staffing

Current plans call for the PDP to have a contingent of 190 advisors. INL reported that it intends to use the authority of 5 U.S.C. Section 3161 for temporary hires, although it may be necessary to contract for a small number of personnel for highly specialized subject-matter expertise. Approximately 50 advisors will provide management and supervision for the program, leaving 140 to focus on the PDP's substantive mission.<sup>207</sup> Additional planned support elements include: security professionals (contractors and government employees) to provide movement, technical, and static security; aviation contractors; and life-support contractors.<sup>208</sup> In total, the substantive-to-support ratio for the PDP, as planned, will be 1:9.<sup>209</sup>

The PDP advise-and-mentor mission will operate year-round with senior-level police officials at the MOI and at national, regional, and provincial policing institutions. INL advisors will provide advice and mentoring in such areas as logistics, finance, strategic planning, operations, human resources, and communications and information technology.<sup>210</sup>

Instructor development will be provided by a small contingent of INL advisors at the Baghdad, Erbil, and Basrah Police Colleges. Highly specialized training will be conducted by temporary duty instructors, many of whom will be from partner federal law enforcement agencies such as the Federal Bureau of Investigation; the Bureau of Alcohol, Tobacco, Firearms, and Explosives; the U.S. Marshals Service; and the Drug Enforcement Agency.<sup>211</sup>

## Locations of Operation

According to Ambassador Jeffrey, the PDP will reach approximately 55% of Iraq's approximately 300,000 police who, in turn, provide local security for approximately 65% of Iraq's population.<sup>212</sup> PDP advisors, operating from three "hubs" will visit 28 proposed sites, 21 by ground and 7 by air:<sup>213</sup>

- **Baghdad hub**—15 sites (11 by ground; 4 by air)
- **Erbil hub**—9 sites (6 by ground; 3 by air)
- **Basrah hub**—4 sites (all by ground)

Advise-and-mentor sites are subject to change based on consultations with GOI, security concerns, and other circumstances.<sup>214</sup>

INL expects to require three medium-lift helicopters and nine light-lift helicopters to support the PDP. Additionally, U.S. Embassy-Baghdad security and medical air-lift capability may be used if required. INL also plans to utilize U.S. Embassy-Baghdad's fixed-wing air support for domestic travel in Iraq and international travel through Jordan and Kuwait.<sup>215</sup>

According to U.S. Embassy-Baghdad, security for the PDP will be provided by the DoS Bureau of Diplomatic Security (DS), which has determined how many protective security details would be needed—including Quick Reaction Force elements—based on PDP travel and advising requirements. Support will come from DS teams already in-country as well as from additional DS teams yet to deploy.<sup>216</sup>

## Funding and Cost-Sharing

Funding for the PDP has not yet been secured. To support the PDP and programs in Justice Corrections and Counternarcotics, DoS requested \$315 million in FY 2011 appropriations and \$1.00 billion in FY 2012 appropriations to the INCLE in Iraq.<sup>217</sup> Of the \$315 million FY 2011 request, \$200 million was forward-funded through the FY 2010 supplemental appropriation.<sup>218</sup> INL will provide INCLE funding for all costs associated with security and life support for the PDP.<sup>219</sup>

According to U.S. Embassy-Baghdad, DoS and the Embassy are working closely with the GOI to determine cost-sharing arrangements. Negotiations are ongoing concerning contributions for PDP personnel support (salaries and transportation), equipment and fuel for policing operations, and no-cost leases of land and facilities.<sup>220</sup>

According to U.S. Embassy-Baghdad, DoS and the Embassy are working closely with the GOI to determine cost-sharing.

## Transitioning U.S. Embassy-Baghdad's Provincial Presence

U.S. Embassy-Baghdad is currently drawing down its PRTs across Iraq. As the PRTs close, the Embassy intends to transfer some of their reconstruction-related functions to the planned consulates and Embassy Branch Offices (EBOs).

### Ongoing Mission and Organization

Since their introduction in Iraq in late 2005, the PRTs have worked to build provincial government capacity, mitigate conflicts between sectarian groups, and facilitate small-scale reconstruction projects endorsed by local populations. According to U.S. Embassy-Baghdad, current PRT priorities include:<sup>221</sup>

- serving as an “honest broker” to mediate and manage ethnic tensions and avoid sectarian breakdown
- helping Iraqis strengthen the capacity of government institutions and civil society to protect the rule of law, confront corruption, and deliver basic services
- countering malign influences
- encouraging foreign investment and economic diversification
- promoting stability and partnering with newly elected governments
- assisting internally displaced persons
- serving as a platform for the United Nations and other international organizations

U.S. Embassy-Baghdad's Office of Provincial Affairs (OPA) connects policy-makers in Washington and Baghdad to the PRTs. The office is intended to ensure that information from the field, including reporting cables and weekly reports, effectively reaches policymakers in Washington and Baghdad and that the policy they devise is communicated to and implemented by the PRTs. Within OPA, Desk Officers are organized geographically and serve as the primary Embassy contact for each PRT; Lines of Operation Coordinators oversee rule-of-law,

governance, economic, and other issues for PRTs across the country.<sup>222</sup>

The PRTs are staffed by U.S. government civilian, military, temporary-hire (3161), and local-national (Iraqi) personnel.<sup>223</sup>

### Transfer of PRT-related Tasks to U.S. Embassy-Baghdad Sections

Last quarter, in a “task binning” exercise, OPA catalogued 117 tasks performed by its staff members that would need to be transferred to other U.S. Embassy-Baghdad sections to support the proposed consulates and EBOs after OPA closes.<sup>224</sup> As of March 31, 2011, 13 of those tasks—all related to human resources (HR)—had been transitioned.<sup>225</sup> For details, see Table 3.1.

U.S. Embassy-Baghdad could not provide details on what tasks remained to be transferred because their number and composition are “continuously evolving” as OPA and counterparts in other Embassy sections review the tasks' relevancy; tasks may be refined or phased out as events in Iraq develop and future operational budget information becomes available. Consequently, forecasts of the number and composition of support tasks that other Embassy sections will ultimately assume from OPA is only an approximation.<sup>226</sup>

According to U.S. Embassy-Baghdad, OPA is still functioning at full capacity and continues to perform most of the tasks it was originally assigned. In June, OPA will start migrating remaining tasks to other Embassy sections. The transition of each task is linked to the departure of a particular OPA staff member. When necessary, OPA will transition tasks ahead of staff departures, allowing for overlap time.<sup>227</sup>

### PRT “Footprint” and Planned Drawdown

As of March 31, 2011, the PRT “footprint” comprised 17 sites across Iraq, including 14 PRTs and 3 Forward Presence locations.<sup>228</sup> The PRTs were staffed by 623 personnel: 140 U.S. civilians, 132 military, and 351 contractors.<sup>229</sup>

In June, OPA will start migrating remaining tasks to other Embassy sections.

TABLE 3.1

TRANSITION OF TASKS FROM THE OFFICE OF PROVINCIAL AFFAIRS TO OTHER U.S. EMBASSY-BAGHDAD SECTIONS

FUNCTION	ASSOCIATED TASKS	RECIPIENT SECTION
<b>Staff the Organization with Government Employees</b>	Recruit, select, assign, and provide limited HR support for Foreign Service officers	Human Resources
	Recruit, select, assign, and provide limited HR support for 3161s	Human Resources
	Recruit, select, assign, and provide limited HR support for locally employed staff	Embassy Office & Human Resources
	Provide Staff Reports to NEA-I for each consulate/EBO	Human Resources
<b>Process and Facilitate New Personnel Arrivals</b>	Track arrival dates	Human Resources
	Country clearance approval	Human Resources
	Assist in check-in process	Human Resources
	Update personnel listings	Human Resources
<b>Process and Facilitate New Personnel Departures</b>	Update personnel listings	Human Resources
<b>Maintain and Transmit Key Personnel Documents</b>	Maintain staff contact lists and email distribution lists	Human Resources-Information Management Office
	Update head count personnel reports	Human Resources
	Review and submit PRT personnel awards and certificates	Human Resources
	Facilitate USG personnel visa applications	Human Resources

Source: U.S. Embassy-Baghdad, response to SIGIR data call, 4/1/2011.

The PRT closures represent a significant loss of provincial presence.

Between May and September 2011, U.S. Embassy-Baghdad plans to close 10 PRTs. The other four will be transitioned to “enduring” provincial presences, as discussed below.<sup>230</sup> For the location of remaining PRTs and their planned drawdown schedule, see Figure 3.2. Coupled with withdrawal of tens of thousands of U.S. troops and DoD contractors by December 31, 2011, the PRT closures represent a significant loss of provincial presence and the political outreach, development assistance, and situational awareness that their presence facilitates.<sup>231</sup>

**Consulates and Embassy Branch Offices**

DoS plans to establish consulates in Basrah and Erbil and EBOs in Mosul and Kirkuk.<sup>232</sup> Together, they will comprise U.S. Embassy-Baghdad’s provincial presence and host approximately 3,600 DoS personnel, contractors, and support personnel.<sup>233</sup> Along with U.S. Embassy-Baghdad, they will enable DoS and other civilian agencies to conduct “robust engagement” with the Iraqi population, “enhancing connections between the political, economic, and social fabric of the country.”<sup>234</sup>

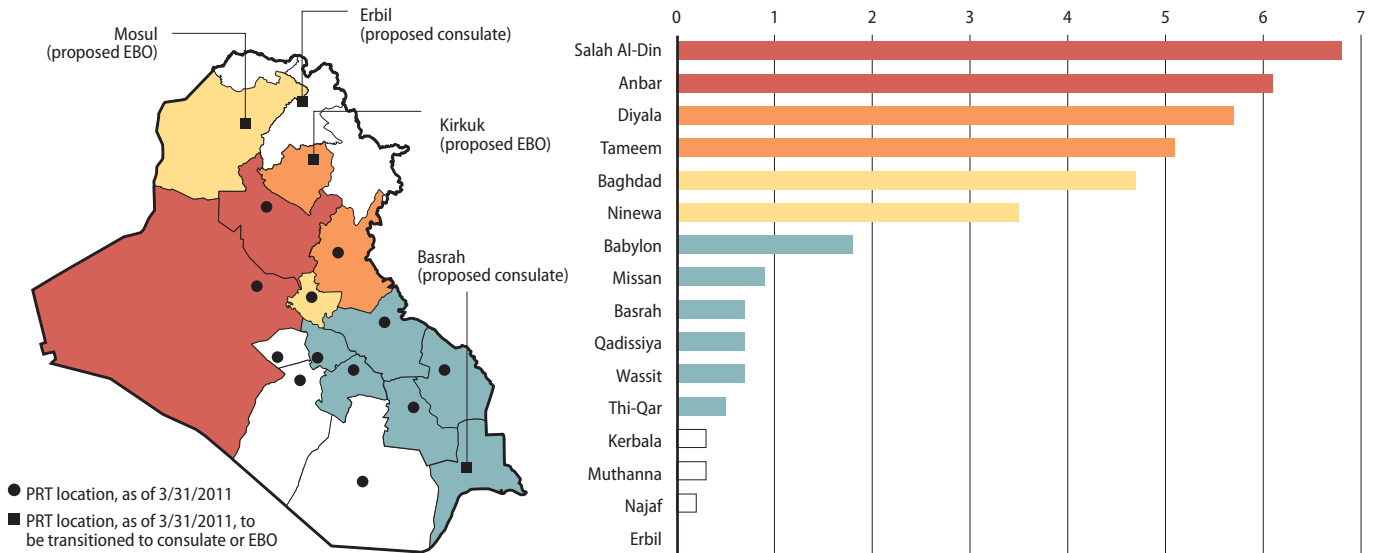
The consulates in Basrah and Erbil are intended to be permanent installations and, together with U.S. Embassy-Baghdad, will serve three of the four largest cities in Iraq. The consulates will focus primarily on diplomacy and consular services, but DoS will also operate aviation facilities in Baghdad, Basrah, and Erbil necessary to support the INL-managed PDP.<sup>235</sup> The consulate in Basrah will have the added benefit of proximity to Iraq’s southern oil fields and the many U.S. companies operating there.

The EBOs are intended to be temporary installations, with expected mission spans of three to five years. The EBOs’ first priority, as established by DoS, is to mitigate and mediate Arab-Kurd, Sunni-Shia, and provincial-national tensions primarily along the Arab-Kurd “fault line” in northern Iraq. The DoS OIG has questioned these expectations based on the centuries-old nature of the conflicts, the local population’s unfavorable or ambivalent views of the United States (estimated at 95% in recent polling), the EBOs’ short expected mission spans, and staffing levels driven by budget constraints.<sup>236</sup> For details on the proposed locations of the consulates and embassy branch offices, see Figure 3.2. ♦

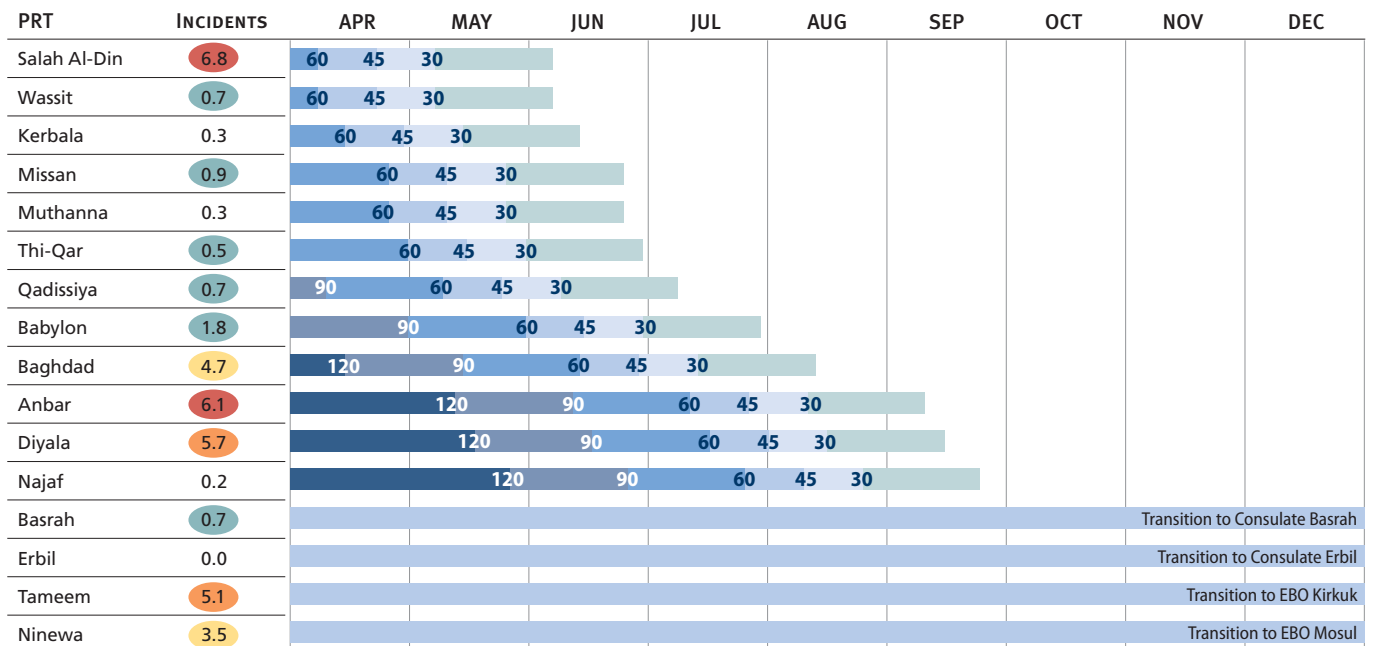
# U.S. PRESENCE AND RECONSTRUCTION MANAGEMENT

FIGURE 3.2  
TRANSITION OF U.S. EMBASSY-BAGHDAD'S PROVINCIAL PRESENCE

PRT Locations, with Security Incidents per 10,000 people (1/1/2010–12/31/2010), by Host Province



PRT Closeout Timeline, with Security Incidents per 10,000 people (1/1/2010–12/31/2010), by Host Province



Deadlines for PRT Closeout Events

<p><b>120</b> Days to Closeout</p> <ul style="list-style-type: none"> <li>Determine final QRF projects.</li> <li>Scrub QRF paper files.</li> </ul>	<p><b>90</b> Days to Closeout</p> <ul style="list-style-type: none"> <li>Provide draft letter from Ambassador to Governor outlining accomplishments.</li> <li>Submit contact list.</li> <li>Brief OPA/J5 on final closeout plans.</li> </ul>	<p><b>60</b> Days to Closeout</p> <ul style="list-style-type: none"> <li>Submit list of outstanding/unfinished QRF projects.</li> </ul>	<p><b>45</b> Days to Closeout</p> <ul style="list-style-type: none"> <li>Finalize all QRF projects.</li> <li>Brief OPA/J5 on final closeout plans.</li> </ul>	<p><b>30</b> Days to Closeout</p> <ul style="list-style-type: none"> <li>Turn in remaining QRF cash to Financial Management Office.</li> <li>Follow up with DAI on final projects.</li> </ul>
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Note: Data not audited. Numbers affected by rounding.

Sources: U.S. Embassy-Baghdad, "Revised PRT Closure Schedule" and "PRT Closeout Timeline," response to SIGIR data call, 3/8/2011; U.S. Embassy-Baghdad, OPA, response to SIGIR data call, 4/1/2011.

## CONTRACTING

U.S.-funded contractors and grantees provide a wide range of services, including static security for bases and diplomatic facilities, movement security for convoys and personnel, laundry and food service, equipment maintenance, translation, and construction.<sup>237</sup>

As the Commission on Wartime Contracting in Iraq and Afghanistan (CWC) recently stated, reduced government staffing following the Cold War and increased government responsibility following the terrorist attacks of September 11, 2001, and the subsequent invasions of Afghanistan and Iraq, “opened a breach into which contractors have stepped.” The commission concluded that time-critical decision making in this context resulted in the use of contractors becoming the “default option,” without sufficient consideration of whether their use was the best means to meet mission objectives or whether agencies had the capacity to provide adequate contract management and oversight.<sup>238</sup>

For an overview of the advantages and disadvantages of contracting in overseas contingency operations, see Table 3.2.

Time-critical decision making in this context resulted in the use of contractors becoming the “default option.”

### DoS Management of Contracts and Grants

In Iraq, insufficient government capacity to plan and execute programs—especially in DoS and other civilian agencies—has long constrained the reconstruction effort. According to Secretary Clinton, “both State and USAID have historically been unable to hire enough in-house experts and had to rely too much on contractors.” In addition, the Government Accountability Office (GAO) has raised concerns about insufficient staffing, long vacancies in key positions, and lack of expertise in foreign languages among U.S. government personnel.<sup>239</sup>

SIGIR audits have identified numerous weaknesses in U.S. agency management of contracts, grants, and cooperative agreements. Over the years, SIGIR audits have found that U.S. agencies:

- employed insufficient numbers of trained contract and grants officers to provide necessary performance and financial oversight
- rotated oversight officials often, resulting in loss of institutional knowledge of contracts

TABLE 3.2  
ADVANTAGES AND DISADVANTAGES OF USING CONTRACTORS IN OVERSEAS CONTINGENCY OPERATIONS

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> <li>• Contractors can be hired and fired more quickly than government personnel, allowing greater adaptability to changing conditions and potentially saving money.</li> <li>• Contractors can serve as a force multiplier for the military, freeing uniformed personnel for combat missions.</li> <li>• Contractors can provide capabilities and skills (such as security provision) not possessed by adequate numbers of civilian personnel.</li> <li>• Contractors (especially local-nationals) can provide unique skills, such as knowledge of terrain, culture, and language.</li> <li>• Contracting can provide jobs and training opportunities for local-nationals.</li> </ul>	<ul style="list-style-type: none"> <li>• Contractor incentives prioritize profit and contractual considerations, not mission success.</li> <li>• Abuses committed by contractors working for U.S. agencies can strengthen anti-American insurgents.</li> <li>• Lax contract oversight has contributed to contractor abuses, including waste, fraud, and abuse.</li> <li>• Relying on contractors undermines the development of “organic” capabilities and the retention of institutional expertise and memory within government agencies.</li> </ul>

Sources: CWC, “At What Risk? Correcting Over-reliance on Contractors in Contingency Operations,” 2/24/2011, pp. 7, 13–15; Moshe Schwartz, “The Department of Defense’s Use of Private Security Contractors in Afghanistan and Iraq: Background, Analysis, and Options for Congress,” CRS Report R40835, 2/21/2011, pp. 5, 13–16.

- wrote contracts and grants without clear and measurable objectives
- did not maintain comprehensive files to document contracting decisions
- did not detect questionable costs charged to the U.S. government
- did not provide the level of oversight required by sound management practices or internal policy manuals

Often these deficiencies left U.S. funds vulnerable to fraud, waste and abuse.

## Police Training

Weaknesses in DoS contract management for police training were detailed in a January 2010 SIGIR audit report. SIGIR found that INL lacked sufficient resources and controls to adequately manage DynCorp task orders. As a result, more than \$2.5 billion in U.S. funds were vulnerable to waste and fraud. To illustrate, the In-country Contracting Officer's Representatives, who were critical in overseeing DynCorp's performance and expenditures under the current task order, did not perform adequate reviews and tests to ensure that:<sup>240</sup>

- the costs submitted by DynCorp were allowable under the contract/task order, supported by appropriate documentation, and correct
- U.S. government property managed by DynCorp was adequately controlled
- lease agreements negotiated on behalf of the U.S. government protected the U.S. government's interests
- the government received the services at the performance standards specified in the task order

As DoS takes responsibility for the police training program from DoD in 2011 and DoS continues to oversee contracts costing the U.S. taxpayers hundreds of millions of dollars, it will be critical for DoS to have in place effective management and controls to ensure that U.S. funds are effectively and efficiently spent.<sup>241</sup>

## Private Security Contractors

According to the CWC, contracting out security functions introduces especially high risks.<sup>242</sup> This problem may grow more acute as DoD personnel—especially the troops who provide security and the personnel who manage and oversee contracts—depart Iraq, and DoS increasingly relies on its own resources. Already, uncertainty and disagreement regarding what constitutes “inherently governmental activities”—those which should not be contracted out—is becoming more pronounced with regard to PSCs. In question are activities such as counter-battery fire, hostage rescue, and improvised explosive device (IED) clearance.<sup>243</sup>

The CWC observes that the general trend toward contracting out security reflects human-resource constraints. Statutory limits on force strength require DoD to choose between using military or contractor personnel for force protection, while DoS and USAID often have no choice but to rely on the U.S. military or contractors. According to the CWC analysis, PSCs are usually used not because they are more effective or efficient than government security personnel, but rather because using in-house capability would require a significant, long-term increase in government manpower or redirecting military personnel from other priorities.<sup>244</sup>

In this context, DoS shortcomings in contract management may create the risk of PSC abuses. Although no formal analysis has been done, the Congressional Research Service notes that many high-profile contractor abuses in Iraq were committed by PSCs working for DoS (not DoD), including the alleged shooting of Iraqi civilians by Triple Canopy personnel and the shooting of 17 Iraqi civilians in Nisoor Square by Blackwater personnel. Some analysts believe that these events undermined the U.S. mission and, if PSCs are not held accountable, undermine the legitimacy of the United States and the Iraqi government.<sup>245</sup>

Despite these risks, DoS and U.S. Embassy-Baghdad face serious capability and resource constraints as they address the challenge of securing Embassy personnel engaged in mission-critical activities.

DoS and U.S. Embassy-Baghdad face serious capability and resource constraints as they address the challenge of securing Embassy personnel engaged in mission-critical activities.

TABLE 3.3  
**CONTRACTING ACTIONS AND GRANTS**  
 \$ Millions

FUND	CURRENT STATUS			CHANGE OVER QUARTER		
	COUNT	OBLIGATED	EXPENDED	COUNT	OBLIGATED	EXPENDED
ISFF	18,353	\$17,753.0	\$16,989.1	229 (1%)	\$106.9 (1%)	\$408.2 (2%)
IRRF	8,489	\$14,418.6	\$14,290.1	5 (0%)	\$11.1 (0%)	\$19.3 (0%)
ESF	7,692	\$3,623.0	\$3,266.6	311 (4%)	\$81.5 (2%)	\$146.6 (5%)
<b>Total</b>	<b>34,534</b>	<b>\$35,794.6</b>	<b>\$34,545.8</b>	<b>545 (2%)</b>	<b>\$199.5 (1%)</b>	<b>\$574.0 (2%)</b>

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

Sources: CEFMS, ESF, IRRF: Construction, IRRF: Non-construction, ISFF, 1/10/2011 and 4/1/2011; USAID, responses to SIGIR data calls, 1/22/2010, 1/11/2011, and 4/16/2011.

According to the Under Secretary of State for Management, “it makes no sense” for DoS to increase the number of diplomatic security personnel worldwide “from 1,800 to 1,800 plus 7,000” to meet temporary security requirements in Iraq. Furthermore, U.S. Embassy-Baghdad will have approximately 200 direct-hire DoS security officers overseeing PSCs (a ratio of 1:35), which the Under Secretary for Management says “is very, very good.”<sup>246</sup>

### Tracking Contractors

In a congressional hearing on March 2, 2011, a member of Congress questioned DoS’s post-transition contractor projections, citing a GAO finding that DoS, DoD, and USAID have been unable to determine the exact number of contractors employed in Iraq.<sup>247</sup> In response, the Under Secretary of State for Management testified that he believed he knew “exactly how many contract employees” DoS had “on any given day in Iraq.” Furthermore, he testified that DoS had analyzed major functions required for U.S. Embassy-Baghdad’s new responsibilities—including aviation, medical, and security—and that a table of organization was created detailing how many contractors were required. He also testified that DoS contractors were entered into the Synchronized Predeployment Operational Tracker (SPOT), a contractor database administered by DoD.<sup>248</sup>

As the transition date nears, however, it appears that DoS’s ability to track contractor data may

be decreasing. For the past two quarters, U.S. Embassy-Baghdad has reported to SIGIR that the DoS Office of the Under Secretary for Management does not keep data on what activities its contractors provide in Iraq, nor could it provide a projection of its contractor requirements over the next year.<sup>249</sup> However, DoS previously provided such data (albeit sometimes inconsistent) to SIGIR through the quarter ending September 30, 2010.<sup>250</sup> USAID was able to provide a limited breakdown of its contractors this quarter, and DoD was able to provide limited data as of December 31, 2010.<sup>251</sup>

SIGIR thus far has been unable to publish aggregated data from SPOT, because the data has been designated “For Official Use Only.”

### Contracting Actions and Grants

As of March 31, 2011, DoD, DoS, and USAID had reported 34,534 Iraq-related contracting actions or grants from ISFF, IRRF, and ESF, totaling \$35.79 billion in cumulative obligations.<sup>252</sup> This quarter, DoD, DoS, and USAID reported 545 new contracting actions or grants from these funds, resulting in \$199.5 million in new obligations and \$574.0 million in new expenditures.<sup>253</sup>

For an overview of the status and quarterly change of contracting actions and grants, see Table 3.3. For a complete list of contracting actions and grants, as reported to SIGIR, visit: [www.sigir.mil](http://www.sigir.mil).♦

It appears that DoS’s ability to track contractor data may be decreasing.

## FOCUS ON ANBAR

### Background

Stretching from Baghdad’s western suburbs to the borders of Jordan, Syria, and Saudi Arabia, Anbar province—Iraq’s largest geographically—encompasses 32% of the country’s land area, but contains only about 5% of its population. Almost three-quarters of Anbar’s estimated 1.6 million residents live in the province’s two most populous districts, Ramadi and Falluja, both of which lie within easy driving distance of Baghdad. Mostly desert and sparsely inhabited, Anbar has the lowest population density of any province in Iraq, with about 10 persons per square mile.<sup>254</sup>

Anbar’s predominantly Sunni Arab population is almost evenly divided between those living in urban (52%) and rural (48%) settings, with almost all of the urban residents living in a series of towns and cities stretching northwest from Falluja along the fertile Euphrates River valley to al-Qaim.<sup>255</sup> To the south and southwest of this settled corridor lies Anbar province’s largest district, al-Rutba, whose arid deserts dominate the landscape all the way to Iraq’s borders with Jordan and Saudi Arabia.

Of the complex mosaic of tribes, clans, and families that have dominated Anbar’s politics and economy for centuries, the Dulaimi tribal confederation is the most prominent. Historically, the Dulaimis used their strategic position astride the trade routes between Baghdad and points west to extort payment from travelers, traders, and pilgrims alike. In World War I, much of the Dulaimi confederacy initially supported the Ottomans, later switching sides when British forces turned the tide against the Turks in 1917. In later years, the Dulaimis, in general, supported the Ba’athists, receiving a measure of autonomy and



patronage. However, they too often fell victim to Ba’athist depredations, making their support for the government tenuous and conditional. Initially quiescent after the fall of Saddam Hussein’s regime in April 2003, many of the Dulaimis soon became supporters of the insurgency—at least for a time.<sup>256</sup>

### Post-invasion Developments

#### A Deteriorating Situation, 2003–2006

Although Anbar was not the scene of any major engagements during the three-week campaign in 2003 to depose the Ba’athist government, the province quickly became a center of insurgent activity. When the Coalition Provisional Authority disbanded the Iraqi Army in May 2003, untold thousands of Anbari men were summarily put out of a job, losing both a source of income and personal status. Moreover, Anbar—which means granary or storehouse in Arabic and is derived from the Persian word for arsenal—was the site of at least



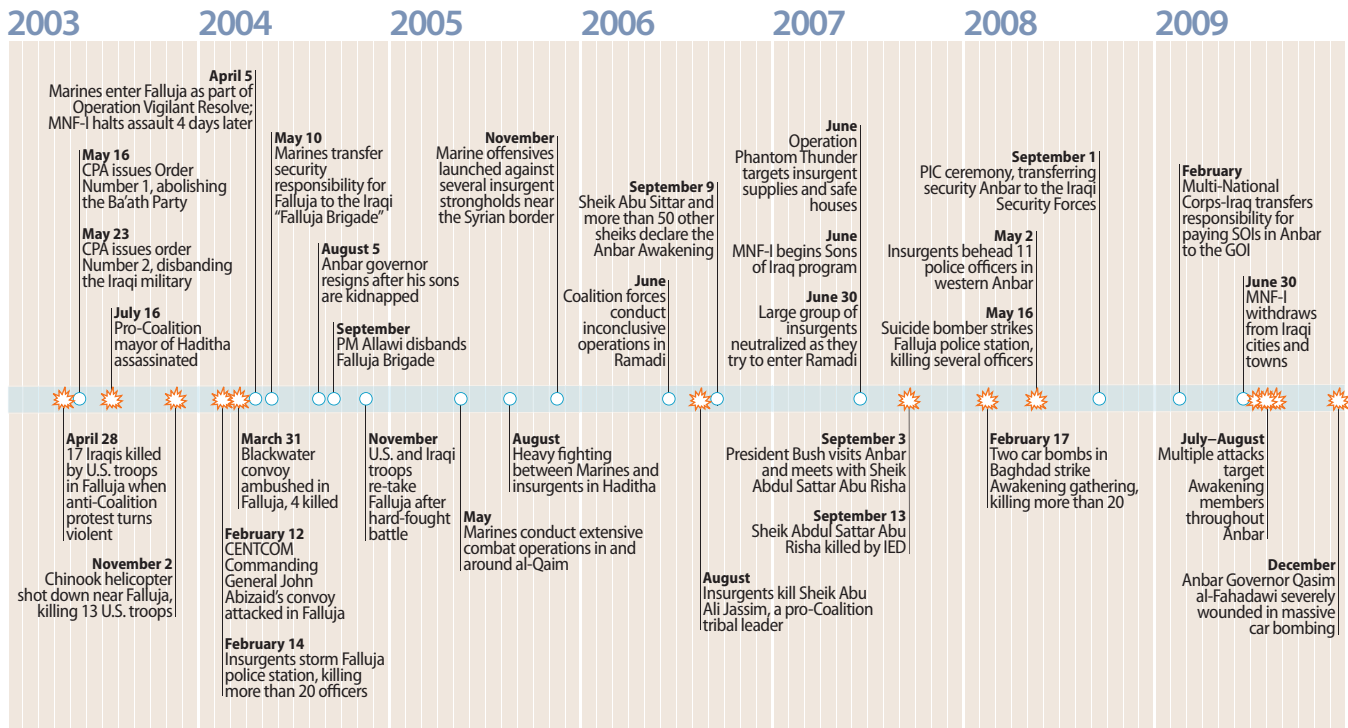
GOI civilian and military officials meet to discuss recent events in Anbar province. (PRT photo)

96 ammunition and weapon storage sites and much of Iraq’s domestic arms industry.<sup>257</sup> With relatively few Coalition personnel policing the vast province in 2003, and fewer still guarding its lengthy border with Syria, many of these sites were looted by insurgents, making Anbar’s pacification that much more challenging. Largely unscathed by the battles of March–April 2003, many of the estimated 40,000 Ba’athist security and intelligence officials who resided in Anbar soon became active in the burgeoning insurgency.<sup>258</sup>

As the insurgency grew in numbers, strength, and audacity, Falluja became one of the centers of resistance to the U.S.-led



FIGURE 3.3  
ANBAR: SECURITY TIMELINE, 2003–2009



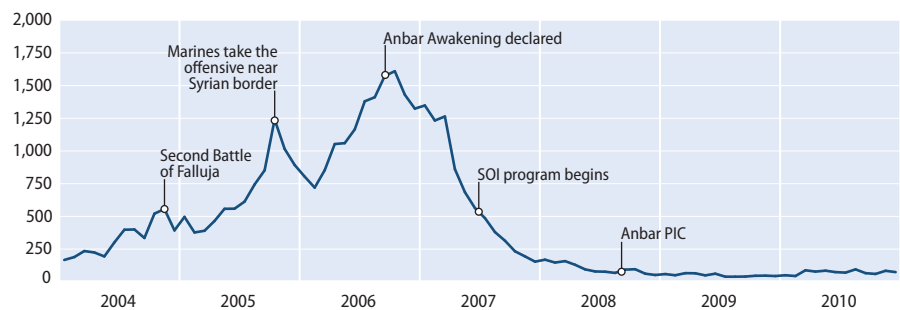
Note: This timeline highlights selected major events between 2003 and 2009. It is not intended to be a comprehensive account of events in Anbar during that time period.

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

Coalition. On March 31, 2004, four U.S. contractors working for Blackwater USA were ambushed and butchered by insurgent forces in Falluja—their bodies subsequently desecrated and paraded through the streets. In response to these well-publicized murders, the Multi-National Force-Iraq (MNF-I) ordered U.S. Marines to storm Falluja. But on April 9—four days after the assault began and before the city had been secured—MNF-I ordered the Marines to halt the attack under pressure from leading Iraqi politicians and the Arab media. Over the ensuing months, U.S. Marines cordoned off Falluja before storming and taking the city in November 2004.<sup>259</sup>

While Falluja saw much of the heaviest fighting in 2004, MNF-I also conducted operations throughout Anbar province between 2003 and 2006, including campaigns in Ramadi, al-Qaim, and Haditha, and along the upper stretches of the Euphrates River valley.<sup>260</sup> Figure 3.3 displays

FIGURE 3.4  
MONTHLY SECURITY INCIDENTS IN ANBAR, 1/2004–12/2010



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

some of the most significant events affecting Anbar's security between 2003 and 2009, and Figure 3.4 shows the number of monthly security incidents in the province from January 2004 to December 2010.

**Anbar Awakening, Sons of Iraq, and U.S. "Surge" (2006–2008)**

In the initial stages of the insurgency, many of the Sunni tribal sheiks

allied—sometimes actively, other times tacitly—with foreign fighters and former regime members to resist the Coalition and the new, Shia-dominated Government of Iraq (GOI), whom they perceived as undercutting their traditional authority. But as al-Qaeda in Iraq (AQI) began increasingly brutal tactics, several leading sheiks built ad hoc alliances with Coalition units to oppose AQI in

a movement that became known as the Anbar Awakening, or the *Sahwa*.<sup>261</sup>

The first stirrings of the Awakening came in 2005 when a few sheiks switched sides to fight AQI. Defection begat defection throughout the next year, culminating on September 14, 2006, in a public statement issued by a convention of Anbari sheiks that they would join with MNF-I to combat the insurgency.<sup>262</sup> According to Awakening leader Sheikh Ahmad Abu Risha, whose brother was one of the Awakening’s leaders until he was killed in September 2007, Anbar’s tribes provided approximately 40,000 recruits for the security forces (28,000 for the police and 12,000 for the army).<sup>263</sup> In an April meeting with SIGIR, Sheikh Abu Risha emphasized that the *Sahwa* was not a U.S. program, but rather an indigenous movement created to fight AQI’s extremism.<sup>264</sup>

Coalition forces were quick to capitalize on the Awakening movement, beginning in 2007 to subsidize and otherwise support Anbar sheiks who had chosen to ally with the Coalition.<sup>265</sup> As part of this strategic shift toward empowering local leaders willing to fight AQI, MNF-I commanders in June 2007 began using Commander’s Emergency Response Program (CERP) funds to hire former insurgents to guard checkpoints and neighborhoods throughout Anbar province as part of the broader Sons of Iraq (SOI) program.<sup>266</sup> Although the empirical effects of the SOI program on security in Anbar are difficult to quantify, a SIGIR audit issued in January 2011 suggests that, in at least some cities and towns, they may have been positive. Figure 3.5 summarizes some of the audit’s findings as they pertain to Anbar province.

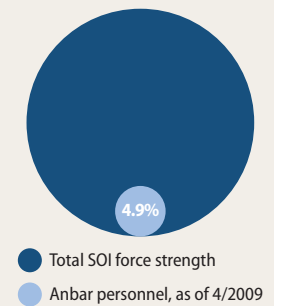
The pivotal year of 2007 also saw the beginning of the U.S. troop surge. Announced by President Bush in January of that year, this five-brigade, Baghdad-focused reinforcement effort also included extending the tours of duty for about 4,000 U.S. Marines stationed in Anbar.<sup>267</sup> The cumulative effects of

FIGURE 3.5

**SONS OF IRAQ IN ANBAR PROVINCE**

Beginning in October 2008, the Government of Iraq (GOI) progressively assumed full management responsibility for the Sons of Iraq (SOI) program from Coalition forces, taking control of more than 4,000 Anbari personnel on February 1, 2009. Under the terms of an agreement with the Multi-National Force-Iraq, the GOI promised to provide government employment for all 95,120 SOI members. A SIGIR audit released last quarter, however, reported that meeting this goal has been challenging. As of December 2010, 41% of all SOI personnel had been transferred to GOI jobs—but none from Anbar province. Anbar SOI members also receive lower salaries than SOI from other provinces. According to USF-I, the GOI pays Anbar SOI members \$130 per month, which is less than the \$240–300 per month that most other SOI members receive.

Breakdown of SOI Personnel



**Note:** USF-I states that a number of Anbar SOI members transitioned to the ISF when the U.S. military administered the program. Five of the nine provinces with SOI have seen no transitions since the GOI took over the program.

**Sources:** SIGIR Audit 11-010, “Sons of Iraq Program: Results Are Uncertain and Financial Controls Were Weak,” 1/28/2011; USF-I, response to SIGIR data call, 4/14/2011.



Anbar official speaks at the “Hope of Anbar” conference in 2007 in Ramadi. (DoD photo)



Anbar sheiks and Iraqi policemen dance during the “Hope of Anbar” conference. (DoD photo) 2003, at least 1,335 U.S. troops have been killed in action in Anbar province.<sup>272</sup>

this multifaceted U.S. and Iraqi approach were immediate and apparent:

- The number of new police recruits in Ramadi tripled in June 2006 and again in July.<sup>268</sup>
- Attacks in Anbar decreased from a high of 1,350 in October 2006 to about 200 in August 2007.<sup>269</sup>
- Insurgents carried out a daily average of 32 attacks in Anbar and neighboring Salah Al-Din provinces between mid-February and early May 2007; the average declined to 11 daily attacks between early December 2007 and late February 2008.<sup>270</sup>

As Figure 3.6 makes clear, the combined effects of the Awakening and “the surge” devastated the insurgency in Anbar province. In the words of one U.S. soldier, AQI had “overplayed [its] hand”—and lost.<sup>271</sup>

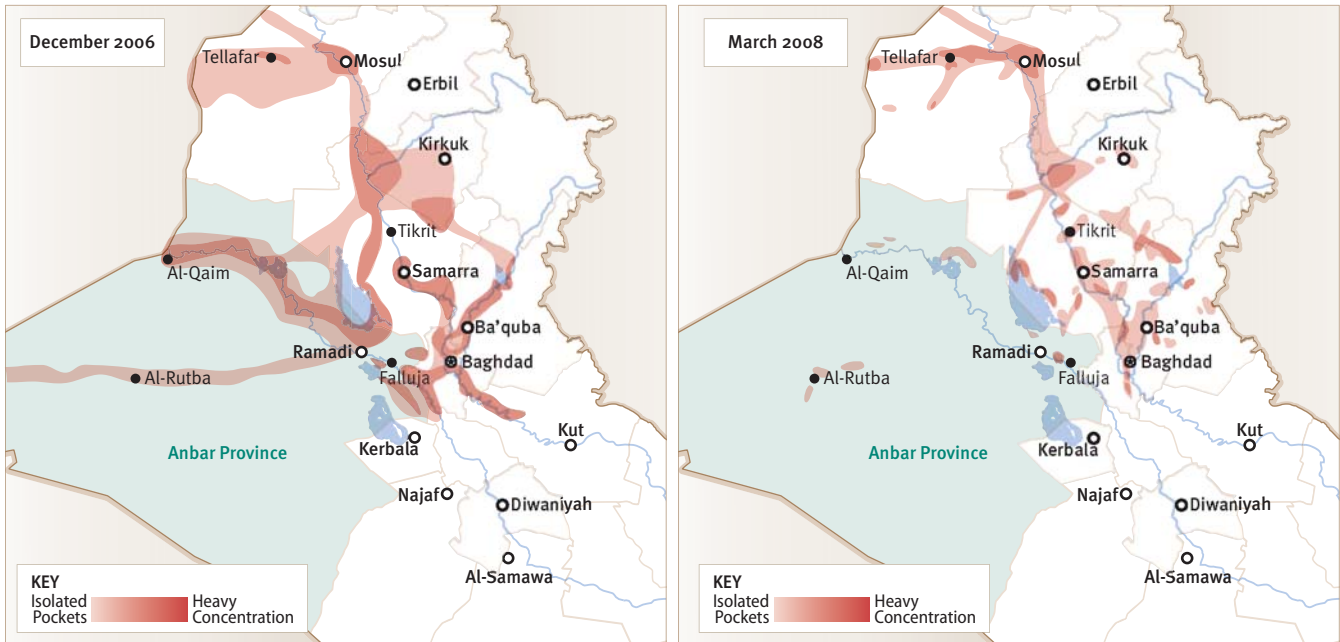
The cost of this apparent victory in U.S. lives, however, has been profound. Since

**Fragile Stability, 2008–2011**

With the security situation dramatically improving, 2008 became a year of transition. In February, U.S. Marines turned over security responsibility for the once-violent town of Heet to Iraqi Security Forces (ISF). As the summer wore on, ISF units increasingly took the lead in conducting joint security operations. The transition culminated on September 1, when Anbar (after a brief delay) became the eleventh province transferred to Provincial Iraqi Control (PIC), a process that placed Iraqi forces in charge of security in the province.<sup>273</sup>

As the violence diminished, Anbaris said they would be more willing to turn to local police when victimized by a crime, rather than relying on family members. Figure 3.7 shows how trust in both the Awakening members and local police

FIGURE 3.6  
AL-QAEDA IN IRAQ, 2006 VS. 2008



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



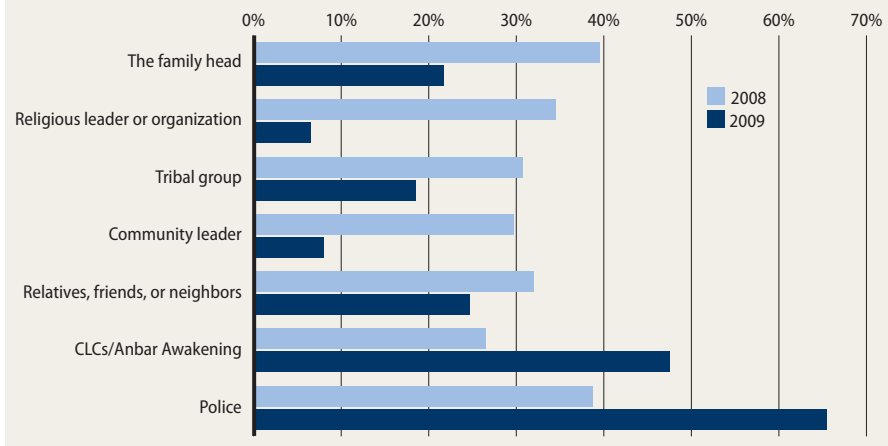
Anbari tribesman.

units grew between 2008 and 2009. According to Sheik Abu Risha, in recent years Iraqi courts have convicted and sentenced to death about 160 terrorists for committing capital crimes in Anbar.<sup>274</sup>

**Security in 2011**

Today, while security in Anbar has improved, GOI civilian and military officials are regularly targeted by insurgents, as are leading sheiks and members of the Awakening movement. For example, on April 12, terrorists detonated a bomb that partially destroyed the house of an Awakening member in Baghdad's western suburbs, wounding several of his family members. Despite these difficulties, Sheik

FIGURE 3.7  
WHO ANBARIS REPORT THEY WOULD TURN TO IF THREATENED OR VICTIMIZED BY CRIME, 2008 VS. 2009



Note: Concerned Local Citizens (CLCs) were tribal militia groups roughly analogous to Awakening units.

Source: Audra K. Grant and Martin C. Libicki, *Assessing Living Conditions in Iraq's Anbar Province in 2009*, Santa Monica: RAND Corporation, 2010, p. 8, [www.rand.org/content/dam/rand/pubs/technical\\_reports/2010/RAND\\_TR836.pdf](http://www.rand.org/content/dam/rand/pubs/technical_reports/2010/RAND_TR836.pdf), accessed 4/4/2011.

Abu Risha declared that his *Sahwa* "will never turn to al-Qaeda," but warned that this "does not mean we will sit still when we are being threatened."<sup>275</sup> Figure 3.8 provides details of some of the violent incidents that took place in Anbar province between January 1 and April 11, 2011.<sup>276</sup>

In addition, the deputy chairman of the Provincial Council noted that terrorists are being released from prison because, in some cases, U.S. troops who arrested them did not prepare sufficient paperwork to obtain convictions in Iraqi courts. As a result, some terrorists are

roaming freely, he said, and “the security situation is deteriorating rapidly.” He also observed that the army and police seemed to be the national government’s priorities, not the intelligence agencies, remarking that a more effective Iraqi intelligence apparatus could better counter foreign influences. He pointedly stated, “We have neighboring countries with intelligence agents working in Iraq trying to make the American democracy experiment here fail.”<sup>277</sup>

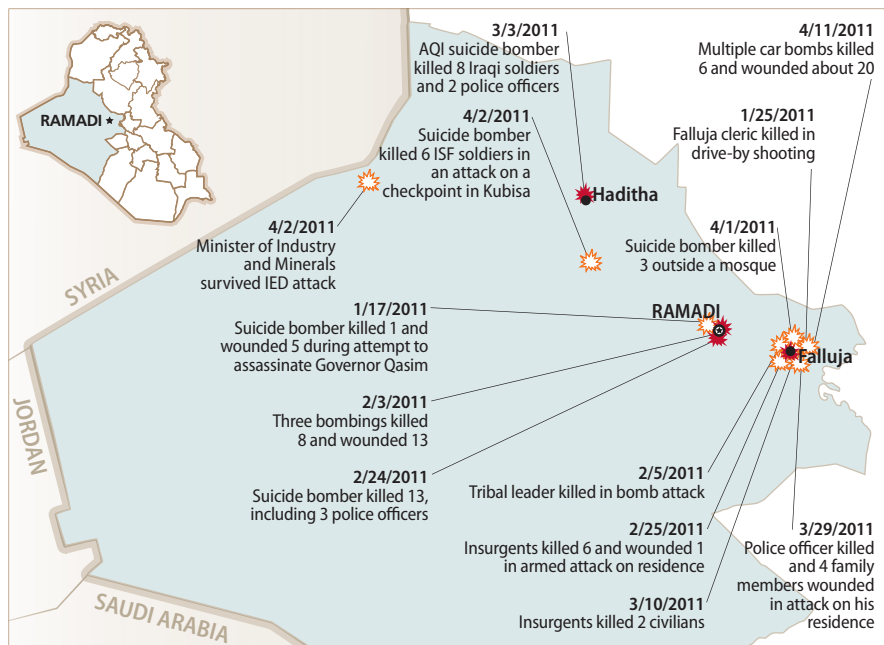
The uncertain security situation has taken a toll on many residents. One provincial government official noted, “Right now we are completely confused. We call the occupier our friend. My friend who sits beside me—I don’t know if he will blow himself up.” Another added, “We now have cell phones, we have money, most of us here have houses and jobs. But we lack security. We send our children to school and don’t know if they will come back. We ride in nice cars but we don’t know if someone will plant a sticky bomb on them.”<sup>278</sup>

In a series of April 2011 meetings, Anbari officials and citizens expressed to SIGIR an almost unanimous desire for continued U.S. military support to help maintain security in Iraq after the scheduled withdrawal of U.S. forces in December. Moreover, they reported that they seek expanded interaction with American businesses and diplomats.<sup>279</sup>

### Restructuring Anbar’s Police Officer Corps

When the U.S. military raced to train sufficient ISF in Anbar to stem the tide of the insurgency, they were unable to identify enough qualified officers willing to fill high-level positions in the police force. Necessity drove them to convey “honorary” rank to about 800 personnel who were, by default, performing the roles of more senior officers. Unfortunately, that resulted in “brigadier generals who can’t even read,” said newly appointed Police Chief Brigadier General Hadi. The

FIGURE 3.8  
SELECTED SECURITY INCIDENTS IN ANBAR, 1/1/2011–4/11/2011



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



Protesters burning down Falluja government center during February 2011 demonstration. (PRT photo)



U.S. Marine general and Governor Maamoun signing PIC documents. (DoD photo)

Ministry of Interior (MOI) is now stripping those who hold these positions of their inflated rank, resulting in the loss of about half of the provincial police’s senior officer corps (newly demoted policemen can still remain *shurta*, or rank-and-file police, at lower pay). Chief Hadi told SIGIR that he hopes to make up the balance by allowing Saddam-era officers from the rank of second lieutenant to major to return to the force once they pass vetting procedures being run by the Justice and Accountability Commission.<sup>280</sup>

Unhappiness with these terms could be a source of unrest in an already fragile security environment. The Deputy

Chairman of the Provincial Council, Sadoun al-Jumayli, noted that, “because these officers know it is a fake rank, they are now stealing as much as they can, causing corruption to increase. They are also derelict in their duties because they do not have the right experience to hold these high ranks.”<sup>281</sup> The MOI inspector general (IG) is aware of these issues and remarked that, given Anbar’s overwhelmingly Sunni population, replacement officers will likely be Sunnis. The MOI IG added that any attempt to use the righting of this problem to purge Sunnis from the police force will be closely monitored by his office.<sup>282</sup>



ISF forces cordon off recent protest in Falluja. (Radio Falluja photo)

## Governance

### Provincial Governments

Because Anbar’s population is almost exclusively Sunni Arab, its elections have been free of the sectarian strife that has defined political competition in more diverse provinces, such as Diyala, Tameem, and Baghdad. However, most Sunni Arabs boycotted Iraq’s first provincial elections in 2005, with only about 4,000 Anbar voters casting ballots. This changed dramatically in the next round of provincial elections, conducted in January 2009. Then, more than 300,000 Anbaris voted, and seven parties won at least two seats. The party headed by Awakening leader Sheik Abu Risha led the way, garnering eight seats and winning a plurality on the 27-seat council. Figure 3.9 compares the results of the 2005 and 2009 provincial elections.<sup>283</sup>

Since the end of Ba’athist rule, Anbar has had five provincial governors, all of whom have operated in the shadow of credible threats against their lives and the lives of their families. The first governor resigned in July 2004 after the kidnapping of four of his children. He was replaced by an interim governor until the newly elected Provincial Council appointed Raja Nawaf Farhan al-Mahalawi as governor in January 2005. Five months later, al-Mahalawi

was kidnapped and killed by insurgent forces. His replacement, Maamoun Sami Rashid al-Awani, survived more than two dozen assassination attempts and completed his term. He was replaced by Qasim Mohamad Abid Hammadi al-Fahadawi after the January 2009 provincial elections. Governor Qasim, in turn, has survived at least four attempts on his life, including a massive bombing in December 2009 that severely injured him and another car bombing in January 2011 that wounded several members of his staff.<sup>284</sup>

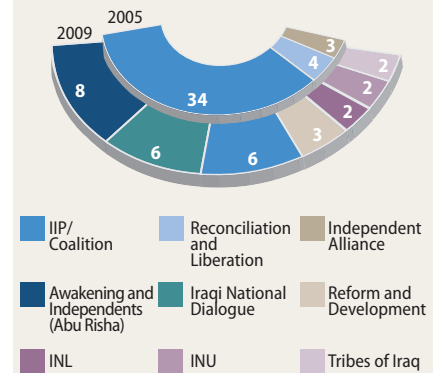
### Representation in Baghdad

In Baghdad, Anbar is currently represented by 14 members on the Council of Representatives: 11 from former Prime Minister Ayad Allawi’s al-Iraqiya bloc, 2 from the Iraqi Accord bloc, and 1 from the Iraqi Unity Alliance.<sup>285</sup> Sheik Abu Risha stated that the province’s overwhelming support for the Shia former Prime Minister demonstrates that Anbar’s Sunnis are willing to support Shia candidates “as long as they are Iraqis who love the country.”<sup>286</sup>

### Protests: An Incentive For Improved Governance

This quarter, large demonstrations in Ramadi and Falluja demanded Governor Qasim’s resignation. In response to the protesters’ demands for better public

FIGURE 3.9  
ANBAR PROVINCIAL ELECTION RESULTS



Note: The IIP, which controlled the Provincial Council after the 2005 provincial election, allied with several smaller parties to form the Coalition of Intellectuals and Tribes to contest the 2009 elections. The number of seats on all Provincial Councils was adjusted in the run-up to the 2009 vote, with Anbar losing 12 seats.

Sources: UNAMI, “Elections Results,” Issue No. 30, 2/2009; GOI, IHEC, SIGIR translation, [www.ihec.iq/arabic](http://www.ihec.iq/arabic), accessed 2/22/2009.

services, more jobs, and less corruption, Anbar’s government has formed several committees comprising concerned citizens to work with provincial officials to oversee contracting efforts and provide greater transparency.<sup>287</sup>

In recent meetings with SIGIR, Anbari officials were quick to point out that the demonstrations sweeping the Middle East and North Africa are generally driven by people throwing off decades of oppression. “We don’t have that oppression here in Anbar. We have democracy—elections every four years, where the people get to elect their leaders. What they are protesting here is the shortage of essential services,” recounted Governor Qasim.<sup>288</sup>

### Ramadi: A City Largely in Ruins

The provincial capital of Ramadi was the scene of several years of heavy fighting between Coalition and insurgent forces. Dilapidated, rubble-strewn, half-heartedly repaired, and largely abandoned, it remains one of the most devastated cities in contemporary Iraq. The markets are shuttered, and graffiti and debris line the major roadways. Investors—both Iraqi and foreign—have largely avoided



Area surrounding government buildings in Ramadi.

Ramadi, and police officials told SIGIR that until investment improves the lives of Ramadi's residents, the recent security gains will remain tenuous.<sup>289</sup>

### Governor Qasim and Sheik Abu Risha on Anbar's Future

Two prominent political leaders in Anbar have expressed a strong desire for some form of continued U.S. military presence in Iraq beyond 2011, emphasizing the need to support the still-immature ISF and guard against regional powers interfering in Iraq's domestic affairs:

- **Governor Qasim.** "Iraq is not able to secure its borders, not able to secure its cities. I am personally trying, talking to government officials in Baghdad. We have no choice; we should say the facts. If we lose security, we lose everything. I hope the Americans will not leave at the end of your time. All we are talking about will be lost."<sup>290</sup>
- **Sheik Abu Risha.** "If you stay, no one will ask you to leave. If you leave, we want you to continue to protect us. So continue your presence in one way or another."<sup>291</sup>

### Budgeting for the Future

There is near-universal agreement among Anbar officials that anticipated growth in the 2011 provincial budget will help maintain stability once U.S. troops depart at year's end. Governor Qasim's adversaries on the Provincial Council are maintaining relationships with him, as they must cooperate to get this money. The 2011 budget will be dramatically larger for three reasons:<sup>292</sup>



Governor Qasim and Deputy Governor Fu'ad meet with SIGIR officials.

- The Iraq Budget Law of 2011—shepherded through the CoR by the new Minister of Finance Rafi al-Eissawi, a native of Falluja—gives Anbar 100% of customs charges levied in the province, as opposed to the 2010 Budget Law that allowed for the retention of just 5% of such fees.
- Unspent provincial funds from 2008 and 2009 will be rolled over to 2011.
- About \$650 million that was not spent on electricity projects in Anbar will be included in the 2011 budget.

According to one Provincial Council member, the priority for 2011 will be improving essential services, whereas the priorities in 2009 and 2010 budgets were finishing old projects. "Everyone thinks this money is coming; there are huge expectations," said one Anbar Provincial Reconstruction Team (PRT) official. "The governor has promised 12 hours of power for residential customers by July 1," as opposed to the 5 hours per day they currently receive. The provincial government is also planning to build major water treatment plants in Ramadi, Heet, and Haditha.

### Economic Development

#### Natural Advantages

Despite its arid landscape and small population, Anbar possesses distinct advantages that could allow it to reap significant economic benefits from the improved security environment and investment climate. Encompassing most of Iraq's major western trade routes, Anbar is



Sheik Ahmad Abu Risha meets with SIGIR Deputy Inspector General.

well positioned to benefit from increased economic ties with the bordering countries of Jordan, Syria, and Saudi Arabia. Anbar is also home to many of the once-lush tourist complexes surrounding Lake Habbaniyah and Lake Tharthar, whose proximity to Baghdad made them a popular destination for Iraqis in more peaceful times. Indicative of its former prominence, Habbaniyah Tourist Village won the 1986 Gold Cup for best tourist city from the World Tourism Organization.<sup>293</sup> Currently, the Anbar Investment Commission (AIC) is considering a variety of plans to refurbish the hotels, parks, and recreational facilities serving eastern Anbar's major lakes.<sup>294</sup>

Anbar's natural resources also provide a potential foundation for prosperity. The province contains significant deposits of industrially useful minerals, such as gypsum, dolomite, phosphate, and silica.<sup>295</sup> The particular type of silica found in Anbar is especially useful in making high-quality glass products.<sup>296</sup>

Anbar also may contain extensive, as-yet-untapped oil and gas fields.<sup>297</sup> Largely unexplored, no accurate comprehensive estimates exist as to the amount of oil and gas lying beneath Anbar's deserts. With significant fields easily accessible in the Kurdish north and the Shia south, Iraq's Sunni west has been neglected by the central government and international firms. To remedy this, the Ministry of Oil has announced that it intends to include additional sites in Anbar province in an auction of exploration blocks, scheduled to be held later this year. This auction would open up unexplored regions of Iraq



Anbar PRT officials visit an outdoor market. (PRT photo)

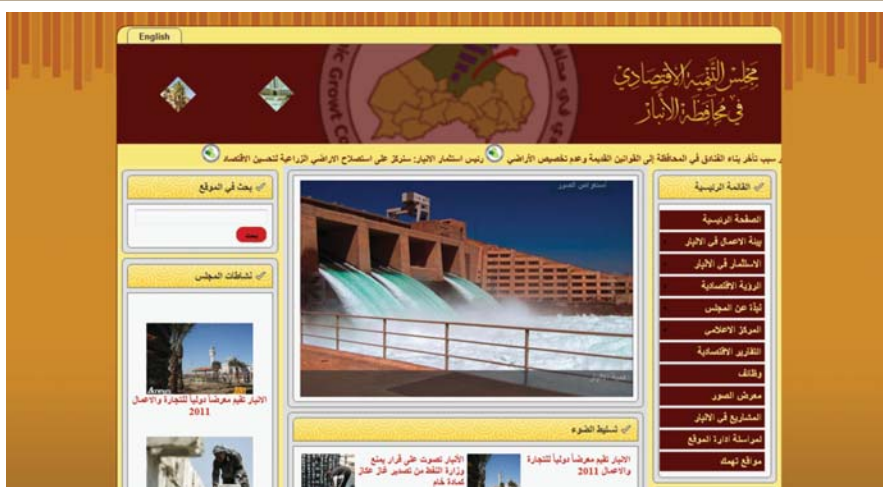
to international oil companies to search for new oil and natural gas deposits. One such gas deposit is the Akkas non-associated natural gas field. Located near the Syrian border, Akkas is estimated to hold about 5.6 trillion cubic feet of gas. In October 2010, a consortium led by Korea Gas Corporation and Kazakhstan's national KazMunaiGas National Company won the right to develop Anbar's Akkas gas field. However, Anbar officials, led by Governor Qasim, immediately protested the potential deal on the grounds that Baghdad may prefer to export the gas extracted from Akkas to the lucrative European market instead of using those reserves to meet Anbar's energy needs.

In late February, it appeared that initial objections to the deal had been overcome and that the consortium would soon sign a final contract with the GOI. But on February 24, Ministry of Oil officials announced that the signing was postponed indefinitely because Anbar officials wanted greater control over how the revenue would be spent, as well as promises of additional jobs for Anbaris.<sup>298</sup>

### Anbar Investment Commission's Plans

Created in November 2008 to encourage domestic and foreign investment in the province, the AIC has issued licenses for 40 projects, including 13 in the housing sector, 9 in the industrial sector, 7 tourism projects, 6 projects in the commercial sector, and 5 in other sectors. Of these, the AIC reports that only 13 have begun. Examples of projects that have started include:<sup>299</sup>

- amusement parks in Ramadi, Falluja, and Heet



Anbar Economic Growth Council website (<http://www.egc-anbar.com/>).

- three residential housing complexes and a hotel in Ramadi
- factories for making plastics and animal feed
- a new medical complex in Ramadi

In the coming years, the AIC plans to emphasize agricultural redevelopment projects, while continuing to encourage investment in the tourism and housing sectors. Anbari officials and businessmen also emphasized the need for more banks to open outposts in the province, noting that the lack of access to financial institutions contributes greatly to Anbar's under development.<sup>300</sup>

The Anbar provincial government also recently formed the Anbar Economic Growth Council to encourage investment.<sup>301</sup> This body is intended to provide foreign investors with an easily accessible source for information on business opportunities in the province.

### Minimal Foreign Investment

Deterred by the unsettled security situation, foreign companies have been reluctant to invest in Anbar province. According to one study, projects based in Anbar accounted for less than 1% of all foreign money invested in Iraq between 2003 and 2009.<sup>302</sup> But improved security appears to be luring some foreign investors to Anbar. This quarter, a delegation

of companies from the People's Republic of China visited Anbar to discuss investment opportunities, focusing on potentially refurbishing the large, but archaic, cement production facilities at al-Qaim in the province's far northwest.<sup>303</sup>

### State-owned Enterprises: A Case Study

As of December 2010, 5 state-owned enterprises (SOEs) were operating in Anbar province—most at suboptimal levels, relying on old equipment and inefficient management techniques. One example is the Anbar Ceramics Factory. Located in Ramadi, this factory produces wall tiles, floor tiles, and fixtures for health care facilities. Before 2003, the factory employed 700 people and three assembly lines. In 2005, after two years of irregular operations, it closed because of concerns about the security situation.

In 2007, the factory re-opened after the embedded Provincial Reconstruction Team (ePRT) and the Task Force for Business and Stability Operations (TFBSO) installed Italian-made ceramics machines and provided \$930,000 worth of training to its employees. As of December 2010, the factory employed 640 personnel, operated at 30% capacity, and concentrated on producing toilets and sinks using the Italian equipment. The Ministry of Industry and Minerals



Iraqi men prepare fruit trays for a bridge-opening ceremony in Anbar province. (DoD photo)

does not provide support to the factory, however, and factory managers informed SIGIR officials that they will need assistance from private investors to improve plant performance.<sup>304</sup>

### Agriculture

About 25% of Anbaris with jobs are employed in the agricultural sector, working on farms that grow the province's main crops: wheat, potatoes, barley, and vegetables. But severe droughts in 2009 and 2010 adversely affected production, and yields for 2011 remain uncertain. Anbar averages about 115 millimeters (mm) of annual rainfall. This places it on a par with Las Vegas—which gets approximately 114 mm per year—and well below the average annual rainfall in Baghdad (155 mm) and Basrah (149 mm), making its agricultural sector especially vulnerable.<sup>305</sup> As Iraq's upstream neighbors continue to construct dams on waterways crucial to irrigating Anbar's fields, the province's farms may face increasing difficulties in coming years.

### Electricity

Power shortages remain a severe problem in the province. According to a 2009 RAND study, all of the 1,200 Anbar households surveyed experienced either daily power cutoffs or stated that their electricity is off more than it is on.<sup>306</sup>

According to the Ministry of Electricity (MOE), the supply-demand situation in Anbar is on par with the national average. Estimated demand for electricity in the province averages 474 megawatts



U.S. soldier patrols agricultural region in eastern Anbar province. (DoD photo)

(MW), but the load served is just more than half that amount—255 MW.<sup>307</sup> In a December meeting with SIGIR, Anbar's Director General for Electricity Distribution, a representative of the MOE, stated that the province requires 900 MW to meet demand, but receives only about 120 MW. He also stated that Anbar's electricity infrastructure receives inadequate funding from both the national and provincial governments, citing an 80% shortfall in needed funds. According to the Director General, the province requires approximately 400 more transformers. Anbar PRT officials stated to SIGIR that they had provided 186 transformers to the Anbar provincial government along with transmission lines for two substations. PRT officials further stated that the central government had provided only 7 transformers, as of December 2010.<sup>308</sup>

As part of its plan to expand generating capacity throughout the country over the next five years, the MOE intends to locate one of the GE "Mega Deal" power plants, with a capacity of 250 MW, in Anbar. Three other plants, at various stages of consideration or planning, could add 120 MW to 1,250 MW more during this period, depending on if and when they are built.<sup>309</sup>

### Corruption

In the first nine months of 2010, the Commission of Integrity's (COI) Anbar field office obtained arrest warrants against 125 GOI officials on charges of corruption, serving 52 of them and detaining 26 suspects. But prosecuting these cases to their conclusion remains



Anbari widow receives donated food and toys. (PRT photo)

as difficult in Anbar as it does in the rest of Iraq. The COI was only able to obtain three corruption convictions against Anbari officials during the first nine months of 2010.<sup>310</sup>

### Living Conditions

#### Unemployment

The UN estimates Anbar's unemployment rate at about 14%, somewhat lower than its estimated national average of 18% and significantly lower than USAID's national estimate of 28%–38%.<sup>311</sup> According to the UN, however, more than 50% of all jobs in the province are "unwaged," with two-thirds of such positions found in the agricultural sector.<sup>312</sup>

#### Health Care

Anbar suffers from a shortage of medical professionals and health care facilities. As of late 2010, the AIC reported that 11 hospitals and 13 main health care centers were operating in the province. These facilities were staffed by approximately 550 doctors, 850 nurses, and 160 pharmacists.<sup>313</sup> Anbar's ratio of approximately 1 doctor for every 2,700 citizens places it on par with Nicaragua and Burma, near the bottom of all developing nations.<sup>314</sup>

Notwithstanding its dearth of medical personnel, Anbar slightly exceeds Iraq's national average in other health care indicators, as measured by the UN's Millennium Development Goals. For example, Anbar's under-five mortality rate per 1,000 live births is somewhat lower than the national average (30.0 versus 41.1), while



the percentage of one-year-old children immunized against measles is slightly higher (85% versus 81%). More than 25% of the province’s children, however, are considered “chronically malnourished.”<sup>315</sup>

**Education**

Anbar is home to two public universities, one private college, and more than 1,500 other educational institutions. Together they employ about 35,000 staff to serve approximately 650,000 students.<sup>316</sup>

**Internally Displaced Persons**

More than 50,000 residents of Falluja and Ramadi fled their homes in the aftermath of the February 2006 Samarra mosque bombing. As the security situation has improved, many internally displaced persons (IDPs) have returned home only to find inadequate services to support their families. Ramadi, for example, hosts a large number of returned IDPs in temporary settlements rife with poverty and shortages. Of those returning IDPs polled by the UN, 97% cited food as their primary need, 81% required shelter, and 75% were in need of a job.<sup>317</sup>

**U.S. Reconstruction Initiatives**

Since 2003, the U.S. government has spent more than \$2 billion on reconstruction programs and projects in Anbar province, including funding a *Financial Times*-affiliated magazine supplement naming Governor Qasim as a “Global Personality of the Year.”<sup>318</sup> On a per capita basis, the United States has spent more money in Anbar than in any of Iraq’s 17 other provinces—about \$1,355 per resident. Figure 3.10 shows U.S. expenditures in Anbar province, by project category and fund.

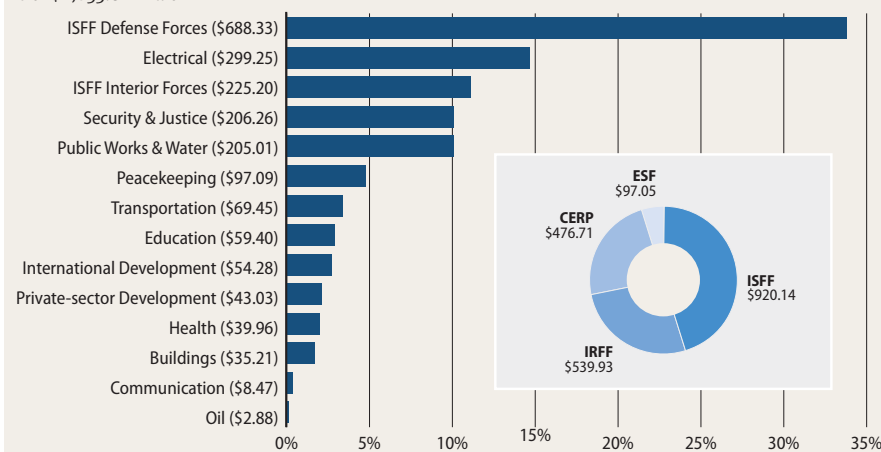
**U.S. Army Corps of Engineers**

Examples of recently completed projects by the U.S. Army Corps of Engineers (USACE) include:<sup>319</sup>

FIGURE 3.10

**U.S.-FUNDED INFRASTRUCTURE PROJECTS IN ANBAR PROVINCE, BY CATEGORY AND FUND**

% of \$2,033.82 Million



Note: Numbers affected by rounding.

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

- a \$21.9 million Iraq Security Forces Fund project to construct an ISF command facility at Habbaniyah, former site of a World War II-era British aerodrome—completed in September 2010
- a \$5 million Economic Support Fund (ESF) project to renovate buildings associated with a hospital complex in Haditha—completed in April 2010

Ongoing projects being managed by USACE include building 64 kilometers of border roads, enhancing the facilities at a Saddam-era airbase in western Anbar, and constructing a vehicle maintenance warehouse in Ramadi. These projects are scheduled to be completed by the end of the year.<sup>320</sup>

**Iraq Strategic Partnership Office’s Ongoing Projects**

This quarter, DoS’s Iraq Strategic Partnership Office (ISPO) reported on three ongoing projects in Anbar province:<sup>321</sup>

- **Hussaiba 33/11-kV substation.** This \$2.4 million ESF project is currently in its final stages.
- **Ramadi 132-kV substation.** This \$29.2 million IRRF project is undergoing final tests before being

commissioned and transferred to the MOE.

- **Al Anbar University accreditation program.** The objective of this \$2.5 million ESF program is to attain American Board of Engineering and Technology accreditation for the university. If successful, it would be the first Iraqi school so accredited. The first phase of this project is complete, and the second phase is expected to commence later this year.

**USAID Activities in Anbar Province**

To date, USAID’s *Tijara* program has facilitated 13,034 microfinance loans in Anbar province for a total of \$27.7 million and helped disburse 133 small- and medium-enterprise (SME) loans through the Bank of Baghdad and North Bank for a total of \$3.41 million. The majority of SME loans funded businesses in the trade and agricultural sectors.<sup>322</sup>

USAID’s *Inma* agricultural-development program has several ongoing initiatives in Anbar province, including projects aimed at increasing the capacities of:<sup>323</sup>

- livestock feedlots
- forage sites
- fruit and vegetable packing facilities
- orchards and vineyards

- potato, mushroom, and strawberry fields

In addition to these programs, *Inma* also provides training to Anbari farmers at its nine Field-Based Learning Centers and supports industry roundtables that bring farmers together with vendors, wholesalers, and marketers.<sup>324</sup>

USAID was also active in other sectors, supporting the 2009 provincial elections and the 2010 national elections, providing employment opportunities for Anbari youth, and working with local civil-society organizations. Moreover, as part of the overall U.S. counterinsurgency effort, USAID’s Community Stabilization Program (CSP) began operating in Anbar in November 2006, concluding operations there in March 2009. During that period, the program issued 940 grants totaling \$6.1 million. Some of the most notable CSP projects included the establishment of educational training centers and the Ramadi Public Library.<sup>325</sup>

**Anbar Provincial Reconstruction Team**

Established in 2006, the Anbar Provincial Reconstruction Team (PRT) is scheduled to cease operations in September 2011. As of March 1, PRT Anbar had 32 projects left to complete, including projects in the water, transportation, education, and sewage treatment sectors. Tables 3.5, 3.6, and 3.7 summarize the completed and ongoing work of the Anbar PRT.<sup>326</sup>

The Anbar PRT has the most seamless coordination between civilian and military components of any visited by SIGIR in the past four years. For example, CERP funds here are executed and managed by the PRT in coordination with seven PRT staff provided by the military. Moreover, some team members have spent 3–5 years in the same location. There are also several U.S. military and civilian personnel embedded with provincial government officials at their offices. According to PRT officials, all

TABLE 3.5  
ANBAR PRT ACTIVITIES

Objective 1: Build the capacity of Anbar’s provincial government.		
SECTORS	COMPLETED	IN EXECUTION PHASE
Water supply, treatment, and distribution	183	14
Sanitary wastewater treatment	1	4
Sewers	10	8
Transportation	2	2
Electricity	13	5
Safety and security	1	2
Education	0	1
Objective 2: Support GOI activities to sustain essential services.		
SECTORS	COMPLETED	IN EXECUTION PHASE
Initiatives in Water, Sewer, Power & Transportation	N/A	N/A
Economic development, governance, agriculture & rule of law	183	7
Education	0	1
Objective 3: Mentor and advise GOI officials to promote long-term essential services solutions for all Anbaris.		
<b>Activities include:</b> Conducting planning and strategy meetings with all technical directorates and mentoring both provincial and national government staff members.		

recent CERP projects and nearly all Quick Response Fund projects receive about 50% of their financing from Iraqi sources. In addition, these projects have Iraqi support from the start since they originate with local communities, non-governmental organizations, or provincial government officials.

**Anbari Perceptions of U.S. Reconstruction Effort**

Notwithstanding this substantial expenditure of U.S. funds, many Anbaris lament that these projects have not led to tangible improvements in their lives—often contrasting the United States unfavorably with Iraq’s former colonial masters, the British. However, most Anbari officials expressed gratitude to SIGIR for the U.S. expenditure in blood and treasure, noting that U.S.-created institutions of democratic governance democracy appear to have taken root in Anbar, with popular discontent increasingly channeled through non-violent channels.<sup>327</sup>

In a recent meeting with SIGIR officials, Governor Qasim compared the U.S. rebuilding program with projects built by the British during the first half of the twentieth century, declaring “What have the Americans built in Anbar? The British left a legacy in 1958—the Americans will not leave a physical legacy in Anbar.”<sup>328</sup> The Governor cited a railway, bridge, and the University of Baghdad as major British contributions that have left a lasting legacy in Iraq. By comparison, the Ramadi library is the most visible U.S. project in Anbar.<sup>329</sup> PRT officials later noted that the United States intentionally did not brand its projects because of security concerns and a desire to build support for the provincial government among the local populace.<sup>330</sup> Consequently, U.S. officials point out, many local residents may be unaware of the size and scope of the U.S. commitment to Anbar since 2003.

The Director General for Water in Anbar province stated that, before the chaos

TABLE 3.6  
ANBAR PRT, REMAINING PROJECTS,  
3/2011–7/2011

	PROJECTS LEFT	VALUE
March	8	\$2,490,075
April	9	\$2,688,599
June	11	\$3,267,636
July	4	\$4,693,496

TABLE 3.7  
ANBAR PRT TOTAL SPENDING  
FY 2010

Commander's Emergency Response Program (CERP)	\$57 million
Quick Response Fund (QRF)	\$7 million
Provincial Reconstruction Development Committee	\$5 million
<b>Total</b>	<b>\$69 million</b>

of 2003, there were laws; people did not illegally tap into water lines. But he also conceded that prior to 2003, there was not a single water treatment plant in the villages. Today, “there is not a single village without water treatment.” In commenting on the inherent messiness of democracy, he stated that he “now has more sheiks in his office than employees,” and they all have unrealistic demands about what he can provide to them. He added that all the U.S. money and projects have “spoiled them rotten,” adding that he cannot keep up with those demands.<sup>331</sup>

### SIGIR Oversight

Since 2004, SIGIR has published 17 reports on U.S.-funded programs and projects in Anbar province, including the Falluja Wastewater Treatment Plant, the Anbar Rule of Law Complex, and the 132-kV substation in Ramadi. Table 3.8 summarizes SIGIR’s oversight findings, and the following provide further details:

- **Falluja Waste Water Treatment Plant.** Begun in 2004, construction of the system has been subject to multiple delays due to security problems and



U.S.-funded library in Ramadi. (PRT photo)

a lack of local skilled labor. Funded by the Development Fund for Iraq, IRRF, and CERP, the project was originally supposed to cost \$32.5 million, be completed in 18 months (January 2006) by one contractor, and serve all homes in Falluja. However, a series of SIGIR inspections found that it will ultimately cost about \$98 million, under at least 46 separate contracts, and serve only 38% of Falluja’s homes. In an April 2011



follow-up visit to the facility, SIGIR learned that while complete, the plant is still not serving a single Falluja resident. Its future remains contingent on finding enough qualified engineers to operate the facility. Moreover, it will still be several months before there are enough homes hooked up to provide the sewage necessary to run the plant, but this will occur only if the plant is connected to the main power grid or receives enough fuel to run the temporary generators.

- **Anbar Rule of Law Complex.** This \$21.4 million project was funded from the IRRF, ISFF, and Iraq Interim

Government Fund. The objective was to design and construct a secure facility for Iraqi criminal justice officials



operating in Anbar province. SIGIR’s assessment of the complex did not find

any significant deficiencies, concluding that the project provided three separate courthouses for judges to hear cases, a pre-trial detention facility, and training and office facilities.

- **Ramadi 132-kV substation.** The objective of this unfinished \$29 million, IRRF-funded project was to provide a fully functional substation compat-



ible with the MOE’s transmission system. SIGIR’s review determined

that construction work associated with the substation appeared to meet the standards of the contract; however, the inspection provided recommendations for improvements in the contractor’s quality-control systems. ♦

**TABLE 3.8**  
**SIGIR OVERSIGHT IN ANBAR PROVINCE**

ASSESSMENT NUMBER	PROJECT NAME	PROJECT FUNDING	CONTRACTOR	MET CONTRACT SPECS
SIGIR PA-08-144	Falluja Waste Water Treatment Plant	\$83,297,392 (IRRF)	Fluor/AMEC	No
SIGIR PA-08-153	Ramadi 132-kV Substation	\$28,789,029 (IRRF)	Symbion-Ozdil-Al Namarq Joint Venture	Yes
SIGIR PA-08-152	Anbar Rule of Law/Judicial Complex	\$21,461,905 (IRRF, ISFF, IIGF)	ALMCO Limited	Yes
SIGIR PA-08-146	Falluja Waste Water Treatment Plant, Pump Station 1 and 2	\$7,223,472 (CERP)	Local	No
SIGIR PA-09-191	Al-Qaim 33/11kV Electrical Mobile Substation	\$6,460,630 (ESF)	Local	No
SIGIR PA-08-132	Haditha General Hospital	\$5,033,791 (ESF)	Local	Yes
SIGIR PA-09-172	Abu Ghraib Dairy	\$3,400,000 (IFF)	State Company for Dairy Products	No
SIGIR PA-08-145	Falluja Waste Water Treatment Plant, Area A Construction and Repair	\$2,906,420 (IRRF)	Local	No
SIGIR PA-08-148	Falluja Waste Water Treatment Plant, Earthwork for the Treatment Plant	\$2,768,877 (DFI)	Local	No
SIGIR PA-08-147	Falluja Waste Water Treatment Plant, Force Main for the Falluja Sewer	\$1,803,949 (DFI)	Local	No
SIGIR PA-09-170	Mujarrah Canal Bridge	\$1,261,500 (CERP)	Local	Yes
SIGIR PA-09-192	Haditha Dam Perimeter Security	\$997,500 (ESF)	Local	No
SIGIR PA-08-134	Haditha Primary Health Care Center	\$537,780 (IRRF)	Parsons/Local	No
SIGIR PA-08-133	Heet Primary Health Care Center	\$412,130 (IRRF)	Parsons/Local	No
SIGIR PA-08-140	Rebuilding of the Sagrah School	\$399,050 (CERP)	Local	Yes
SIGIR PA-08-142	Refurbishment of the Al Shurhabil School	\$268,000 (CERP)	Local	Yes
SIGIR PA-08-141	Refurbishment of Al Iqitadar School (RAWG)	\$200,000 (CERP)	Local	Yes

# DEVELOPMENTS IN IRAQ

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SECTION

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4

## GOVERNANCE

In the coming months, the Government of Iraq (GOI) will have to work to resolve a series of inter-related issues, including inadequate public services and persistent corruption, that caused Iraqi citizens to take to the streets in protest this quarter. The GOI's ability to adequately and aggressively address these challenges will substantially affect the sustainability of democratic governance in Iraq. In February, Prime Minister Nuri al-Maliki underscored the importance of quick action on these issues when he stated that he will be evaluating his government's performance over the next 100 days and will consider replacing officials who have not demonstrated sufficient progress.<sup>332</sup>

### Government Formation

This quarter, the GOI continued to take shape as more members of Iraq's Council of Ministers (CoM) were named and the Council of Representatives (CoR) passed its first laws of the session. But as of April 21, 2011, 3 positions in the 42-person cabinet remained in the hands of caretaker "acting" ministers, including the crucial security portfolios of Defense and Interior, which are now held on a temporary basis by Prime Minister al-Maliki. The posts awaiting permanent occupants are:<sup>333</sup>

- Minister of Defense
- Minister of Interior
- Minister for National Security

Until these ministerial positions are filled, it would be premature to declare an end to the government formation process.<sup>334</sup> Figure 4.1 compares the aftermath of the 2005 national elections with that of the 2010 elections.

### Recent Appointments

In early April, the CoR confirmed Ali Yousif al-Shukrie as the new Minister of Planning. Al-Shukrie, the dean of a law school in southern Iraq, is a member of the Independent Bloc, a political grouping loyal to Shia cleric Muqtada al-Sadr. He replaces Ali Ghalib Baban, an independent. Minister of Planning is a particularly significant post because its holder plays a key role in determining the future course of Iraq's reconstruction and economic development.<sup>335</sup>

Figure 4.2 shows the composition of the GOI as of April 21, 2011.

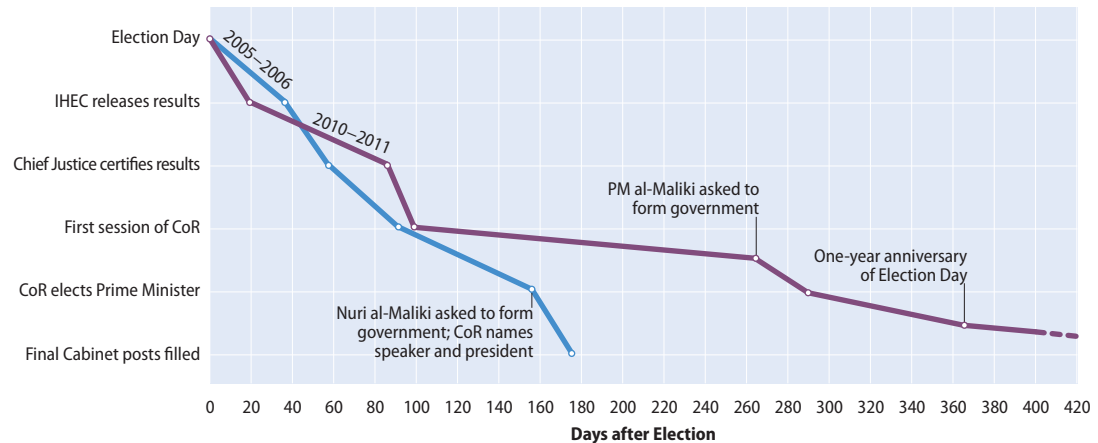
### National Council for Higher Policies

Initially intended to help break an eight-month, post-election political deadlock, the proposed National Council for Higher Policies (NCHP) was viewed by many observers as a consolation prize for former Prime Minister Ayad Allawi—whose al-Iraqiya bloc had won more seats in the CoR last year than the Prime Minister's State of Law Coalition (91 to 89 seats).<sup>336</sup> A draft law pending before the CoR describes the NCHP as a body of 20 members, representing all major political blocs and the Higher Judicial Council (HJC), with the authority to bind the prime minister to follow its decision on a matter if 16 members agree. But this bill has not yet garnered sufficient support to become law.<sup>337</sup>

In late 2010, Allawi agreed to serve as chairman of the NCHP on the condition that he would have a say in setting security, economic, and diplomatic policies. In February, apparently dissatisfied with the ill-defined nature of the body's powers, Allawi announced that he would not lead the NCHP. He emphasized, however, that his decision did not amount to a complete withdrawal from political life. Allawi also expressed a reluctance to accept the chairmanship unless he was confirmed by the

Apparently dissatisfied with the ill-defined nature of the body's powers, Allawi announced that he would not lead the NCHP.

FIGURE 4.1  
GOVERNMENT FORMATION: 2005–2006 VS. 2010–2011



Note: As of 4/10/2011.

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

CoR, which he believed would provide this new and untested body with a modicum of democratic legitimacy. But the prime minister and the CoM held fast to their interpretation that this position is an appointment that is not subject to a confirmation vote in the CoR. Allawi's decision leaves the ultimate fate of the NCHP uncertain.<sup>338</sup>

### CoR Committees

Similar to their congressional analogues in the United States, CoR committees have the authority to revise bills in their respective areas of competency, obtain documents from GOI agencies for investigative purposes, and call government officials before them to respond to questions—a power that they have made increasing use of in recent months. This quarter, CoR members chose the chair and other members of most of the CoR's 26 standing committees.<sup>339</sup> Figure 4.3 displays the political affiliation of the current heads of the CoR's standing committees.

Several CoR committees took action this quarter on variety of pressing issues, including:<sup>340</sup>

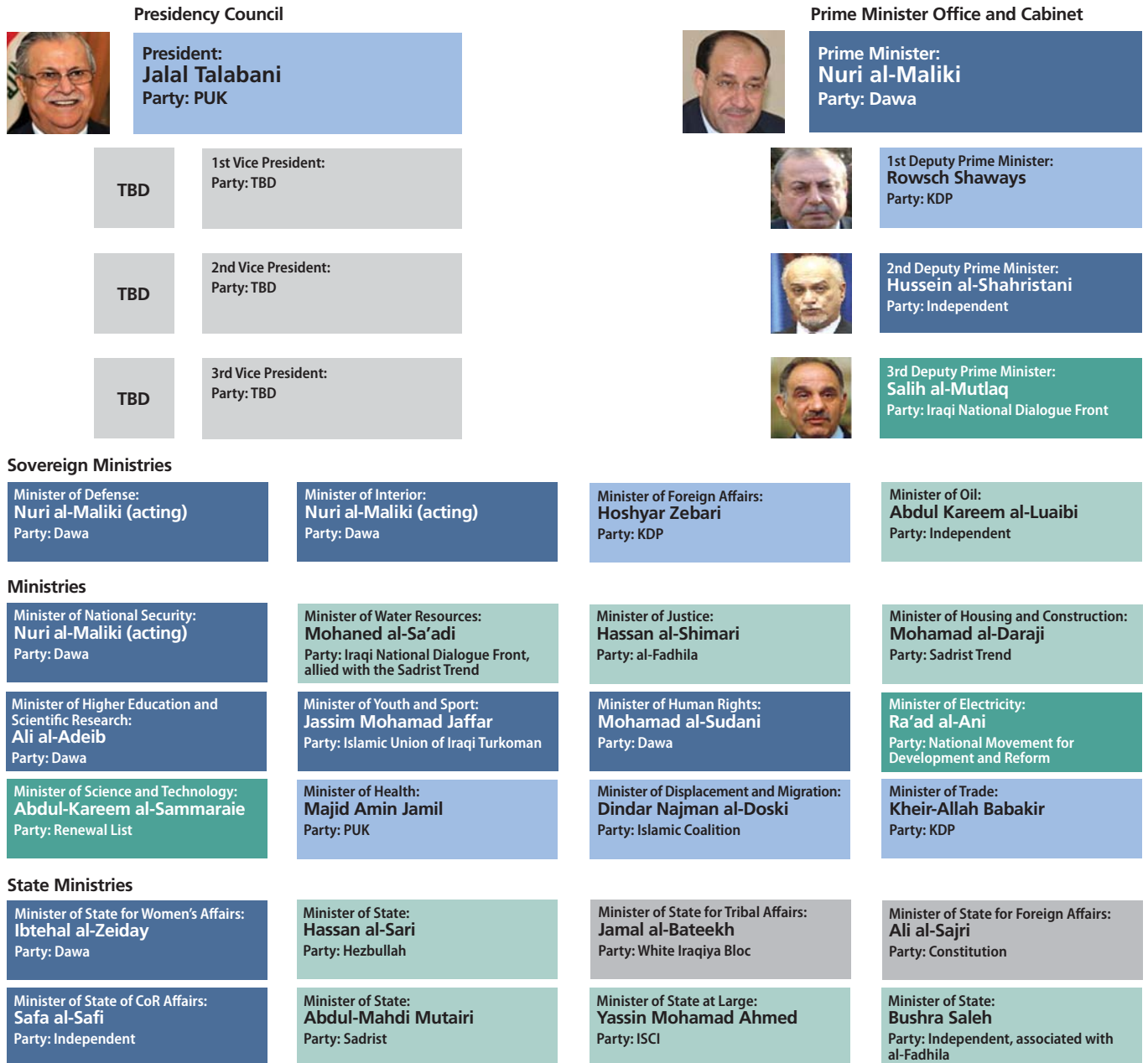
- **Defense.** In February, the Security and Defense Committee questioned three high-ranking Iraqi Security Forces (ISF) officers about the security situation in Baghdad, focusing on the recent

spate of assassinations targeting GOI civilian and military officials.

- **Prisoner Abuse.** The Committee on Human Rights dispatched a delegation to Baghdad's Sharaf Detention Center to investigate allegations of prisoner abuse. The committee found reports of mistreatment by guards to be largely true. In mid-March, the Ministry of Justice, which administers the facility, announced the jail's closure on the grounds personnel had engaged in systematic human rights abuses.
- **Public Protests.** The CoR formed a special committee to investigate the underlying causes behind demonstrations held throughout Iraq this winter. This ad hoc body also plans to examine charges that security officials used excessive force to disperse demonstrations.
- **Misappropriation.** In March, the Economic, Investment, and Reconstruction Committee announced that it would examine commercial contracts signed by the Ministry of Trade. Committee representatives stated that they took this action in an effort to reduce the rampant corruption that has adversely affected administration of the Public Distribution System, the ration card system that entitles most Iraqi citizens to a basic basket of food products each month.

# DEVELOPMENTS IN IRAQ

FIGURE 4.2  
GOVERNMENT OF IRAQ, AS OF 4/21/2011



**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

National Council for Higher Policies

TBD

NCHP Chairman:  
Party: TBD

TBD

1st Deputy:  
Party: TBD

TBD

2nd Deputy:  
Party: TBD

TBD

3rd Deputy:  
Party: TBD

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

Ministry 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 Culture:  
**Saadoun al-Dulaimi**  
Party: Constitution Party, associated  
with the INA

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

Minister of State for Civil Society Affairs:  
**Dakhil Qasem Hasoun**  
Party: KDP

Minister of State and Government  
Spokesman:  
**Ali Dabbagh**  
Party: Associated with Dawa

Minister of State of  
National Reconciliation Affairs:  
**Amer al-Khuza'ie**  
Party: Dawa

Minister of State:  
**Abdul Saheb Qahraman Issa**  
Party: KDP

Minister of State:  
**Diyah al-Asadi**  
Party: Sadrist Trend

Minister of State:  
**Salah al-Jabouri**  
Party: Iraqi National Dialogue Front

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

Note: Several of the minor party ministries often ally with the major blocs. Party affiliations shown in this figure do not necessarily represent final composition of cabinet.

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

FIGURE 4.3  
CoR COMMITTEE CHAIRS

Security & Defense Hassan Hamid Hassan Hadi al-Sineed	Integrity Bahaa Hussein Ali Kamal al-A'rajy	Oil & Energy Adnan Abdul-Mun'em Rashid al-Janaby	Finance
Agriculture, Water, and Marshes Hamed Mousa Ahmad Mousa al-Khudeiry	Legal Khaled Salam Sa'eed Shwani	Accountability & Justice Qays Shather Khamis Hussein	Foreign Relations Humam Baqer Abdul-Majid Hamoody
Labor & Social Affairs Yunadem Yousef Kanna Khoshaba (Rafidain)	Construction & Services Vian Dakhil Sa'eed Khudhur	Martyrs, Victims, and Political Prisoners Mohammad Kadhum Fayrouz al-Hindawi	Tourism & Antiquities Bakker Hama Sid'deeq Aaref Fattah (KIU)
Economic, Investment and Reconstruction Ahmad Suleiman Jamil Muthanna al-Alwani	Education Adel Fahad al-Shershab	Culture, Information, and Tourism and Antiquities Ali Fadhel Hussein Jawad Shilah	Tribes
Higher Education Abed Theyab Jazaa' Jum'aa al-Ajeily	Regions & Governorate Mohamad Kiyani Abdul-Rahman Hussein (Goran)	Religious Endowments and Religious Affairs Ali Hussein Ridha Haydar al-Allak	Women, Family and Children Intesar Ali Khudayer Mahmoud
Health & Environment Leqaa Jaa'far Murtadha Abdul Hussein al-Yasin	Human Rights Salim Abdullah Ahmad al-Juboury (Iraqi Accord Front)	Deportees, Immigrants, and Expatriates	Civil Society Organization Ali Muhsen Aasi Had'dal
		Youth & Sports Sa'eed Rasoul Hussein Rasoul Khoshnaw	Members Affairs & Parliamentary Development

Coalition Affiliation  
(at time of appointment)

National Alliance	The National Alliance comprises Prime Minister al-Maliki's State of Law bloc and the Iraqi National Alliance (ISCI and the Sadrist movement).
Kurdistani Alliance	The Kurdistan Alliance is a coalition of the two main Kurdish parties: the Patriotic Union of Kurdistan and the Kurdistan Democratic Party.
Al-Iraqiya	Al-Iraqiya is a largely secular, Sunni-dominated bloc led by former PM Ayad Allawi.
Other/Independent	Includes Goran, the Iraqi Accord Front, the Kurdistan Islamic Union (KIU), and Rafidain
N/A	Position not filled as of 4/20/2011

Sources: GOI, CoR, [www.Parliament.iq/dirrasd/2010/sort.pdf](http://www.Parliament.iq/dirrasd/2010/sort.pdf); GOI, CoR, information provided to SIGIR, 4/11/2011.

## Legislative Activity

The CoR passed three significant laws this quarter: a law expanding the number of vice presidents from two to three, the 2011 budget law (\$82.6 billion), and legislation repealing Article 136(b) of the Iraqi Criminal Procedure Code,

a provision that allows ministers to shield their employees from legal action. As of mid-April, the vice presidents had not been selected and the measure repealing Article 136(b) was awaiting the President's signature and publication in the Official Gazette. For details on Iraq's budget, see Section 2 of this Report.<sup>341</sup>

In the coming months, the CoR is expected to continue to work on legislation addressing:<sup>342</sup>

- **Economic Development.** Among the measures under consideration are the long-delayed package of hydrocarbon laws, revisions to Iraq's system of import tariffs, and legislation intended to simplify start-up enterprises' entry into the private sector.
- **The Future of Kirkuk and Its Environs.** Under Article 140 of the Iraqi Constitution, a referendum must be held as part of the process to determine control of these areas, which has long been disputed by the GOI and Kurdistan Regional Government (KRG). Little action has been taken to move this process forward.

Additionally, the CoR would have to ratify any changes that might be made to the U.S.-Iraq Security Agreement, which requires all U.S. military forces to leave Iraq by the end of this year.

### Legislative Process

According to a 2010 decision by the HJC, all new bills must be first proposed by the CoM or the President and then transmitted to the CoR for a vote. The CoM, under the leadership of the prime minister, effectively controls the CoR's agenda, acting as the gatekeeper for the entire legislative process. In mid-March, however, some CoR members announced that they will work to change the court's decision to allow CoR members to propose new laws without pre-approval from the CoM.<sup>343</sup>

### Resignations and Removals of Provincial Governors

Iraqi citizens conducted protests in several major urban centers this quarter, including Baghdad, Falluja, Mosul, Sulaymaniyah, Basrah, and Kut. The governors of Basrah and Babylon resigned shortly after the first signs of significant unrest in their provinces, while the governors of Tameem and Wassit were removed by their Provincial Councils.

For more on the demonstrations and their consequences, see Section 1 of this Report.<sup>344</sup>

### Government Capacity-development Programs

This quarter, the Department of State (DoS) and U.S. Agency for International Development (USAID) continued to administer several democracy and capacity-development programs at the national, provincial, and local levels. Since their inception, the programs have sought to strengthen the GOI's ability to govern by providing training for government employees, encouraging citizen feedback, and promoting local employment, among other goals.<sup>345</sup> As of March 30, 2011, the United States had obligated \$5.56 billion and expended \$5.14 billion in support of these programs, mainly through the Economic Support Fund (ESF).<sup>346</sup> The three USAID-funded programs are scheduled for completion by September 2012, while some DoS-funded projects will continue through December 2013.<sup>347</sup> For an overview of capacity-development programs, see Figure 4.4.

### National Capacity Development

USAID continued to administer the National Capacity Development Program (called *Tatweer*, or "development," in Arabic), expending \$2.6 million



An Iraqi uses a handheld GPS mapping device during a *Tatweer* training session designed to help farmers. (USAID photo)

Iraqi citizens conducted protests in several major urban centers this quarter, including Baghdad, Falluja, Mosul, Sulaymaniyah, Basrah, and Kut.

of the ESF this quarter to finalize a monitoring framework for Iraq's *National Development Plan (2010–2014)* (NDP), organize workshops for deputy governors on the reform of government human resources divisions, and improve capital budget execution through automation.<sup>348</sup> *Tatweer* is set to end on July 31, 2011.<sup>349</sup>

## Provincial Government Development

This quarter, USAID expended \$13.2 million for the third phase of the Local Governance Program (LGP III) to train Provincial Council members and staff and assist them in drafting provincial budgets, issuing government Gazettes, and developing prioritized projects lists, among other activities.<sup>350</sup> The program is set to end in June 2011.<sup>351</sup>

## Community Development

USAID expended \$5.6 million this quarter for the third phase of the Community Action Program (CAP III), reportedly creating more than 22,000 short- and long-term jobs, helping job-seekers prepare for interviews, and providing on-the-job training in agriculture, business, education, and health. The program also ran a train-the-trainers course and facilitated programs to increase child health care. This quarter, the Marla Ruzicka War Victims Fund program reported dispensing more than \$1.5 million in aid to Iraqi beneficiaries.<sup>352</sup> CAP III is scheduled to end in September 2012.<sup>353</sup>

This quarter, SIGIR issued an audit of the Cooperative Housing Foundation International's management of the CAP III program. For more information on this audit, see Section 5 of this Report.

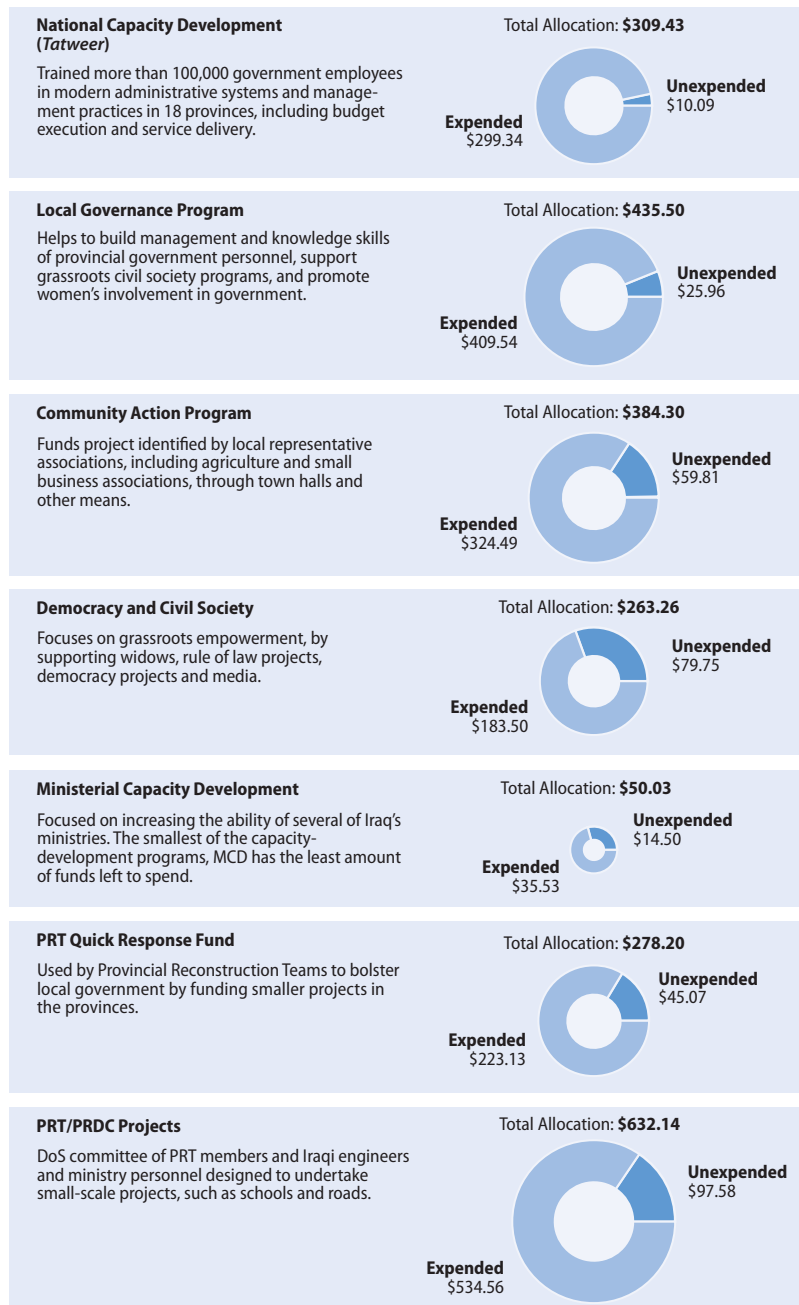
## Democracy and Civil Society

The DoS Bureau of Democracy, Human Rights and Labor (DRL) reported 26 ongoing democracy and civil society projects, including one that began this quarter, valued in all at \$114.1 million. The highest-value ongoing project, funded through two grants for a combined \$13 million, seeks to strengthen Iraq's media. A \$12 million effort to train newly elected officials and increase public participation

FIGURE 4.4

### GOVERNMENT CAPACITY-DEVELOPMENT PROGRAMS

\$ Millions



Sources: USAID, response to SIGIR data call, 4/4/2011; U.S. Embassy-Baghdad, response to SIGIR data call, 4/1/2011; DoS, DRL, response to SIGIR data call, 3/31/2011; NEA-I, responses to SIGIR data call, 3/25/2011, 3/28/2011, 4/5/2011, and 4/12/2011; USACE, response to SIGIR data call, 4/5/2011.

in a post-election environment is also ongoing. As of March 31, 2011, two additional DRL projects that sought to increase political participation and respect for human rights were scheduled to end this quarter. All ongoing projects were scheduled to end by December 2013.<sup>354</sup>

### Ministerial Capacity Development

The DoS-administered Ministerial Capacity Development (MCD) program is the smallest of the U.S. capacity-development programs, with \$50 million in ESF funds set to expire by September 30, 2013. This quarter, DoS's Iraq Strategic Partnership Office (ISPO) expended \$135,577 to administer five ongoing projects, including:<sup>355</sup>

- a grant to the Organization for Economic Cooperation and Development to help the GOI create investment policy and address corruption
- a contract with All Native Systems to provide an expert at Baghdad International Airport
- a grant to the Compass Foundation to help the Minister of Water Resources develop a water-sharing agreement with Syria, Turkey, and Iran.
- a grant to International Relief and Development to assist the GOI to provide essential services and security in Iraq
- a contract to assist the Ministry of Electricity in producing the *Iraq Electricity Masterplan*.

### Provincial Reconstruction

Provincial Reconstruction Teams (PRTs) use the ESF Quick Response Fund (QRF) and funding from the Provincial Reconstruction Development Council (PRDC) program to support a variety of DoS-administered projects in Iraq's provinces. Projects generally serve small communities by building or refurbishing schools or sewer networks, for example, or by providing hospital equipment.<sup>356</sup>

#### PRT Quick Response Fund

DoS continued this quarter to use the QRF to fund projects throughout Iraq. As of March 31, 2011, DoS had completed 3,967 QRF projects at a cost of \$61.6 million; 321 QRF projects remain ongoing.

As of March 31, 2011, DoS had completed 3,967 QRF projects at a cost of \$61.6 million.



PRT Baghdad gathered with Iraqis for the opening of a milk factory in the province. (USF-I photo)

This quarter, DoS reported obligations of \$28.2 million, including \$1.8 million for the My Arabic Library project and \$1.5 million for primary school development for Iraq's Chaldean community in Erbil province. DoS also provided \$800,000 for ongoing construction of a Catholic kindergarten school and \$735,000 for primary healthcare centers in Ninewa province. The QRF was used previously by USAID to fund projects through its Iraq Rapid Assistance Program, which concluded in September 2010.<sup>357</sup>

This quarter, SIGIR issued an audit of the QRF program; for additional information, see Section 5 of this Report.

### PRT Provincial Reconstruction Development Council

PRDC projects address water and sanitation needs, school rehabilitation, and other types of reconstruction in Iraq. This quarter, the two highest-value ongoing projects were the Erbil Emergency Hospital, a \$13.7 million project in the Kurdistan Region, and al-Abass Sanitary Sewer, a \$12 million water project in Basrah province.<sup>358</sup>

## Progress toward Provincial Self-reliance

Last quarter, U.S. Embassy-Baghdad's Office of Provincial Affairs (OPA) began using an

assessment model called the Stability Development Roadmap (SDR) to measure how susceptible each Iraqi province is to civil unrest. Five categories are evaluated by the SDR—basic services, government effectiveness, political effectiveness, economic development, and rule of law—and 35 metrics are measured to determine overall satisfaction within each category.<sup>359</sup>

The most current SDR relies on polling surveys that were conducted in January 2011, prior to the unrest that has recently spread across the Middle East. The most notable trend this quarter was a slight rating decline in four provinces in the political effectiveness category, stemming from a drop in national and provincial leadership approval ratings in the opinion polls.<sup>360</sup> For an overview of rankings summarized in the SDR for the period January–March 2011, see Figure 4.5.

## Basic Services

The basic services category continued to garner a “very unstable” rating. The poor delivery of public services coupled with a lack of any hope for improvement in those services prompted civil unrest and demonstrations several times this quarter. The SDR rated the dismal state of these essential services as the greatest impetus to civil unrest in most Iraqi provinces, with the exception of the Kurdistan Region, where there has been a slight improvement in public perceptions of how efficiently these services are provided.<sup>361</sup>

The most notable trend this quarter was a slight rating decline in four provinces in the political effectiveness category.

## Government Effectiveness

The rating for most provinces in the government effectiveness category remained at “moderately unstable” this quarter. Only Qadissiya province showed modest improvement in public perceptions

FIGURE 4.5  
STABILITY DEVELOPMENT ROADMAP, 1/2011–3/2011

PROVINCE	BASIC SERVICES	GOVERNMENT EFFECTIVENESS	POLITICAL EFFECTIVENESS	ECONOMIC DEVELOPMENT	RULE OF LAW
Anbar	Very Unstable	Unstable	Moderately Stable	Unstable	Moderately Stable
Babylon	Very Unstable	Unstable	Moderately Stable	Unstable	Moderately Stable
Baghdad	Very Unstable	Unstable	Moderately Stable	Unstable	Moderately Stable
Basrah	Very Unstable	Unstable	Moderately Stable	Unstable	Moderately Stable
Diyala	Very Unstable	Unstable	Moderately Stable	Unstable	Moderately Stable
Kerbala	Very Unstable	Unstable	Moderately Stable	Unstable	Moderately Stable
Kurdistan Region	Unstable	Unstable	Moderately Stable	Unstable	Moderately Stable
Missan	Very Unstable	Unstable	Moderately Stable	Very Unstable	Moderately Stable
Muthanna	Unstable	Unstable	Moderately Stable	Unstable	Moderately Stable
Najaf	Very Unstable	Unstable	Moderately Stable	Unstable	Moderately Stable
Ninewa	Very Unstable	Unstable	Moderately Stable	Unstable	Very Unstable
Qadissiya	Unstable	Moderately Stable	Unstable	Very Unstable	Moderately Stable
Salah Al-Din	Very Unstable	Unstable	Moderately Stable	Unstable	Moderately Stable
Tameem	Very Unstable	Unstable	Moderately Stable	Unstable	Moderately Stable
Thi-Qar	Very Unstable	Unstable	Moderately Stable	Unstable	Moderately Stable
Wassit	Very Unstable	Unstable	Moderately Stable	Unstable	Moderately Stable

Very Unstable   Unstable   Moderately Stable   Stable   Very Stable

Note: Polling for the SDR this quarter occurred in January 2011, prior to the outbreak of unrest that swept through the Middle East.

Source: U.S. Embassy-Baghdad, response to SIGIR data call, 4/1/2011.

of government effectiveness, despite the outbreak of demonstrations there. U.S. Embassy-Baghdad speculated that the improvement might be attributable to public perceptions of greater freedom to voice discontent. Najaf was the only province to regress in this category, which may have been caused by increased criticism of government performance from prominent provincial religious leaders.<sup>362</sup>

### Political Effectiveness

Four provinces regressed in the political effectiveness category, including Anbar, Qadisiya, Muthanna, and the Kurdistan Region (whose three provinces are rated together), because of lower scores for national and provincial leadership. All four were ranked at “moderately unstable” along with five other provinces. U.S. Embassy-Baghdad surmised that the decline experienced by these provinces may be correlated to poor budget execution, which has led to increased public pressure on elected officials to resign.<sup>363</sup>

### Economic Development

Kerbala was the only province to improve in the category of economic development, moving into the “moderately stable” category, which U.S. Embassy-Baghdad attributed to the public’s perception that the province is becoming a hub for private business development. Two provinces, Missan and Qadisiya, were ranked as “very unstable,” which the Embassy attributed to a perception in Qadisiya that the viability of key industries and businesses had declined, and a perception in Missan that all metrics in the economic development category had continued to decline.<sup>364</sup>

### Rule of Law

Eight provinces remained ranked at “moderately unstable” in the rule of law category this quarter, while five provinces remained ranked at “moderately stable.” Ninewa was the only province to remain ranked at “very unstable” in this category due to violence against Christians, including an attack on a church and on the subsequent funeral of the

victims. This quarter, Anbar province regressed in the rule of law category, which the Embassy attributed to an increase in public perception of corruption. Najaf was the only province to improve in the rule of law category, which the Embassy attributed to greater public confidence in the judicial system. The Embassy surmised the positive change may be attributed to the provincial chief judge’s outreach over local radio.<sup>365</sup>

## Internally Displaced Persons and Refugees

According to the United Nations High Commissioner for Refugees (UNHCR), about 1.3 million people have been internally displaced in Iraq since 2006. Between January 2008 and December 2010, more than 456,000 internally displaced persons (IDPs) returned to their areas of origin.<sup>366</sup> Diyala and Baghdad provinces continue to host the largest concentrations of IDPs.<sup>367</sup>

Additionally, there were 199,179 Iraqi refugees registered with UNHCR at the end of February 2011, and an unknown number of unregistered Iraqi refugees in the region, mainly in Jordan and Syria. According to the UNHCR, almost 90,000 Iraqi refugees have returned to Iraq in the last three years, but the rate of return has recently slowed, and new refugees continue to register with UNHCR.<sup>368</sup>

Conditions for displaced women have been particularly hard. In 2010, UN surveys found that 74% of IDP and refugee households headed by a female were struggling to secure adequate food for their families, and 71% of female heads of households were unemployed.<sup>369</sup> According to the International Organization for Migration (IOM), IDPs who fled to areas of Iraq where boundaries are in dispute face additional obstacles, including a greater likelihood of living in public buildings or tents. These IDPs are seven times more likely than others to have been displaced by armed violence, and twice as likely as other IDPs to cite direct threats to their life and general violence as reasons for fleeing their homes.<sup>370</sup>

74% of IDP and refugee households headed by a female were struggling to secure adequate food for their families.



A displaced Iraqi woman stands outside a makeshift camp. (UNHCR photo)

According to surveys, poor economic conditions in Iraq, including high unemployment, are among the main reasons why refugees and IDPs choose not to return to their places of origin. Lack of security in their places of origin, uncertainty about the formation of an Iraqi government, and uncertainty about the conditions that will prevail following the planned U.S. troop withdrawal in December 2011 are other reasons why IDPs are reluctant to return home. Sectarian violence has been a major driver of displacement, and targeted families have fled to areas with greater ethnic and religious homogeneity.<sup>371</sup>

## U.S. Support

DoS and USAID continued this quarter to administer support programs for these at-risk groups, and the U.S. refugee resettlement program has been assisting Iraqis since October 2007.<sup>372</sup>

## DoS Programs

This quarter, DoS reported working with UNHCR, the IOM, and the World Food Programme (WFP) to provide shelter, employment, water and sanitation services, and legal aid for IDPs and refugees. With UNHCR, the DoS Bureau of Population, Refugees and Migration (PRM) worked to improve shelters for 7,800 IDP families and 9,500 returning refugee families. PRM worked with the IOM and WFP to provide jobs in collaboration with the GOI, mainly through development of business plans and small-scale infrastructure projects in Baghdad, Diyala, Ninewa, Anbar, Babylon, Basrah, Erbil, and

Sulaymaniyah provinces. DoS also contributed to WFP's cash-for-work program, which has hired 11,682 households in Diyala and Baghdad to rehabilitate community infrastructure.<sup>373</sup>

## USAID/OFDA Programs

As of March 28, 2011, USAID's Office of Foreign Disaster Assistance (OFDA) had provided more than \$8 million in FY 2011 humanitarian assistance to vulnerable populations in Iraq, including IDPs. According to USAID, OFDA continued this quarter to aid IDPs by distributing essential emergency goods, providing emergency shelter, improving water and sanitation services, facilitating employment opportunities, and funding agriculture and livestock programs. OFDA's FY 2011 assistance includes:<sup>374</sup>

- nearly \$500,000 for immediate shelter and income for more than 1,000 people in Baghdad's Abu Ghraib District through the International Rescue Committee
- almost \$4.3 million to restart more than 1,400 businesses, including 444 IDP-owned businesses
- \$3.3 million for agriculture and food security through International Relief and Development.

Additionally, OFDA funds the IOM program that has interviewed more than 200,000 IDP households, including displaced Christian families, to determine the causes of displacement and the needs of the IDP population.<sup>375</sup>

## Refugee Resettlement in the United States

More than 62,700 Iraqi refugees and Special Immigrant Visa (SIV) holders have resettled in the United States since October 2007, including 58,235 who resettled as refugees and at least 4,481 who resettled with SIVs (DoS only tracks SIV holders who resettled through PRM). As of March 31, 2011, the states with the highest numbers of refugees were California, with 13,714; Michigan, with 8,255; Texas, with 4,604; and Arizona, with 3,989. The states with the highest number of SIV holders were Texas, with 912, and California, with 531.<sup>376</sup>

Poor economic conditions in Iraq, including high unemployment, are among the main reasons why refugees and IDPs choose not to return to their places of origin.





UNHCR Commissioner António Guterres visits Iraqi IDPs in a camp in Baghdad. (UNHCR photo)

### GOI Support

This quarter, the GOI announced it would allocate \$85.5 million of its 2011 federal budget to aid internally displaced populations through the Ministry of Displacement and Migration (MoDM). The MoDM aided several hundred Iraqis who were forced to return from exile in Egypt and elsewhere—including at least 383 individuals who fled Libya and 2,250 who fled Egypt following the regional unrest that erupted in several Middle Eastern countries this year.<sup>377</sup>

The MoDM announced this quarter a new plan, still in its draft stage, to aid IDPs and refugees seeking to return to their places of origin. The draft plan seeks to strengthen cooperation between the ministry and non-governmental organizations (NGOs) working to aid the displaced and includes a survey to assess the likelihood that IDPs and refugees will return to their places of origin.<sup>378</sup>

In addition to the new plan, the GOI continued to work this quarter with UNHCR and other international actors to implement the Diyala Initiative, a project created by the GOI and the international community to monitor and assess IDP living conditions in Diyala province, which was hard-hit by displacement, and to aid in voluntary returns. Assistance includes rehabilitating shelters, water facilities, and schools; providing legal aid; and feeding the most vulnerable. The international agencies are in discussions with the GOI to expand the program to Baghdad province. According to DoS, the GOI's Implementation and Follow-up Committee for National Reconciliation is slated to

come under the umbrella of the new Ministry for National Reconciliation.<sup>379</sup>

### International Support

This quarter, UNHCR coordinated an inter-agency Regional Response Plan that proposes \$280 million for programs to aid Iraqi refugees in 12 countries. The UNHCR appeal for its Iraq Operation, which aids both refugees and IDPs, is \$385 million.<sup>380</sup>

UNHCR High Commissioner António Guterres visited displacement camps in Iraq in January and proposed a GOI-led plan to help thousands of the displaced voluntarily return to their homes or integrate into their new communities. The international refugee body has also been handing out winter assistance grants of \$108 to thousands of Iraqis living as refugees in Syria, which hosts the largest number of Iraqis. And this quarter, the IOM organized vocational training courses in sewing and hair styling for 85 Iraqi women to aid this vulnerable group.<sup>381</sup>

### Iraqi Minority Communities

In February, in response to growing interest in seeing increased U.S. Embassy efforts with minorities in Iraq, the Assistant Chief of Mission for Assistance Transition, Ambassador Peter Bodde, was appointed Coordinator on Minority Issues. His activities are meant to complement those of the Secretary's Coordinator for Iraq's Religious and Ethnic Minorities, who has led DoS's Washington-based outreach to Iraq's minority diaspora community. Ambassador Bodde met this quarter with Chaldean communities in San Diego and Detroit to conduct outreach and respond to issues of concern to the diaspora community, including security, economic conditions, and human rights.<sup>382</sup>

The IOM completed an updated survey this quarter of Iraqi Christians who had fled from Baghdad and Mosul. The survey suggested that some Christian families who left Mosul for the

The MoDM aided several hundred Iraqis who were forced to return from exile in Egypt and elsewhere.

Ninewa Plains had started to return, but a relatively small but steady stream of Christians continued to leave Baghdad for the Kurdistan Region, particularly Erbil. According to the IOM, there were 373 displaced Christian families in Ninewa province on January 6, 2011, down from 555 families surveyed on December 22, 2010. Almost all had fled after the November attacks against Christian homes and businesses in Mosul. Twenty families who had found shelter in a nearby monastery returned to Mosul as well as 60 families who had been staying with their relatives in a nearby district.<sup>383</sup>

Meanwhile, the total number of Christian families that fled to the Kurdistan Region increased from 610 families to 745 families between December 23, 2010, and January 11, 2011. About 80% of the new families were from Baghdad, even though no significant attacks against the Christian community took place there during that period. Small groups of Christians from Ninewa and Tameem provinces have also sought refuge in the Kurdistan Region. The IOM poll found that roughly

half planned to remain in the Kurdistan Region permanently, while a quarter intended to return to Baghdad once it is safe; the remainder favored third-country resettlement or were undecided.<sup>384</sup>

Since August 1, 2010, the Quick Response Fund (QRF) has funded more than \$14.73 million for programs and projects to assist Iraq's minority communities (known as Minority Directive programs). Projects include large grants, micropurchases and grants, and PRT-implemented projects in agriculture, education, water, electricity, and commercial sectors. Regional funding of PRT Minority Directive projects was distributed as follows: Ninewa, 59%; Baghdad, 29%; and Erbil, 12%. This quarter, DoS also approved QRF-funded Minority Directive projects totaling \$5.89 million.<sup>385</sup>

USAID's CAP III program implements several projects benefiting religious and ethnic minorities in several sectors, including agriculture, education, electricity, health, and water. Programs help Assyrian and Chaldean Christians, Shabak, Turkmen, and Yazidis.<sup>386</sup> ♦

A relatively small but steady stream of Christians continued to leave Baghdad for the Kurdistan Region.

## SECURITY

As of March 31, 2011, the United States had obligated \$25.51 billion and expended \$24.42 billion to train, equip, and mentor the Iraqi Security Forces (ISF).<sup>387</sup> The Insert accompanying this Report features a historical perspective of the security environment in Iraq and provides information on U.S. reconstruction projects and programs that have been helping to develop the ISF.

### Security in Iraq

The security environment in Iraq is at a critical juncture. By the end of 2011, the security umbrella of U.S. forces in Iraq and their role of training, advising, and mentoring the ISF will fundamentally change. Under the terms of the 2008 U.S.-Iraq Security Agreement,<sup>388</sup> the remaining 45,601 U.S. military personnel—less than half of which are in Advise and Assist Brigades (AABs)<sup>389</sup>—are scheduled to withdraw by December. The readiness of the ISF to manage the security environment at the time of the U.S. forces' end of mission, however, will likely fall short of the minimal essential capability (MEC) that U.S. funds were intended to realize.

Adding uncertainty to the suboptimal readiness and capabilities of the ISF is the absence of confirmed leadership of the Ministry of Defense (MOD) and Ministry of Interior (MOI). It has been more than a year since the national elections, but the heads of the security ministries have not yet been appointed and approved by the CoR.

In a report on the transition of the U.S. military mission, the majority staff of the Senate Committee on Foreign Relations noted, "Terrorist and insurgent groups are less active but still adept; the Iraqi Army continues to develop but is not yet capable of deterring regional actors; and strong ethnic tensions remain along Iraq's disputed internal



Baghdad firefighters respond to a suicide car bombing on February 25, 2011. (GOI photo)

boundaries."<sup>390</sup> The ISF's ability to effectively respond to emergent security threats, both internal and external, may be limited by not having attained a fully functional and self-sustaining capability.<sup>391</sup>

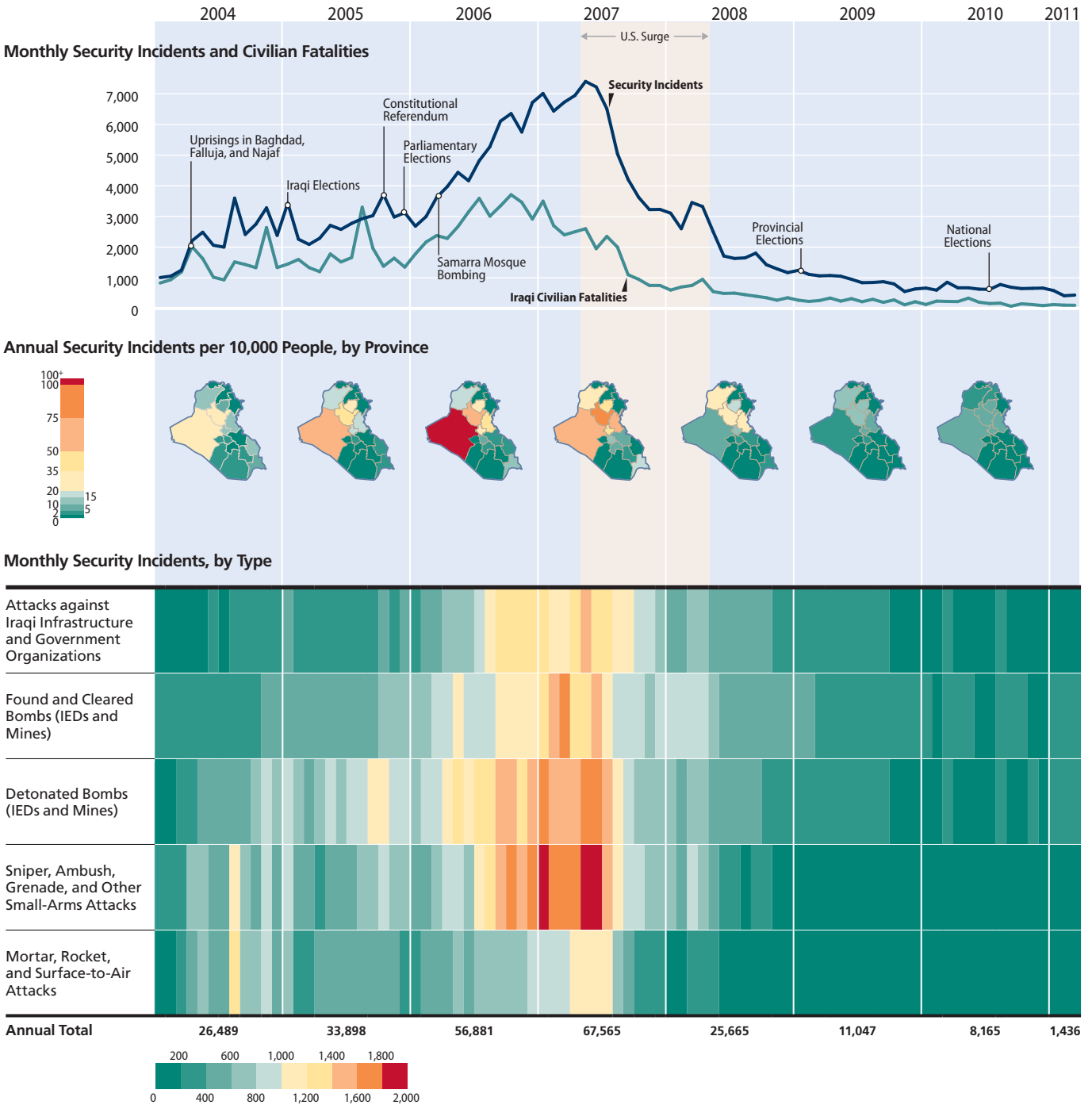
After an upward spike in the third quarter of 2010—and notwithstanding horrific incidents such as the March 29 attack on the provincial government offices in Tikrit that resulted in 58 deaths—the number of Iraqi civilians killed in violent attacks had declined every month since the formal end of the U.S. combat mission on August 31, 2010. March 2011, however, witnessed a spike in deaths related to security incidents.<sup>392</sup> U.S. combat fatalities are down from an average of 75 per month between 2004 and 2007<sup>393</sup> to an average of 1 per month during this quarter.<sup>394</sup> For details on the type and frequency of security incidents in Iraq, see Figure 4.6.

### Violence-marred Demonstrations

In contrast to the unrest that surfaced in other countries in the region this quarter, protests in Iraq focused on reform rather than regime change. The sporadic, scattered demonstrations that began in Iraq on February 4 culminated in the Iraqi "Day of Rage" on February 25. At least 33 people died and more than 155 were wounded in clashes with ISF personnel.<sup>395</sup> Prime Minister al-Maliki responded

Protests in Iraq focused on reform rather than regime change.

FIGURE 4.6  
SECURITY IN IRAQ, 1/2004–3/2011



Note: Data not audited. Numbers affected by rounding. Totals for 2011 include data from 1/1/2011–3/22/2011. "U.S. Surge" denotes period when at least 150,000 U.S. troops were in Iraq. Beginning in 2011, USF-I no longer reports detonated and found and cleared bombs separately.

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

to the protests by announcing a 100-day agenda to improve access to public services and accelerate reforms to address pervasive corruption in government institutions. The GOI has initiated an investigation into actions taken by local police to restore order.<sup>396</sup>

### Assassinations

Although violence has declined over the past four years, the GOI has had little reprieve from attacks apparently aimed at disrupting its operations. Mass-casualty attacks like the bombings of marketplaces in 2006 and 2007 and government buildings in 2008 and 2009 occur much less frequently and are less lethal. But what appears to be a campaign of intimidation and assassination of government officials has been gaining ground.<sup>397</sup>

This quarter, high-ranking military and ministerial officials were again targeted for assassination, and many attempts were successful. On February 8, 2011, an MOD brigadier general was killed when an improvised explosive device (IED) detonated outside his residence in western Baghdad. As Table 4.1 shows, these were just two of the more than 25 successful assassination attempts on high-ranking GOI officials that occurred this quarter.<sup>398</sup>

### Attacks on Infrastructure

Infrastructure security remains a challenge, particularly the critical infrastructure related to hydrocarbon facilities. In addition to the real and potential economic effects, attacks on critical infrastructure raise concerns about the ability of security forces to effectively repel malign elements.

On February 26, 2011, an explosives attack on the North Refinery at Baiji caused significant damage and resulted in the death of one employee; a second employee was wounded. According to the U.S. Forces-Iraq (USF-I), overall production output at the facility was restored to above pre-attack levels by March 19, but gasoline production is expected to be reduced for well more than a year as furnaces are replaced at the

facility.<sup>399</sup> The refinery attack and the subsequent reduced production capacity at Baiji potentially creates downstream bottlenecks for the economy just as upstream expansion is being promoted by GOI authorities.<sup>400</sup>

Attacks on pipelines during the quarter included an explosion near Mosul on March 8 in the main Iraq-Turkey pipeline, which transports almost a quarter of Iraq's daily export volume.<sup>401</sup> Additionally, a pipeline from Naft Khana to the Doura refinery in Baghdad was attacked on February 17.<sup>402</sup> Attacks on tanker trucks carrying refined fuels were also reported by the Ministry of Oil during the quarter.<sup>403</sup>

According to GOI and U.S. Iraq Training and Advisory Mission (ITAM) officials, the capacity and capability of the Oil Police (OP) to assume increased responsibility as the Iraqi Army (IA) withdraws from populated areas is in question.<sup>404</sup> GOI officials have previously expressed concerns about the effectiveness of pipeline security zones in more populated areas, where local residents live, work, and cross the pipeline at numerous points.<sup>405</sup> The success of these zones will be further challenged by the movement of IA personnel from the cities by the end of the year.<sup>406</sup>

There was only one reported attack on electricity infrastructure this quarter. An IED was detonated at a transmission tower in Ninewa, but the damage was reported to be minimal.<sup>407</sup>

### U.S. Civilian and Contractor Deaths

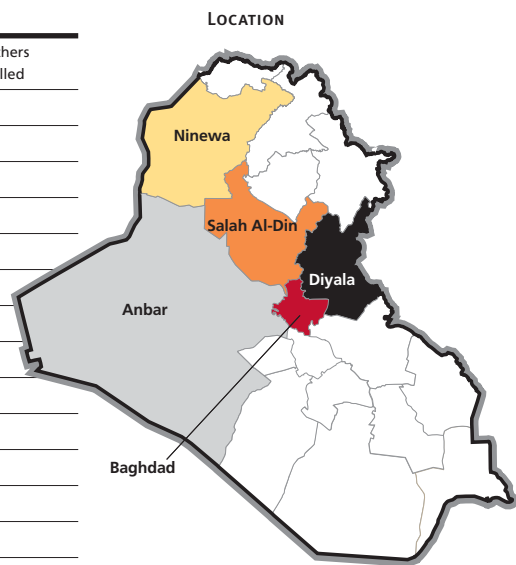
DoS reported that five U.S. civilians died in Iraq this quarter. Since 2003, at least 318 U.S. civilians have died in Iraq.<sup>408</sup> This total includes deaths that were not related to violence.

This quarter, the Department of Labor (DoL) received reports of nine deaths of contractors working on U.S.-funded reconstruction programs in Iraq. DoL also received reports of 440 injuries this quarter that resulted in the contractor missing at least four days of work. DoL has received reports of 1,529 contractor deaths since it began compiling this data in March 2003.<sup>409</sup>

What appears to be a campaign of intimidation and assassination of government officials has been gaining ground.

**TABLE 4.1**  
**SELECTED ACTS OF APPARENT TARGETED VIOLENCE AGAINST GOI OFFICIALS,**  
**1/18/2011–4/15/2011**

TARGETS/VICTIMS	LOCATION	DATE	CIRCUMSTANCES	RESULT
Deputy Chairman, Provincial Council	●	1/19	IED	Official and others wounded, 2 killed
MOI official	●	1/22	IED	No casualties
National Security Office engineer	●	1/24	Shooting	Official killed
Retired IA colonel	●	1/26	Shooting at residence	Official killed
MoFA official	●	1/26	Shooting (silenced weapons)	Official killed
MoFA official	●	1/26	Shooting (vehicle attack)	Official killed
Municipal official	●	1/29	Shooting at residence	Official killed
MOI lieutenant colonel	●	1/29	Shooting at restaurant	Official killed
MOI domestic affairs official	●	1/29	Shooting	Official killed
MOE engineer	●	1/31	Shooting (vehicle attack)	Official killed
MOI official	●	1/31	Shooting (silenced weapons)	Official killed
2 Iraqi intelligence officials	●	2/1	Shootings (vehicle attacks)	Officials killed
IA brigadier general	●	2/8	IED	Official killed
Female government official	●	2/16	Gunmen (vehicle attack)	Official killed
Judge	●	2/21	IED	2 guards wounded
ISF lieutenant colonel	●	2/24	Sticky bomb (vehicle)	Official wounded
MOI colonel	●	3/5	IED	Official survived, 6 guards wounded
MOD general	●	3/9	IED	Official killed, 12 others wounded
IA lieutenant colonel	●	3/13	Shooting at residence	Official killed
Kurdish police official	●	3/18	IED	Official wounded
IA major general	●	3/20	Convoy ambushed	Official and guards wounded
DG of Oil Marketing Company	●	3/20	Shooting	Official killed
2 MOI colonels	●	3/20	Shootings	Official killed; official wounded
MOE employee	●	3/23	Sticky bomb (vehicle)	Official killed, 2 others wounded
IA Commander, 6th Division	●	3/24	Shooting (silenced weapons)	Official killed
IA major general (medical officer)	●	3/24	Shooting (silenced weapons)	Official killed
Deputy provincial governor	●	3/28	IED	Official survived, 4 civilians wounded
MOI general	●	3/28	Shooting (silenced weapons)	Official survived, 1 assailant captured
Provincial Council members	●	3/29	Team suicide bombing of Provincial Council building	At least 56 killed, including several officials
Minister of Industry and Minerals	●	4/2	IED	Official unharmed, one bodyguard killed
CoM official	●	4/2	Sticky bomb	Official wounded
Director general	●	4/6	IED	Official survived, driver wounded
MOI lieutenant colonel	●	4/8	Sticky bomb	Official wounded
Police colonel	●	4/12	Shooting (silenced weapons)	Official killed
Police general	●	4/13	Shooting	Official killed



**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, 1/2011–4/2011.

TABLE 4.2  
IRAQI SECURITY FORCES, AS OF 3/31/2011

SERVICE	ASSIGNED PERSONNEL	
Ministry of Defense <sup>a</sup>	Iraqi Army	191,500
	Army Air Corps	2,150
	Air Force	6,000
	Navy	1,800
	Training and Support	47,000
	<b>Total MOD</b>	<b>248,450</b>
Ministry of Interior <sup>a</sup>	Iraqi Police	303,000
	Iraqi Federal Police	45,000
	Department of Border Enforcement	39,330
	Oil Police	28,700
	Facilities Protection Service	97,000
	<b>Total MOI</b>	<b>513,030</b>
Counter-Terrorism Force	4,200	
<b>Total</b>	<b>765,680</b>	

<sup>a</sup> Assigned numbers illustrate payroll data; they do not reflect present-for-duty totals.

**Note:** Numbers affected by rounding.

**Source:** USF-I, response to SIGIR data call, 4/12/2011.

The Senate Committee on Foreign Relations noted “alarming deficiencies” in MOD capabilities that “will have a serious impact on the State Department’s ability to provide for its own force-protection.”



Iraqi soldiers conduct operations as part of a battalion live-fire exercise under USF-I supervision in northern Iraq on February 24, 2011. (USF-I photo)

### Status of the ISF

As of March 31, 2011, more than 765,000 security force personnel were on the rolls of the MOD, MOI, and the Iraqi National Counter-Terrorism Force.<sup>410</sup> See Table 4.2 for a breakdown of personnel, by service.

### Minimum Essential Capability

U.S. funding levels for the Iraqi Security Forces Fund (ISFF) have been based on enabling the ISF

to reach MEC standards prior to the withdrawal of U.S. troops by the end of the year.<sup>411</sup> MEC means that the Iraqi security ministries, institutions, and forces can provide internal security and possess foundational capabilities to defend against external threats. Although facing significant challenges, the ISF continue to improve their capabilities through increased training and equipping. According to USF-I, the ISF is functioning well as a counterinsurgency force.<sup>412</sup>

### MOD and MOI Deficiencies in Meeting MEC Standards

USF-I reported that, in general, the MOD security institutions and services are closer to attaining MEC than their MOI counterparts. Institutionally, the MOD appears to have already achieved MEC with respect to Army training schools, training centers, and combat training centers.<sup>413</sup> The current MEC rating of training capability among the five MOI police entities ranges from “functional, requiring minimal or no assistance” (Federal Police, Division of Border Enforcement, National Emergency Reserve Brigade) to “limited capability, requiring some assistance” (Iraqi Police, Ports of Entry).<sup>414</sup>

Neither the MOD nor the MOI security services are likely to attain MEC with respect to either equipping or sustaining their forces by the end of USF-I’s mission.<sup>415</sup> Moreover, challenges remain in both staffing and leading the security forces of both ministries.<sup>416</sup> The USF-I has advised that “failure to address shortfalls will put at risk the Government of Iraq’s ability to secure the population, provide internal defense, and begin building the foundation for basic external defense by December 2011.”<sup>417</sup>

In a January 2011 report, the U.S. Senate Committee on Foreign Relations majority staff noted “alarming deficiencies” in MOD capabilities that “will have a serious impact on the State Department’s ability to provide for its own force-protection” beyond 2011. The report cited four specific concerns:<sup>418</sup>

- The MOD is deficient in its ability to maintain and support the armed forces. Although the Iraqi military has developed into a competent

counterinsurgency force, the logistics, training, and maintenance requirements that contribute to its sustainment will potentially go unfulfilled without U.S. military assistance.

- The army and air force lack the full conventional ability to defend Iraq's borders against external threats. Although Iraq does not currently face a conventional threat, it cannot yet deter its neighbors from interfering in domestic politics.
- Iraq's skillful counterterrorism force is likely to become less capable because it still relies on the United States to integrate intelligence.
- The U.S. military presence helps bind together nascent cooperation between the Iraqi Army and Kurdish *Peshmerga*. Without U.S. troops to resolve disputes and foster relations, the situation could deteriorate, leaving the country with two separate, armed security forces at odds over long-standing ethnosectarian differences.

## Equipment Shortfalls

Other MEC shortfalls appear likely as a result of the truncated budgetary outlay of the FY 2011 ISFF appropriation, arising from the series of continuing resolutions. Through almost the first half of FY 2011, the amount of ISFF funds provided to support ISF attainment of MEC under continuing appropriations was just 26% of the \$1.5 billion in ISFF appropriations made available under the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10). Moreover, P.L. 112-10 provided \$500 million less than the total requested in DoD's line-item budget submission (J-Book) for the year.<sup>419</sup> Projects for which funds have not been allocated to assist the ISF in reaching MEC include:

- the equipment necessary to develop the IA's Intelligence, Surveillance, and Reconnaissance (ISR) battalion-level capabilities to eliminate dependence on U.S. assets and "ensure unimpeded, independent intelligence operations throughout the Army that will be necessary for...developing an initial self defense" (MOD)<sup>420</sup>
- radio relay-links equipment to facilitate Command, Control, and Communications (C3)

systems, including compact tactical radio relay links, training, and repair facilities (MOD)<sup>421</sup>

- secure communications capabilities through combat net radios (MOD)<sup>422</sup>
- training programs, equipment, and facilities for pilots and the related ground crews/maintenance personnel (MOD)<sup>423</sup>
- an "Iraqi Intelligence Network" to move operational and intelligence related data/voice communications to a secure network (MOI)<sup>424</sup>

While the areas where shortfalls in MOD's attainment of MEC appear to be material, it is anticipated that MOD security services and institutions will receive some level of support after the USF-I's end of mission. The Office of Security Cooperation-Iraq (OSC-I) will likely assist MOD institutions to meet shortfalls in sustainment and IA modernization with Foreign Military Financing (FMF) and Foreign Military Sales (FMS) programs, although the existing Security Agreement might have to be amended to authorize specific training missions.<sup>425</sup> Notably, however, the OSC-I activity will be much smaller than the existing ITAM components of USF-I. Moreover, the OSC-I is unlikely to be staffed or equipped to manage gaps in intelligence or to provide force levels necessary to support and harmonize the integration of GOI and KRG security forces.

## MEC and the USF-I Transition to INL

As noted in Section 3, post-USF-I support for the Iraqi Police (IP) and MOI-related security forces is different than that provided for the MOD. Replacing the USF-I training, equipping, and capacity-development mission will be a large U.S.-funded "advise and mentor" Police Development Program (PDP), administered by INL.

From the USF-I perspective, the vision was for the MOI forces to achieve MEC by the end of its mission, providing a seamless transition to the PDP.<sup>426</sup> USF-I had specified these goals in mid-2009: "By the summer of 2010, the [MOI] functions with little assistance in the most critical aspects of force

Without U.S. troops to resolve disputes and foster relations, the situation could deteriorate, leaving the country with two separate, armed security forces.



management, acquisition, training, distribution, sustainment, resourcing, and leader development; the MOI is transitioned to full adherence to the Rule of Law and police primacy throughout Iraq.<sup>427</sup> It is now widely recognized that the MOI security services will not attain a fully functional MEC by the end of the USF-I mission,<sup>428</sup> raising the likelihood that there will be enduring gaps in the MOI security services' capabilities.<sup>429</sup>

There are a total of 20 identified tasks to transition from USF-I programs to the INL-led effort—10 at the ministry and 10 related to the police force. USF-I notes that the transition of these enduring tasks to INL will be conditions-based, taking into account the complexity of the task, the MEC assessment for the task, and INL readiness to accept the task, as well as an assessment of the current operating environment.<sup>430</sup>

ITAM-Police will be balancing several priorities as the transition to the PDP approaches (beginning October 1, 2011):<sup>431</sup>

- developing ministerial capacity
- implementing “democratic policing” by enhancing investigation techniques, handling of evidence, laboratory procedures, and the application of the rule of law
- improving critical infrastructure police capability
- increasing KRG force integration
- improving facilities, detection systems, and unity of effort for border and port security
- improving sustainment support
- transitioning responsibility for internal security to the police

ITAM's six-month campaign to address these priorities before handing off its mission to the PDP will be difficult not only because of the brief remaining time but also by previously unanticipated U.S. government and GOI funding constraints.

### Status of MOD

The IA has established 196 operational combat battalions, 20 Iraqi protection battalions, and 6 Iraqi



An Iraqi Army soldier with the 9th Armored Division observes from the turret of an M1A1 Abrams tank under the instruction of USF-I soldiers at Camp Taji. (U.S. Army photo)

Special Operations Forces (ISOF) battalions and has met goals for establishing counterinsurgency capability. This quarter, USF-I reported that the IA continues to make steady progress toward the 2011 goal of establishing a foundational capability to defend against external threats, but it will not achieve MEC before December 2011 because of equipment-procurement delays and subsequent training requirements.<sup>432</sup> Questions about the MOD's transition of internal security to the MOI, as well as the MOD's existing capabilities and funding to defend against external threats, suggests that self-reliance is not attainable in the near-term. For details on the Iraqi Army, Army Air Corps, Navy, Air Force, and other MOD forces, see the Insert to this Report.

### Status of MOI

USF-I's December 2011 goal is an IP force that is professionally trained, sufficiently staffed, and adequately equipped to be capable of defeating insurgencies, of creating a safe and secure Iraq, and of enforcing the rule of law. Moreover, IP forces should be interoperable with each other and the IA. The Department of Border Enforcement (DBE) should be able to control borders with IA support, while the Oil Police and Facilities Protection Service should be able to provide a measure of security commensurate with their security objectives.<sup>433</sup>

These near-term goals at USF-I's end of mission appear to be ambitious, as all interior security

ITAM's six-month campaign to address these priorities is stressed not only by the brief remaining time but also by previously unanticipated U.S. government and GOI funding constraints.

forces continue to have gaps in funding; command, control, and communications; information systems; intelligence; surveillance and reconnaissance; specialization; IA interoperability; and logistical infrastructure.<sup>434</sup> For more details on the MOI police forces, see the Insert to this Report.

## USF-I Security Assistance Mission

The Iraq Security Assistance Mission (ISAM) is responsible for conducting a wide range of security assistance initiatives that focus on building a self-sufficient ISF that adheres to democratic government institutions. ISAM is also assisting in developing the OSC-I. These activities require coordination within USF-I and external coordination with the ISF ministries, U.S. Embassy-Baghdad, and CENTCOM.<sup>435</sup>

ISAM has supported USACE transfer of two construction projects at Camp Taji that were originally undertaken for the USF-I to provide critical aviation basing capability for the IA. This quarter, a 118,400-square-foot helicopter maintenance facility and nearby squadron operations building were turned over to the Iraqi Army Air Corps. The \$9.8 million hangar and \$1.5 million operations building took nearly two years to complete. According to USACE, the hangar is now the largest free-span building in the Middle East.<sup>436</sup> USACE also completed the \$3.5 million Logistics Affairs Training Institute at Camp Taji.<sup>437</sup>

Four additional USACE projects remain ongoing in various phases of construction at Camp Taji:<sup>438</sup>

- \$7.5 million air traffic control tower
- \$22.6 million power generation station
- \$22 million warehouse complex to store repair parts
- \$3 million fuel storage complex

Among many other activities, ISAM has been processing U.S. military Excess Defense Articles (EDA) for delivery to the IA. As of April 5, 2011,



Three helicopters sit inside the new hangar at Camp Taji. (USACE photo)

23 of 24 M109 self-propelled howitzers have been delivered, with another 20 ready for transfer; 8 of 120 M198 towed howitzers have been delivered, with 7 ready for transfer; and 586 of 1,026 M113 armored personnel carriers are undergoing refurbishment.<sup>439</sup>

## Foreign Military Sales

Modernization of the ISF is being facilitated through the FMS program. As of March 31, 2011, the GOI had committed to 374 FMS “cases,” worth \$8.59 billion; Iraq funded \$6.15 billion, or nearly 72%, and the United States funded the remainder. The GOI funded 46% of the \$792.6 million in cases already delivered. There are currently 78 cases in development, estimated to be valued at \$1.65 billion. If implemented, the GOI would fund almost 93% of these cases.<sup>440</sup>

In December 2006, the Iraq Study Group noted that, “the quickest and most effective way for the Iraqi Army to get the bulk of their equipment would be through our [the U.S.-administered] Foreign Military Sales program, which they have already begun to use.” The study group recommended that the United States support more and better equipment for the IA by encouraging the GOI to accelerate its FMS requests and, as U.S. combat brigades move out of Iraq, by leaving behind some U.S. equipment for the ISF.<sup>441</sup>

The Military Attaché at the Iraqi Embassy to the United States, Brigadier General al-Araji, noted that years of sanctions and isolation from the rest of the world eroded the MOD’s knowledge of current equipment and technologies. He pointed out that increased engagement through programs such as

Years of sanctions and isolation from the rest of the world eroded the MOD’s knowledge of current equipment and technologies.



U.S.-built patrol craft destined for the Iraqi Navy as part of a 12-ship FMS program. (USF-I photo)

FMS are a good way for Iraq to make up for that gap and filter the mass of information available—increasing its capability to sort out legitimate defense contractors from those who would exploit Iraq.<sup>442</sup>

**Iraqi Concerns about the FMS Program**

During a meeting with SIGIR in January 2011, the MOI inspector general (IG) expressed several concerns about the quality and value of materiel delivered by the United States through the FMS program. Citing a January Board of Supreme Audit (BSA) of purchases released, the IG provided

information about delivery delays, potential bid inflation, and cumbersome administrative processes that have contributed to inefficiency and potential waste. The audit contended that the program had several inherent limitations.<sup>443</sup>

Some concerns appear related to differences between Iraqi procurement laws<sup>444</sup> and the FMS program, while others seem the product of elevated expectations (or misunderstandings) about the program. Prime Minister al-Maliki has tasked key advisors to further explore the FMS program to validate its value for the GOI. The number of GOI officials highly trained in the program is small, and many of those becoming engaged have little prior knowledge of the program.<sup>445</sup> Key GOI National Security Advisory Council officials, however, believe that working to address the concerns and FMS program misconceptions through increased training and interaction is important to the continuing overall relationship between Iraq and the United States.<sup>446</sup> Table 4.3 lists the concerns raised by the Iraqi audit as well as the responses provided by U.S. officials of the FMS program. ♦

TABLE 4.3  
IRAQI CONCERNS ABOUT THE U.S. FOREIGN MILITARY SALES PROGRAM

13 BSA AUDIT FINDINGS	FMS PROGRAM RESPONSES
<b>U.S. Pricing More Expensive:</b> Most of the estimated prices on the bid requests and the Letters of Acceptance (LOAs) were imposed by the U.S. since it was responsible for the market study, price research, and the value determination process. This process produces prices that are much higher than the normal going rate in the international markets largely because many “administrative” costs and overhead are added to the price of the materials and equipment.	Contracts negotiated on behalf of FMS customers are negotiated under the same process as procurements on behalf of the USG. This process is designed to achieve the required quality at the lowest price. Administrative costs included on LOAs are collected to recover expenses associated with LOA administration and management, sales negotiations, case implementation, accounting, budgeting, and transportation. These activities, with their attendant costs, are expenses the customer would also be responsible for under a direct purchase. Additionally, in instances involving complex procurements for example, the FMS system may be more appropriate as the customer may lack a contracting staff of the size and skill necessary to adequately negotiate and conclude the procurement.
<b>Long Waits for Items:</b> The long delay between the contract signing and the delivery of supplies results in a decrease in demand for said supplies by the entities that requested them (requests are often time sensitive.)	The LOA is the formal agreement between the FMS Customer and USG for the USG to provide materiel. No activity, such as contract negotiations, may start before the LOA is accepted and implemented. The delivery of DoD inventory items (secondary and support items) under FMS is usually much faster than an FMS customer direct purchase.
<b>Insufficient Consultation:</b> Ministry representatives are not included in the process and do not have any oversight of the “request for bids” process, the contract award process, the qualification criteria or the selection of the contractors that are granted the LOA. As a result, the GOI feels that selected companies and contractors frequently have performance issues and major shortcomings that are harder to address.	With FMS, the customer allows the USG to provide the materiel and services. The USG uses the same processes to obtain these items as if the USG were purchasing for itself. There is no direct contractual relationship between the vendor and the FMS customer; a contractual relationship exists between the USG and the vendor. USG laws and acquisition policy preclude the FMS customer participating in the contract award process. However, the USG applies the same contracting regulations, policies, and procedures it does with its own requirements. Thus, the foreign customer benefits from the same competitive source selection, contract administration, quality assurance, and contract audit processes as does the USG itself.

*Continued on next page*

## 13 BSA AUDIT FINDINGS

## FMS PROGRAM RESPONSES

**Transportation Cost Premium:** Since the U.S. is responsible for the delivery of the supplies and equipment, FMS cases use American transportation companies (i.e. the American Military Transportation agent—DTS) which has much higher costs than other international transportation companies.

If the LOA stipulates that the USG is responsible for delivery, then DSCA must use DTS. The customer has the option of selecting and entering into a contractual arrangement with a freight forwarder to provide this service, normally at a significant cost savings. The DSCA Iraq Country Program Director has discussed this issue with both USF-I and the Iraqi Defense Attaché (DATT) and has strongly suggested that the Iraqis use a Freight Forwarder in lieu of DTS. Additionally, both USF-I and the Iraqi DATT have been provided a guide to selecting a Freight Forwarder along with a list of recommended Freight Forwarders to pass along to the GOI to assist in this undertaking. Using a Freight Forwarder would result in considerable cost savings for Iraq.

**Insurance Premium:** In the FMS program, the insurance premium on the equipment and supplies is paid by the MOI.

Insurance will be necessary no matter what avenue (FMS, DCS, non-U.S. vendor) is pursued for equipment purchases.

**Lack of Sufficient Documentation:** Since the GOI is not provided with any documentation like certificates of origin, manifests, packing lists, etc., a lot of confusion takes place when GOI receiving officials attempt to identify and verify the supplies as they arrive. This causes the technical committees to reject many of the supplies and the materials for lack of documentation.

This question addresses several points: Iraq has previously asked about certificates of origin. All FMS items are considered to be of U.S. origin, which may seem counter-intuitive given programs such as Mi-171E. DSCA categorically will not enter into documenting the component part content origin, either. This has been a KLE discussion point, but ISAM does not have record of a written communication being delivered to answer this question.

**Cumbersome Issue Resolution Process:** When discrepancies occur, such as missing items or items that do not match the description of what was ordered, a discrepancy report (SDR) is created. Based on this report, incorrectly delivered items have to be replaced or their price reimbursed. The GOI has observed that this is an extremely unwieldy process and long periods of time pass without a resolution to these issues.

Utilization of SCIP allows direct access to creating SDRs and monitoring their progress and resolution. The customer does need to accept that not all SDRs will be adjudicated in their favor.

**Cumbersome Mediation:** Conflict mediation in the FMS program is done according to U.S. law exclusively which is handled by the legal department in the U.S. Department of Defense.

This is true, and is one of the key points of FMS that opens up the number of suppliers and contractors that may bid on FMS contracts. The supplier's contract is with the U.S. government and will follow U.S. laws.

**Insufficient Detail:** In most of the Letters of Acceptance, the price per item is not included for the contracted items and supplies.

Unit pricing is given for major items, such as tanks or aircraft. Unit pricing is not generally included in LOAs for line items such as "spare parts" or "uniform items." For "standard" items, Iraq pays what the DoD pays, plus the transportation and administration fees. The DoD's pricing will fluctuate with market conditions and other factors. The cost included on the LOA is a rough order of magnitude (ROM) pricing and is subject to change once the service or equipment is placed on contract.

**Poor Communication:** U.S. officials are frequently slow to respond to requests for information (RFIs) from the Iraqi ministries.

A sample taken from ISAM's correspondence tracking system yields the following distribution. This data represents items that were picked up by ISAM from DG (A&S) in Arabic, translated, researched, a response created, and then translated into Arabic and delivered. Typically it takes 2 to 4 days to perform a translation. ISAM usually grants one week for the responsible party to research and draft a response; however, some questions need to be researched in depth by the stateside agency and take longer to address.

**Lack of Back-Up Documents:** Spare parts are bundled and delivered without documentation that articulates quantities, brands, and prices. Instead they are listed collectively as "spare parts" and only a total purchase amount is given with no other details.

Quantity information should be available. Brand information would not be available except for sole-source contracts as the DoD will purchase from several qualified suppliers. Unit pricing is not available.

**Opaque Process:** Iraq ministries are not provided with documents agreed upon in the regulations and laws of the FMS. The BSA has found that many DD Forms 1348 and 250 (inspection and receipt reports) are frequently missing.

Historically there have been issues with getting forms signed and returned to the responsible offices for both documents that should be archived by Iraq and/or the FMS program.

**Lack of Sufficient Financial Documentation:** No financial statements were provided to the GOI regarding the total amounts expended with companies and contractors. The GOI is also not provided information on the remaining funds in each account.

The GOI is provided, on a quarterly basis, with a DD Form 645 (Foreign Military Sales Billing Statement) as generated by DFAS. The DD Form 645 is used to report deliveries or performance of services, work in process on a contract/case, and the amounts due. As part of this documentation, detailed information is provided with respect to the delivery of equipment and services on a transaction-by-transaction basis. Furthermore, this document is provided to the FMS customer as an invoice which supports expenditure of country funds. These reports are delivered to the GOI in both compact disc and hard copy format and acknowledged with a signed hand receipt by the GOI Budget representative.

Sources: GOI, MOI and BSA officials, meeting with SIGIR, 4/2011; DoD, information provided to SIGIR, 4/2011.

## RULE OF LAW

As of March 31, 2011, the United States had obligated \$2.35 billion and expended \$2.09 billion to improve the rule of law in Iraq.<sup>447</sup> Most ongoing programs and projects focus on developing the capacity of Iraq's judicial institutions. Later this year, DoS will assume full responsibility from the U.S. military for training Iraq's police, the details of which are discussed in the Security section of this Report.

### U.S. Capacity-development Efforts

This quarter, the Office of the Rule of Law Coordinator (RoLC), along with the PRTs, reported that they continue their engagements with the GOI's justice sector. Moreover, RoLC is continuing to work with DoS's Bureau of International Narcotics and Law Enforcement Affairs (INL) to define its participation in the Police Development Program (PDP).<sup>448</sup> INL also has projects underway in non-security areas, including projects to develop judicial administrative capacity and records management in the justice sector, and it is working with the Judicial Development Institute (JDI) to train Iraq's judiciary.<sup>449</sup>

The Rule of Law (RoL) sections of the PRTs have been focusing on engaging with key leaders, building judicial capacity and infrastructure, training personnel, improving conditions for prisoners, improving access to justice for vulnerable populations, and strengthening the legal profession through U.S.-funded projects and grants. INL funds the Resident Legal Advisors (RLAs) who serve at PRTs through interagency agreements with the Department of Justice (DoJ) Office of Overseas Prosecutorial Development and Assistance Training (OPDAT) program. RLAs serve on rule-of-law teams under the direction of the

PRT Team Leader. Their efforts include working with the GOI to renovate courthouses in Basrah, Babylon, and Salah Al-Din and implementing the Case Tracking Application (CTA) system to increase the efficiency of Iraq's case-administration system. Funded through the ESF Quick Response Fund (QRF), the CTA has been moving forward in provinces where the RoL teams have gained the agreement of the province's chief judge and assessed that court infrastructure can support the system. The PRTs' RoL teams continue to work with local legal associations, including the Iraqi Bar Association and the Iraqi Jurists Union, to improve representation for indigent defendants and increase the participation of female lawyers in Iraq's legal system.<sup>450</sup> All PRTs are scheduled to close down by September 2011.<sup>451</sup>

### Iraqi Legal Code

A diverse array of internal and external forces has shaped the development of Iraq's current system of laws and regulations. Foremost among the external influences on the current Iraqi legal code are the French-law-based Egyptian Civil Code and a nineteenth-century Ottoman code, known as the Majelle, that attempted to meld European and Islamic legal traditions. After World War II, Iraqi scholars tried to rationalize the often-conflicting sets of laws and principles that governed their country by enacting the Iraqi Civil Code (early 1950s), the Iraqi Penal Code (1969), and the Iraqi Criminal Procedure Code (1971). Although all of these codes have been amended and altered to varying degrees, they remain in effect. What is uncertain, however, is the precise way in which these codes interact with the orders, regulations, and memorandums issued by the U.S.-led Coalition Provisional Authority (CPA).<sup>452</sup>

The PRTs' RoL teams continue to work with local legal associations, including the Iraqi Bar Association and the Iraqi Jurists Union.

## Status of CPA Orders

In 2003 and 2004, the CPA issued 100 orders that served as controlling Iraqi law. Since the transfer of sovereignty to the GOI, the following CPA orders have been expressly annulled by the CoR:

- The 2008 Provincial Powers Law (Law No. 21) expressly annuls CPA Order 71.
- The High Electoral Commission Law (Law No. 11) expressly annuls CPA Order 92.

In other cases, the CoR has passed laws that appear to supersede a single CPA order or several of them. For example, DoS contends that the election laws of 2005, 2008, and 2009 should be seen as making CPA Order 96 obsolete and that the Investment Law of 2006 replaced CPA Order 39.<sup>453</sup> According to DoS, “perhaps the only CPA Orders that remain in effect, both technically and functionally, are those orders that amended pre-existing Iraqi laws.”<sup>454</sup>

The legal status of organizations established by the CPA—such as the Commission of Integrity (COI), which was created by CPA Order 55—is less clear. In the case of the COI, Article 102 of the 2005 Constitution states that there shall be a COI, but leaves the description of its functions and authorities to be regulated by a future law.<sup>455</sup> Thus, since 2004, the COI has conducted its day-to-day affairs in an atmosphere of legal uncertainty, relying on CPA Order 55 in the absence of any other controlling legal authority.



SIGIR Inspector General discusses rule of law with Chief Justice Medhat al-Mahmoud in front of a portrait of U.S. Chief Justice John Marshall in the justice's office.

## Status of Anticorruption Laws

Proposed legislation for the COI, the Board of Supreme Audit (BSA), and ministry inspectors general (IGs) has been stalled for several years.<sup>456</sup> According to the Secretary General of the CoM, the COI and BSA recently requested that the CoR postpone further consideration of new enabling legislation for these agencies until both submit updated draft laws later this year.

## Iraq's Anticorruption Agencies: Challenges and Accomplishments

The development of a robust indigenous anticorruption regime is impeded by political, legal, security, and organizational challenges. Of the myriad problems faced by the COI, BSA, and the IGs, one of the most significant is the lack of political will. In February, the Commissioner of the COI, who has held his post in an “acting” capacity since late 2007, told SIGIR that he was unable to pursue corruption cases against high-ranking, politically well-connected officials because of a lack of political will at the highest levels of the GOI. According to the Commissioner, the COI encounters substantial difficulties whenever it opens a case against officials at or above the rank of Director General.<sup>457</sup> Other challenges include:

- **Legal uncertainty.** The three agencies' functions have not been clarified by the GOI, and efforts to pass Iraqi-drafted statutes to do so remained stymied in the CoR. In a February meeting with SIGIR, however, the BSA's president expressed a degree of optimism about the prospects for passing a law defining BSA's powers and clarifying its relationships with other GOI agencies. He noted that the bill had already cleared some preliminary parliamentary hurdles and could be fast-tracked for passage this year.<sup>458</sup>
- **Independence.** In January, Iraq's Chief Justice issued an opinion that was interpreted by some observers as placing independent agencies, such as the COI and BSA (in addition to the Independent High Electoral Commission, the Central Bank of Iraq (CBI), and the High Commission for

The COI encounters substantial difficulties whenever it opens a case against officials at or above the rank of Director General.

A major shuffling of Iraq's 37 IGs appears to be in the offing.

Human Rights), under the control of the CoM—in essence, under the Office of the Prime Minister. After meeting with public opposition from, among others, the president of the CBI and the speaker of the CoR, the Chief Justice clarified that decision in early March, reiterating these agencies' financial and administrative independence. Notwithstanding this ruling, some IGs have expressed concerns that they will be removed if they issue oversight findings that call into question their ministers' competence or honesty.<sup>459</sup>

- **Appointments.** CoM officials report that a major shuffling of Iraq's 37 IGs appears to be in the offing. Some may be reassigned to different ministries, and several new appointments are expected. However, the legal authority guiding confirmation of the IGs has yet to be clarified. The CoM insists that the CoR does not need to immediately confirm new appointments—a position disputed by the CoR's Integrity Committee. The matter is further complicated by an apparent conflict between CPA Order 57, which established legal authority for the IG system, and a 2005 CoM regulation that circumvents that order's requirement for CoR confirmation. Under the CoM regulation, the prime minister may appoint and dismiss IGs in consultation with the COI.<sup>460</sup>
- **Security.** Anticorruption officials continue to be targeted for assassination and intimidation. Since 2004, more than 40 anticorruption personnel have been killed and dozens more wounded.<sup>461</sup>
- **Investigative and administrative capacity.** With the possible exception of BSA, Iraq's anticorruption agencies continue to lack the required personnel to execute their missions. Many IG offices suffer from a lack of skilled professionals. For example, in a meeting late last year with SIGIR, the IG for the Ministry of Education noted that his office had 1 staff member for every 2,400 ministry employees.

Despite these challenges, the GOI has made some progress in the difficult fight against public

corruption. Several GOI officials have remarked to SIGIR that a broad-based political consensus has apparently confirmed the anticorruption agencies as permanent fixtures of the Iraqi political scene. Other recent GOI achievements in the field of anticorruption include:<sup>462</sup>

- **Drafting an anticorruption strategy.** This quarter marks the one-year anniversary of the GOI's release of Iraq's *National Anti-Corruption Strategy for 2010–2014* (NACS). Drafted with assistance from U.S. and UN advisors, the NACS emphasizes preventing and deterring corruption through administrative reforms and enhancing governmental transparency. The NACS also defines more than 150 specific corruption-related phenomena, outlining a GOI action plan for confronting each of them and assigning the execution of these plans to one or more agencies.
- **Moving to repeal Article 136(b).** Since 2007, SIGIR has been reporting on the deleterious effects of Article 136(b) of the Iraqi Criminal Procedure Code, which allows ministers to protect their subordinates from judicial action. Twice repealed, only to be reinstated on both occasions, Article 136(b) was used 178 times in 2010. In mid-April, the CoR repealed Article 136(b). As of April 18, the legislation repealing it is awaiting the President's signature and publication in the Official Gazette. Article 136(b) will be officially repealed once these two final steps are taken.<sup>463</sup>
- **Establishing an anticorruption training academy.** In December, after years of delay, the GOI opened its first educational institution explicitly dedicated to improving the skills of Iraq's anticorruption officials. This academy is supported by the UN-backed International Anti-Corruption Academy and administered by the COI Commissioner.
- **Increasing coordination with international bodies.** GOI anticorruption institutions are gradually becoming more integrated with the global anticorruption community. In 2010, the COI began its first legal proceedings to repatriate Iraqi funds that were stolen and stashed abroad

in Lebanon and Jordan. Similarly, the BSA has been working for several years with U.S. and UN officials to establish the Committee of Financial Experts (COFE) to oversee remaining monies held under international supervision in the Development Fund for Iraq (DFI).

## CoR Integrity Committee

### Discovery of 9,000 New Corruption Files

This quarter, the CoR's Integrity Committee, which has grown increasingly assertive, announced that it had forwarded for action to the appropriate agency about 9,000 documents relating to financial corruption cases. According to the chairman of the committee, these files, which include documents from 2003 to 2011, contained evidence of corruption in matters involving the MOI's purchase of non-functional bomb detectors, the ongoing rebuilding effort in Sadr City, and the purchase of civilian aircraft from foreign companies.<sup>464</sup>

### New Focus on Most Corrupt Ministries

In early March, the new Chairman of the CoR's Integrity Committee announced that he is prioritizing investigations that target subjects at the four ministries that the committee considers to be most corrupt: Health, Trade, Defense, and Youth and Sports. Although the committee has the ability to summon ministers to provide testimony, it lacks the authority to arrest suspects and prosecute cases.<sup>465</sup>

## COI Activities

### COI 2010 Activity Report

In early February, the COI announced that it had opened more than 17,000 cases in 2010, referring 2,322 cases valued at approximately \$1.3 billion to Iraq's investigative judges (IJs) for adjudication. Of the 2,844 suspects named in these cases, 197 held the rank of Director General or above. The ministries whose employees had the greatest number of warrants issued for their arrest were the Ministry of Defense (13.4% of all warrants obtained by the

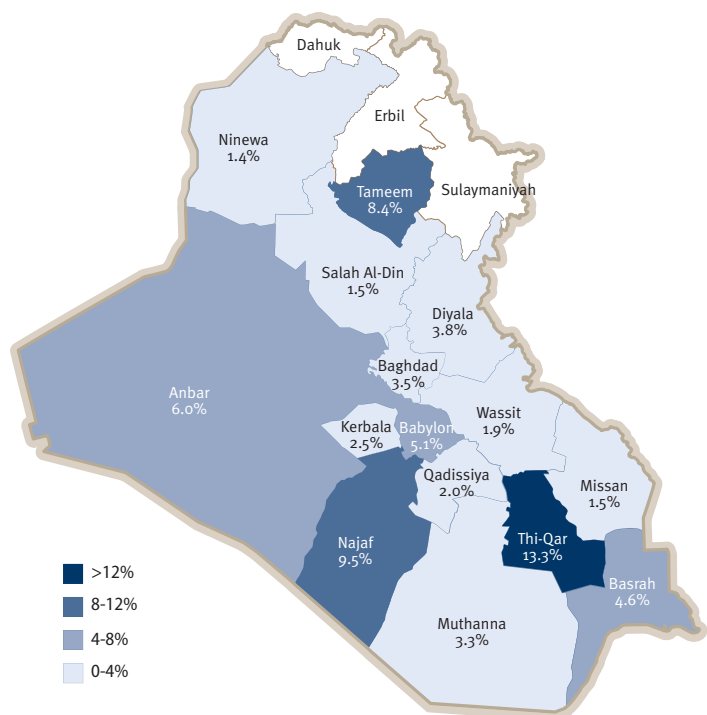
COI in 2010), the MOI (7.3%), and the Ministry of Municipalities and Public Works (6.2%).<sup>466</sup>

### COI Bribery Survey

In February 2011, the COI released the latest results in its ongoing attempt to measure the prevalence of bribery in Iraq's public sector. The COI distributed survey forms to GOI employees in 379 offices in 15 of Iraq's provinces (excluding Dahuk, Erbil, and Sulaymaniyah). According to the survey, the Ministry of Oil, MOJ, and the Baghdad municipal government offices reported the highest bribery rates in February 2011. Figure 4.7 shows, by province, the percentage of survey respondents reporting an incident of bribery in February 2011.<sup>467</sup>

The ministries whose employees had the greatest number of warrants issued for their arrest were the Ministry of Defense, the MOI, and the Ministry of Municipalities and Public Works.

FIGURE 4.7  
BRIBERY RATES AS MEASURED BY THE COI, 2/2011



Note: Data not available for the Dahuk, Erbil, and Sulaymaniyah provinces.

Source: COI, National Bribery Survey, 2/2011.



### MOI's Purchase of Ineffective Bomb Detectors

In February, GOI officials announced the arrest of an MOI major general in connection with the purchase of ineffective bomb detectors from a British company in a case that SIGIR has been reporting on for the past two quarters. (The former Minister of Interior had earlier invoked Article 136(b) to block legal action against the general.) According to the charges, the general arranged for the GOI to sign five contracts purchasing these devices at vastly inflated prices. Furthermore, an Iraqi investigation found the devices to be completely ineffective at detecting explosives. Despite this finding, the COI reportedly cleared the general of any wrongdoing, but the CoR's Integrity Committee disagreed with the COI's findings and is currently conducting its own examination of the facts.<sup>468</sup>

### Bribery Investigation

In March, COI investigators filmed the general in command of a rapid-reaction task force taking a bribe from a contractor. The general initially escaped from custody when his security guards assaulted the officers who were attempting to detain him; however, he subsequently turned himself in to the COI. The investigation against him remains ongoing.<sup>469</sup>

### Effect of Corruption on Small Businesses

Late last year, in a briefing to a private-sector workshop in Baghdad, the COI Commissioner decried the adverse effects of public corruption on the private sector.<sup>470</sup> He noted that bribery demands and onerous licensing requirements impede entrepreneurs' ability to establish enterprises.<sup>471</sup> Legislation pending in the CoR would streamline the process of registering a new business, but it appears unlikely the bill will become law in the near future.<sup>472</sup>

### U.S.-funded Anticorruption Activities

The U.S. Embassy has supported Iraq's anticorruption entities since 2003. The Embassy's Anticorruption Coordination Office (ACCO), which is part of INL, currently leads these efforts, staffed by

six DoS personnel and three local nationals. The ACCO will transition to two DoS personnel and four local staff this summer<sup>473</sup> and continue at this lower staffing level as a part of the INL office. DoS anticipates that some of ACCO's functions will eventually move to other Embassy sections, but stated that ACCO will not cease operations.<sup>474</sup>

ACCO works closely with the UN Development Programme (UNDP) to assist the COI, BSA, and ministry IGs. ACCO is working to develop a training program for the IGs, building on initiatives first launched by the ACCO's predecessor—the Office of Accountability and Transparency—in 2007.<sup>475</sup> This quarter, under a U.S. grant, UNDP continued to work with Iraq's anticorruption institutions to implement the NACS. In addition, the Embassy has provided \$4 million to the UN Office on Drugs and Crime (UNODC) to implement two capacity-building projects at the COI: financial investigations training and assistance to the COI's legal department in developing its capacity to recover assets illicitly siphoned from public coffers. UNODC anticipates initiating both projects in the coming months.<sup>476</sup>

### U.S. Support for COI Investigators

INL has provided funding for the program via an interagency agreement with DoJ's International Criminal Investigative Training Assistance Program (ICITAP) since 2004.<sup>477</sup> At its apogee in 2007, more than a dozen ICITAP personnel (primarily retired U.S. law enforcement officers) trained, mentored, and advised COI investigators.<sup>478</sup> In April, DoS reported that this program was extended into 2012, with a staff of one ICITAP advisor and one interpreter.<sup>479</sup>

## Iraqi Judicial System

### First Commercial Court

In November 2010, Iraq's HJC established the first Commercial Court of Iraq with the assistance of U.S. Embassy-Baghdad, PRT Baghdad, and the

Bribery demands and onerous licensing requirements impede entrepreneurs' ability to establish enterprises.

Department of Commerce's Commercial Law Development Program.<sup>480</sup>

The Commercial Court is a specialized adjudicative body charged with hearing business disputes that involve at least one foreign party. Its decisions are appealable to the Rusafa Appellate Court in Baghdad. The court will be able to hear suits concerning contracts concluded or executed in Iraq, incidents occurring in Iraq, or claims relating to property located in Iraq. However, the underlying subject matter of the claim must lie within the borders of Baghdad province. Additional salient features of the court's jurisdiction and authorities include:<sup>481</sup>

- **Ability to prioritize cases.** Because its jurisdiction is limited to matters involving foreign parties, the court is capable of paying prompt attention to economically significant commercial cases that would otherwise be treated as ordinary civil cases by a regular court.
- **Authority over matters involving the GOI.** The court has jurisdiction over commercial disputes between GOI ministries and foreign companies.
- **Willingness to respect parties' choice of forum.** The court will not address matters involving parties that have agreed in writing to have their disputes decided by another domestic or foreign body.

The Commercial Court began hearing cases in January 2011. As of early March, 24 cases had been entered on the docket, including several trademark disputes.<sup>482</sup> According to Chief Justice Medhat, additional branches of the Commercial Court are planned for Basrah and Mosul.<sup>483</sup>

## Iraqi Criminal and Appellate Courts

Although the RoLC reports that statistics are not available for this quarter, court performance during the fourth quarter of 2010 showed some improvement over the previous three quarters. For example, during the first three quarters, completion rates for the HJC's Cassation Court ranged between 50% and 58%, while the fourth quarter

rate was 85%.<sup>484</sup> Further, an examination of the 16 Federal Appellate Courts and the Central Criminal Court of Iraq (CCC-I) Karkh demonstrates this same fourth-quarter increase in case completions. The average case completion rates for these 17 bodies for the first three quarters ranged between 72% and 76%, while the fourth-quarter rate was 84%.<sup>485</sup>

The Embassy's Office of the Justice Attaché regularly corresponds and meets with the Chief Prosecutor and the Chief Investigative Judge for the CCC-I to discuss cases of interest to the United States. One notable case before the CCC-I in early 2011 was the second trial of Mohamad Munaf. A dual U.S-Iraqi citizen, Munaf is charged with the March 2005 kidnapping of three Romanian journalists. Munaf had previously been convicted of the crime; however, the cassation court remanded the case back to the trial court, directing it to investigate further and, in particular, obtain statements from the three Romanian victims. On March 3, 2011, Munaf appeared before a trial panel for the second time. At trial, the panel read the general statement provided by the Romanian government, questioned Munaf and his two co-defendants, and heard arguments from the prosecutor and defense attorney. Following the arguments, the trial panel dismissed the kidnapping charges against Munaf and his co-defendants.<sup>486</sup>

## Judicial Security

Since 2003, at least 41 Iraqi judges and court officials have been killed. According to Iraq's Chief Justice, judicial security remains one of his main concerns, as his efforts to increase the number of personal security guards allotted to judges have been stifled for several years. In February, an appellate judge who handles military cases escaped an assassination attempt in southern Baghdad, underscoring the continued vulnerability of Iraqi judges.<sup>487</sup>

This quarter, INL and RoLC continued to assess the current challenges facing the HJC; and RoLC requested, with INL's concurrence, that DoS's Office of the Coordinator for Reconstruction and Stabilization deploy two U.S. marshals

According to Iraq's Chief Justice, judicial security remains one of his main concerns.



U.S.-funded upgrades to the Sadr City Courthouse include shatterproof and bulletproof windows, as well as new safety lighting. (USACE photo)

to Iraq to conduct a “train the trainers” program that would work around current HJC limitations. Shortly after arriving in Iraq in February 2011, the marshals met with Chief Justice Medhat al-Mahmoud and with the HJC officials in charge of judicial security. This quarter, U.S. officials worked to amend existing INL court security training to incorporate feedback from the HJC, and the revised curriculum proposal was presented to the HJC for approval.<sup>488</sup>

As part of its ongoing effort to harden GOI courthouses against attack, this quarter the U.S. Army Corps of Engineers (USACE) reported that \$870,500 in security upgrades and improvements at the Sadr City Courthouse, located in northeastern Baghdad, were completed in late November.<sup>489</sup> The facility now has shatterproof and bulletproof windows, as well as new safety lighting.<sup>490</sup> INL funds several other courthouse-upgrade projects with USACE through interagency agreements.<sup>491</sup>

### U.S. Investigative Assistance

Iraq’s 450 IJs (out of 1,261 total judges) serve as the linchpin of Iraq’s criminal justice system; no case can go forward to trial without their consent. Moreover, it is the IJs—not the Iraqi police—who are charged with investigating crimes under Iraqi law. The majority of U.S. investigative training has been provided to the Iraqi police, however,

and not to the IJs and their assistants, the Judicial Investigators (JIs).<sup>492</sup>

U.S. assistance to the IJs and JIs has come in two primary forms: INL technical assistance and DoJ and DoS training support. INL-funded legal advisors have provided the IJs with training related to investigative techniques and other continuing legal education programs to enhance the Iraqi judiciary’s professionalism. The OPDAT program, funded by INL, and DoS Rule of Law Advisors (RoLAs) work with IJs and JIs at the provincial level to enhance the performance of Iraq’s criminal justice sector. They lead the Erbil Forensic Evidence Working Group pilot project, which brings together trial judges, IJs, JIs, public prosecutors, law enforcement, crime scene experts, and forensic physicians. They have also provided training for IJs on DNA analysis, fingerprint examinations, and ballistics, as well as training for judicial security forces in Missan province.<sup>493</sup>

### Prisons

In January and March, RoLC participated with its USF-I and GOI counterparts in two conferences on the transfer to the GOI of detainees currently held under USF-I’s physical custody at the Camp Cropper complex. The conferences offered participants an opportunity to discuss the details of transferring detainees and detention facilities to the GOI in a manner consistent with the U.S.-Iraq Security Agreement.<sup>494</sup>

In March, MOJ officials stated that they will close down the detention center known as Camp Honor because of concerns that inmates had been abused by the guards. A February report by Human Rights Watch (HRW) cited massive overcrowding and repeated allegations of torture at the facility. Responsibility for conditions at Camp Honor remains a matter of dispute. While the MOJ is nominally in charge of Iraq’s corrections system, HRW maintains that detainees held at Camp Honor were under the control of the Ministry of Defense.<sup>495</sup> ♦

MOJ officials stated that they will close down Camp Honor because of concerns that inmates had been abused by the guards.

## ECONOMY

Increased crude oil prices and record-high crude oil production and export levels helped buoy Iraq's economy this quarter.<sup>496</sup> Higher-than-expected oil receipts will likely reduce the projected budget deficit for 2011, or eliminate it completely,<sup>497</sup> and enable the government to bolster social programs at a time of visible public discontent.<sup>498</sup> Rising levels of foreign investment are also expected to contribute to economic growth.<sup>499</sup> A recent Citibank study on the fastest growing economies through mid-century placed Iraq second among the 10 nations with the most promising growth prospects for the 2010–2015 period and among the top five countries with the best prospects for growth through 2050 (See Figure 4.8).<sup>500</sup> Yet, for all its potential, Iraq remains one of the world's toughest places to do business.<sup>501</sup> Table 4.4 shows the rankings of selected Middle East countries from the World Bank's Ease of Doing Business Index.

### Key Economic Trends and Developments

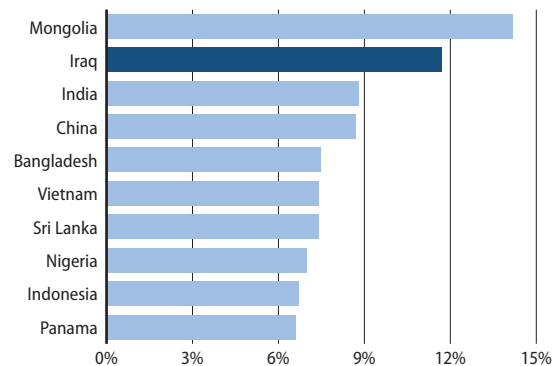
The Iraqi economy remains heavily dependent on its oil sector, although increases in both public and private sector capital spending will also help the economy grow. Iraq's 2011 budget, approved by the CoR in February, calls for a 27% increase in capital spending, while private foreign commercial activity has grown sharply over the past year.<sup>502</sup> Some areas of the non-oil economy have begun to show strong growth. Expansion of the mobile telecommunications market, for example, has heightened expectations that the GOI will issue a fourth mobile telephone license toward the end of this year.<sup>503</sup> However, broader efforts to revitalize non-oil sectors, including the country's mainly state-owned industrial and agricultural enterprises, are likely to move slowly. As a result, the contribution of

non-hydrocarbon-related economic activity as a percentage of total gross domestic product (GDP) is expected to decline from around 42% in 2010 to about 38% in 2014 as oil field development and production continue to accelerate.<sup>504</sup> The GOI received

A recent study placed Iraq second among the 10 nations with the most promising growth prospects for 2010–2015.

FIGURE 4.8

TOP 10 COUNTRIES BY ANNUAL PROJECTED YEAR-ON-YEAR GDP GROWTH, 2010–2015



Note: GDP adjusted for purchasing power parity (PPP) as of 2010.  
Source: Citigroup Global Markets, *Global Growth Generators*, 2/21/2011, p. 41.

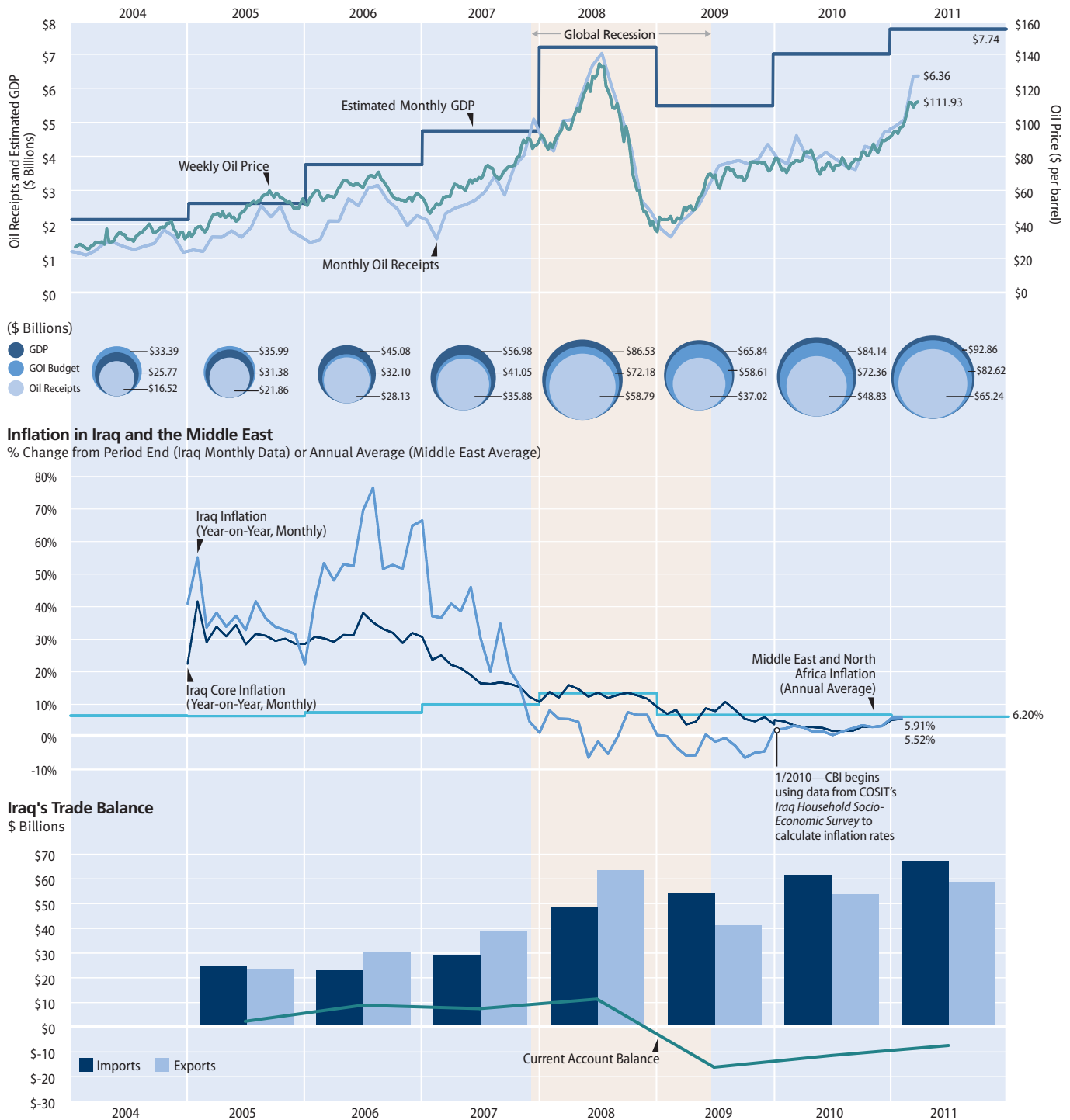
TABLE 4.4  
EASE OF DOING BUSINESS RANKING, SELECTED MIDDLE EAST COUNTRIES

COUNTRY	RANK
Saudi Arabia	11
Bahrain	28
UAE	40
Qatar	50
Kuwait	74
Egypt	94
Jordan	111
Lebanon	113
Iran	129
Syria	144
Iraq	166

Note: Ranking among 183 countries.

Source: The World Bank and International Finance Corporation, *Ease of Doing Business Index*, [www.doingbusiness.org/rankings](http://www.doingbusiness.org/rankings), accessed 3/16/2011.

**FIGURE 4.9**  
**THE IRAQI ECONOMY, 2004–2011**  
**Oil Price, Iraqi Oil Receipts, and GDP**



**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 from 2009–2011 and oil receipts for 2011 are estimates.

**Sources:** U.S. Treasury, responses to SIGIR data calls, 6/8/2010, 7/13/2010, 10/13/2010, and 4/12/2011; IMF, *World Economic and Financial Surveys: World Economic Outlook Database*, 10/2010, [www.imf.org/external/pubs/ft/weo/2010/02/weodata/index.aspx](http://www.imf.org/external/pubs/ft/weo/2010/02/weodata/index.aspx), accessed 4/11/2011, and *Regional Economic Outlook: Middle East and Central Asia*, 10/2009, pp. 55–57, and 10/2010, pp. 68–70; EIA, “Weekly Iraq Kirkuk Netback Price at U.S. Gulf,” [www.eia.gov/dnav/pet/hist/LeafHandler.aspx?n=PET&s=WEPCKIRK&f=W](http://www.eia.gov/dnav/pet/hist/LeafHandler.aspx?n=PET&s=WEPCKIRK&f=W), accessed 4/12/2011; GOI, CBI, “Key Financial Indicators,” 4/6/2011, [www.cbi.iq/documents/key\\_financial.xls](http://www.cbi.iq/documents/key_financial.xls), accessed 4/11/2011.

\$16.31 billion in oil export receipts this quarter, \$3.09 billion more than last quarter and well ahead of 2011 budget projections.<sup>505</sup> For an overview of the Iraqi economy over time, see Figure 4.9.

## Inflation

Following a period of low inflation through much of 2010, Iraq's year-on-year core inflation rate rose in February to 5.52%. Overall inflation rose to 5.91%.<sup>506</sup> The increase reflects the rise in global commodity prices that have made basic items like wheat, sugar, and rice more expensive for Iraqi households. Rents and electricity costs have also risen, although higher electricity tariffs implemented in October 2010 may be partially offset this year if the CoR approves some recently proposed rate reductions.<sup>507</sup> In another move to prevent further price increases, the GOI suspended plans—at least temporarily—to impose import tariffs beginning in early March on an array of foreign-made consumer goods.<sup>508</sup> Inflation is projected to remain near 6% through the end of 2012.<sup>509</sup> The Central Bank of Iraq (CBI) has been able to keep the Iraqi dinar stable at an exchange rate of 1,170 dinar per dollar and the policy interest rate steady at 6% since April 2010—both important factors in keeping inflation under control.<sup>510</sup>

## Growth

The International Monetary Fund (IMF) has projected 12.2% GDP growth for Iraq in 2011 and 11.1% for 2012, while the GOI itself has forecast 12% for 2011.<sup>511</sup> This quarter, Citigroup Global Markets forecast that Iraq would be the world's second-fastest growing economy during the first half of the decade, averaging an annual increase in GDP of 11.7% between 2010 and 2015. The projection is conditional on Iraq's Sunni, Shia, and Kurdish populations coexisting peacefully and wise investment of the country's oil wealth for infrastructure improvements, human capital formation, and wider reconstruction efforts.<sup>512</sup> But impressive GDP growth rates are unlikely to make Iraqis prosperous in the short term because per capita growth

FIGURE 4.10

### 2010 NET OIL EXPORT REVENUES PER CAPITA, SELECTED MIDDLE EAST COUNTRIES

COUNTRY	NOMINAL \$
Qatar	\$34,110
Kuwait	\$18,795
UAE	\$12,191
Saudi Arabia	\$6,298
<b>Iraq</b>	<b>\$1,458</b>
Iran	\$959

Source: EIA, "OPEC Revenues Fact Sheet Energy Data, Statistics and Analysis," [www.eia.doe.gov/cabs/OPEC\\_Revenues/Factsheet.html](http://www.eia.doe.gov/cabs/OPEC_Revenues/Factsheet.html), accessed 4/7/2011.

begins from such a low base. Iraq's 11.7% per capita net growth in net oil export revenues in the first 11 months of 2010 amounted to \$153, a figure that raised total net export revenues per capita to \$1,458. By comparison, Kuwait's 12.7% per capita growth amounted to \$2,112, taking the total to \$18,795. Figure 4.10 shows the per capita incomes of six Middle East oil producers.<sup>513</sup>

## Unemployment

Despite the prospect of robust economic expansion, unemployment remains high, mainly because large-employment sectors, such as agriculture and industry, are growing at less than half the rate of the economy as a whole.<sup>514</sup> The latest official unemployment number posted on the GOI's Central Organization for Statistics and Information Technology (COSIT) website is 15.3%, a figure that dates back to 2008.<sup>515</sup> A USAID analysis suggests higher figures, with 28%–38% of the available labor force seeking work. In the politically volatile category of young men between 15 and 29 years old, the rate is higher still, with up to 40% unable to find suitable employment.<sup>516</sup> Jobs—along with improved public services and an end to corruption—have been among the demands of protesters who have taken to the streets of Baghdad and other cities in recent months. The GOI has set aside discussions of lowering the mandatory retirement age from 63 to 61 years of age as a way to free up more jobs for young

Large-employment sectors, such as agriculture and industry, are growing at less than half the rate of the economy as a whole.

people, with some saying such a move would have only marginal impact.<sup>517</sup>

Without a significant push to expand private-sector output and employment, especially in the labor-intensive sectors of the economy, most of the estimated 450,000 young Iraqis entering the labor market each year for the first time will not find sufficient work.<sup>518</sup> Prime Minister Nuri al-Maliki now rates job creation as one of his main challenges. The CoM is pushing to accelerate the start of an estimated \$25 billion in provincial-level investment projects because of their value as potential job producers.<sup>519</sup>

The Ministry of Oil this quarter signed a memorandum of understanding with the British oil and gas industry's training and workforce development group, OPITO, to train Iraqis for skilled jobs in the fastest growing sector of the economy. The group estimates that sustaining a peak crude oil production level of 12 MBPD—whenever that goal is reached—would require 600,000 skilled jobs.<sup>520</sup>

Without the protection afforded by tariffs, those who work in both Iraq's industrial and agricultural sectors fear their prospects are bleak. Chairman of the Industry Association of Iraq Abdul Hassan al-Shammari called the GOI decision to suspend a broad tariff regime scheduled for implementation in early March “a disaster” for Iraq's industry.<sup>521</sup> Iraqi farmers also view imports as a threat. In Basrah, leaders from the provincial Farmers Association said the biggest problem for their members is the open borders that enable cheaper imports to undercut local domestic production.<sup>522</sup>

## Development Fund for Iraq

### Claims and Immunity

This quarter, the GOI reaffirmed its commitment to pay Kuwait the full outstanding balance of reparations for damage resulting from Iraq's 1990 invasion.<sup>523</sup> The announcement came before the scheduled June 30, 2011, closure of the Development Fund for Iraq (DFI).

The DFI has served as a protective shelter for billions of dollars in Iraqi oil revenues against international creditors since it was created by the United Nations in 2003. The GOI is committed to a successor mechanism that includes a single oil-revenue account at the Federal Reserve Bank in New York that would contain the same levels of accountability and transparency as the outgoing DFI.<sup>524</sup> However, it will not carry the immunity from creditor claims guaranteed in UN Security Council resolutions that protect Iraq's oil wealth deposited in the DFI accounts. The GOI's Committee of Financial Experts, headed by the President of Iraq's Board of Supreme Audit, is expected to assume oversight responsibilities for the DFI accounts on June 6, replacing the International Advisory and Monitoring Board (IAMB), which has maintained oversight of the DFI since inception.<sup>525</sup>

Iraq's international liabilities remain substantial. Since 1991, the United Nations Compensation Commission (UNCC) has resolved more than 2.6 million claims against Iraq, demanding \$352.5 billion in compensation. Of that, the UNCC awarded \$52.4 billion in damages. As of late March Iraq had paid \$31.3 billion, with \$21.0 billion still outstanding.<sup>526</sup> Figure 4.11 shows the status of these claims.

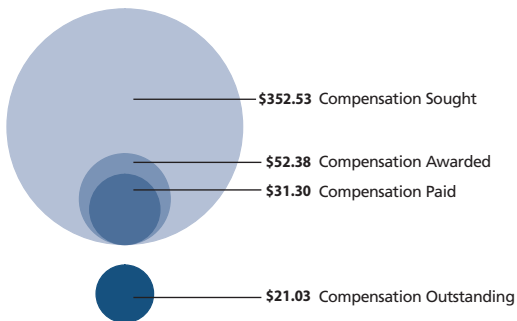
Unrelated to the UNCC claims, the CoM approved and submitted to the CoR a U.S.-Iraq agreement signed in September 2010 under which the GOI would pay \$400 million to settle outstanding Saddam-era claims by U.S. nationals, many of them seeking compensation for alleged trauma and torture during Saddam's 1990 invasion of Kuwait.<sup>527</sup>

### Allegedly Unaccounted for Funds

Winding up the DFI has been complicated by uncertainty over \$6.6 billion that allegedly remains unaccounted for nearly seven years after the Coalition Provisional Authority (CPA) was dissolved in June 2004. At that time, responsibility for the DFI funds remaining in Iraq shifted to DoD. The funds represent just under one-third of the \$20.7 billion drawn from DFI accounts at the Federal Reserve

Winding up the DFI has been complicated by uncertainty over \$6.6 billion that allegedly remains unaccounted for.

FIGURE 4.11  
**STATUS OF PROCESSING AND PAYMENT OF  
 INTERNATIONAL CLAIMS AGAINST IRAQ**  
 \$ Billions



**Note:** Total “Compensation Awarded” includes corrections to awards pursuant to article 41 of the provisional rules for claims procedure. Total “Compensation Paid” represents amounts made available and paid to the claimant governments and submitting entities but are net of all paid but undistributed funds returned to the United Nations Compensation Commission (UNCC). Total “Compensation Outstanding” does not include a net amount of \$48.9 million, which is no longer payable to the claimant governments and other submitting entities—mainly because the claimants were not located by the deadline of September 30, 2006, set by the Governing Council for the location of claimants and the submission of requests for the payments.

**Source:** UNCC, “Status of Processing and Payment of Claims,” 1/27/2011, [www.unccc.ch/status.htm](http://www.unccc.ch/status.htm), accessed 3/24/2011.

Bank of New York and transported—usually in cash by military aircraft—to CPA control to help finance the occupation during the authority’s 14-month existence. A SIGIR audit published in July 2010 concluded that DoD was unable to properly account for \$8.7 billion of the \$9.1 billion in DFI funds it received for reconstruction activities in Iraq and that there were no electronic records available to determine what happened to \$6.6 billion that became the responsibility of DoD’s Joint Area Support Group-Central (JASG-C) on June 28, 2004, the day Iraq regained its sovereignty and the CPA ceased to exist.<sup>528</sup>

With the DFI ending on June 30, 2011, there is renewed focus on the fate of this \$6.6 billion. An unsigned CPA document dated June 28, 2004, lists \$6.6 billion remaining in DFI assets—\$4 billion in outstanding commitments and \$2.6 billion as DFI assets on hand. An email, written 13 days later, on July 11, 2004, by a deputy DoD comptroller in Baghdad appears to confirm both the existence of the \$6.6 billion and the CPA’s breakdown.<sup>529</sup>

However, no formal record of the transfer could be located, and a permanent DoD comptroller who arrived in Baghdad about four days after the July 11 document was written has since claimed he never took possession of the funds. Following the July 2010 SIGIR audit, DoD conducted its own review of events and established preliminary findings which it has asked SIGIR to review.<sup>530</sup>

The GOI says it has no knowledge of the money’s whereabouts. The \$4 billion in outstanding commitments is believed to have been earmarked for payment of pending reconstruction-related contracts, but to date there is no available record of the contracts in question, of the contractors who were supposed to receive the money, or that payments were ever made. There is to date no record of any kind available to account for the \$2.6 billion in DFI assets not yet committed to contracts at the time JASG-C assumed responsibility. In addition to the weaknesses in DoD’s financial and management controls documented in the July 2010 SIGIR audit, shortcomings of CPA’s accounting methods were documented in audits and other reports written by both SIGIR and the IAMB.<sup>531</sup>

## Oil and Gas

### Crude Oil Production and Field Development

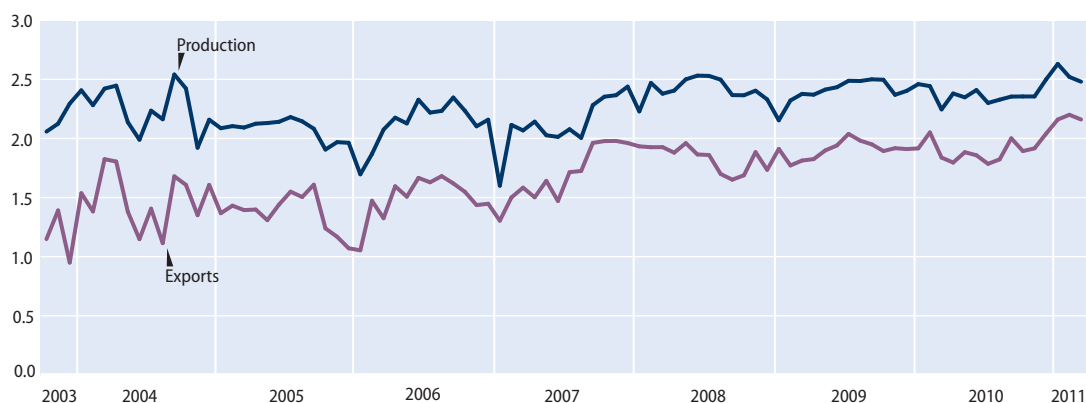
With incremental increases coming from the large southern fields and oil flowing from the Kurdistan Region for the first time since September 2009, crude oil production in Iraq hit a post-invasion high this quarter, averaging 2.54 million barrels per day (MBPD), an increase of 6% over the previous quarter and 7% over the same quarter of 2010.<sup>532</sup> For crude oil production and export levels since 2003, see Figure 4.12.

High production levels and crude oil prices generated greater revenues than expected for the GOI, with first-quarter income about \$952 million, or 6% higher, than the budgeted figure of \$15.36 billion for the quarter.<sup>533</sup>

Crude oil production in Iraq hit a post-invasion high this quarter.



FIGURE 4.12  
**CRUDE OIL PRODUCTION AND EXPORTS, BY MONTH, 10/2003–3/2011**  
 Million Barrels per Day



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

The GOI projected production would average 2.75 MBPD during 2011—a level that would represent a 16% increase from 2010 and keep Iraq OPEC’s third-largest oil producer.<sup>534</sup> GOI leaders involved in crude oil production tended not to repeat earlier predictions that Iraq’s production would reach 12 MBPD by 2017. A Ministry of Oil plan announced this quarter projects gradually rising production to 6.5 MBPD by the end of 2014.<sup>535</sup> Speaking at a conference in Geneva, Deputy Prime Minister Hussein al-Shahristani told attendees that achieving 5 MBPD to 6 MBPD over the next decade constituted an immense challenge, but one that was possible to meet.<sup>536</sup> A study released this quarter conducted by Shell International BV concurred that a doubling of Iraq’s current crude oil production over the next decade was possible in a climate of “reasonable stability and security.”<sup>537</sup>

In the larger southern fields, international oil companies this quarter continued to expand production:

- At al-Zubair field, an ENI-led consortium raised average daily production to 275,000 BPD, an increase of 16% over the average output reported last quarter.<sup>538</sup>
- At West Qurna Phase-1, ExxonMobil and partners Royal Dutch Shell and South Oil Company of Iraq announced production had risen

to 285,000 barrels per day, more than the 10% increase above initial production rates necessary under the terms of their contract to begin recovering investment costs.<sup>539</sup> Exxon also awarded Halliburton a contract this quarter to drill 15 wells at this field.<sup>540</sup>

- At al-Rumaila field, the BP-led consortium increased output to 1.275 MBPD, about 20% above the 1.066 MBPD production rate agreed in 2009.<sup>541</sup> The consortium also awarded a conceptual design contract in excess of \$100 million to the Australian-based company WorleyParsons for further expanding production at the field.<sup>542</sup>
- At the Majnoon field, Royal Dutch Shell and operating partner Petronas formally announced a \$240 million-plus contract award to the British company Petrofac that began in mid-2010 to



Oil workers at al-Rumaila Field in southern Iraq. (BP photo)

A study by Shell International BV concurred that a doubling of Iraq’s current crude oil production over the next decade was possible.

develop a new early production system at the field as well as to revive and upgrade existing abandoned or underused facilities. The contract is part of an effort to reach the production level of 175,000 barrels per day, the level at which the operators can begin to recover their costs.<sup>543</sup> Shell is also planning to build a port along the nearby Shatt al-Arab waterway solely to serve the Majnoon field.<sup>544</sup>

Longford Energy, Inc., announced an assessment that found the Kurdistan Region's Chia Surkh field could contain as much as 1 billion barrels of oil-equivalent—more than double the initial assessment conducted in 2009.<sup>545</sup> Also in the Kurdistan Region, ShaMaran Petroleum Corp. announced what it described as a major discovery at the Atrush block, establishing initial flow rates of 6,393 barrels per day (BPD) that were limited by tube size and testing equipment.<sup>546</sup>

This quarter, the major oil companies working in Iraq's southern oil fields evaluated conceptual designs for a Common Seawater Supply Project that would bring seawater from a common Arabian Gulf intake and pump it into Iraq's biggest fields—including West Qurna, Majnoon, al-Zubair, and al-Rumaila. The seawater would add underground pressure needed to boost production. The system is expected to pump millions of barrels of seawater into the wells daily. Oil companies have committed to paying initial installation costs, expected to exceed \$10 billion, and the GOI has committed to reimburse them.<sup>547</sup>

In March, the GOI announced plans to conduct a fourth bidding round in November for the rights to explore up to 12 potential oil and gas sites. Precise details of the blocks involved were not immediately available; however, they are believed to be mainly in western and southwestern Iraq and to be potentially richer in natural gas than oil. The GOI hopes the round will add 29 trillion cubic feet (TCF) of natural gas to the country's existing known reserves of 112 TCF. Iraqi officials have said that increased gas production would first be used

to meet domestic needs, especially to fuel power plants, rather than for export.<sup>548</sup>

U.S. Embassy-Baghdad reported that the inter-agency International Oil Company Support Team this quarter held at least 20 meetings with officials of major international oil companies working in Iraq, documenting an array of impediments to crude oil production and export, including procurement and contracting delays, visa delays for technical support staff and the lack of adequate export infrastructure. The team then engaged relevant organizations, ministries, and individuals within the GOI to seek solutions.<sup>549</sup>

## Crude Oil Exports and Capacity Expansion

Crude oil exports also reached a post-invasion high this quarter, averaging 2.18 MBPD.<sup>550</sup> The level was a 12% increase over the previous quarter and over the same quarter in 2010.<sup>551</sup> In early March, the Ministry of Oil increased its estimate of exports for 2011 to an average of 2.4 MBPD—200,000 BPD higher than assumed in the 2011 budget approved just one month earlier.<sup>552</sup> The increase followed a GOI-KRG agreement to resume crude oil exports from the Kurdistan Region for the first time since 2009;<sup>553</sup> however, the two sides continued to discuss a deal that would set more permanent conditions.<sup>554</sup>

Record production and export levels are reportedly pushing Iraq's aging infrastructure to its limits. Combined loading capacity in the south of about 1.8 MBPD at al-Basrah Oil Terminal (ABOT) and

Record production and export levels are reportedly pushing Iraq's aging infrastructure to its limits.



Tankers loading at al-Basrah Oil Terminal. (© Crown Copyright/UK MOD 2007)

Khawr al-Amaya Oil Terminal (KAAOT) was just enough to handle the 1.78 MBPD produced by the southern fields during the first half of February. At their present capacity, the two terminals would be unable to handle increases projected during the course of the year by companies operating at these fields. Although there is spare capacity in the northern export pipeline, it has no connection with the southern fields.<sup>555</sup> The first of three offshore single-point mooring stations (SPMs), part of a \$733 million expansion of ABOT, is scheduled for completion before the end of 2011 and should ease the export bottleneck. The two remaining SPMs are scheduled for completion in 2012.<sup>556</sup>

Engineering, procurement, and construction (EPC) bids for a further expansion of the southern oil terminals—known as Phase 2 export expansion—were opened April 18, with the project scheduled for completion between 2013 and 2015.<sup>557</sup> Work has begun to add 2.9 million barrels of new crude oil storage capacity on al-Faw Peninsula.<sup>558</sup>

### Refineries and Petroleum Products

Against the backdrop of the February 26, 2011, bombing of the Baiji refinery, domestic production of diesel fuel fell by 4% and kerosene by 8% this quarter, compared with the same quarter in 2010. Despite the attack, output of gasoline rose by 26% and LPG by 19%, compared with the same period in 2010.<sup>559</sup>

### Natural Gas

Two large natural gas agreements remained unsigned this quarter. A contract for development of the Akkas field in western Anbar province has been held up since November 2010.<sup>560</sup> A deal worth more than \$12 billion between the GOI and Royal Dutch Shell to capture associated gas from al-Rumaila, al-Zubair, and West Qurna fields was first agreed on in a 2008 memorandum of understanding.<sup>561</sup>

In the Kurdistan Region, Heritage Oil Plc this quarter announced a large gas find at its Miran West field, estimating a volume of 6.8–9.1 TCF. The company said it planned an accelerated drilling

schedule starting in the second quarter of 2011, with production expected to start in 2015. The company is considering development options that include exporting the gas via the proposed Nabucco gas pipeline to Turkey or Europe.<sup>562</sup>

## Investment Climate

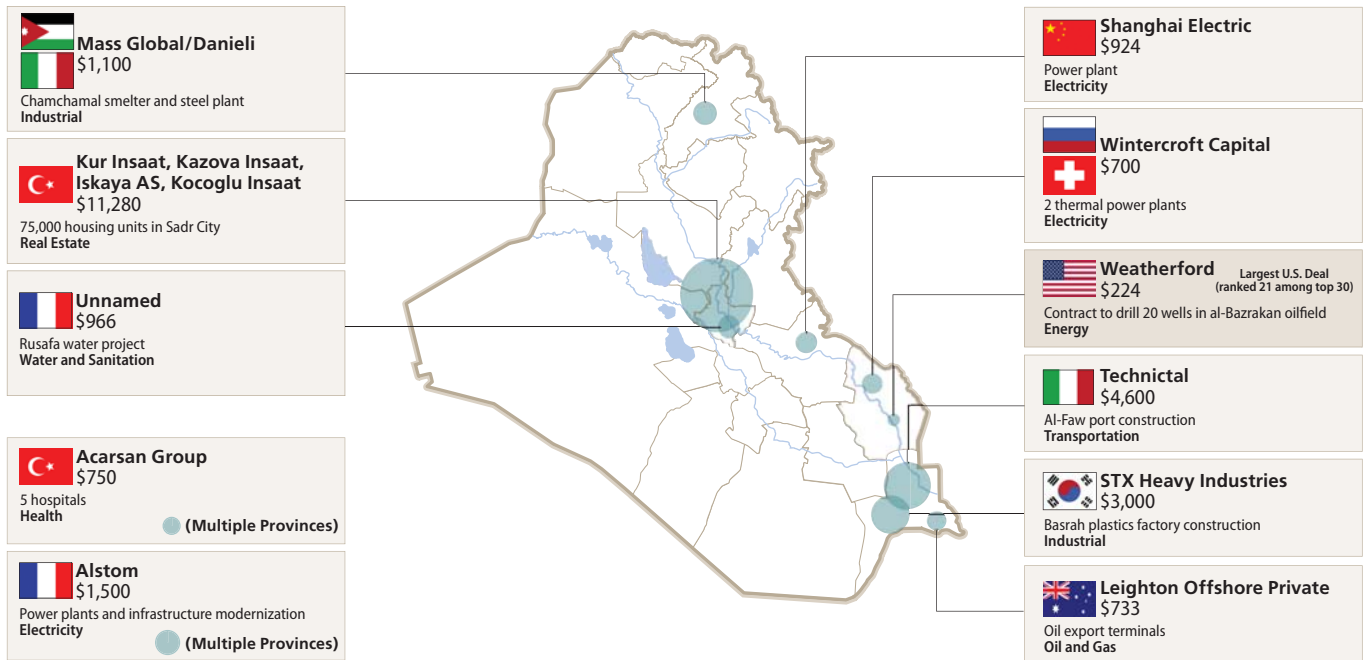
Iraq's *National Development Plan (2010–2014)* (NDP) calls for \$186 billion in spending to set the country on course to become “a diverse and competitive economy in which the private sector plays a leadership role in creating wealth and jobs.” The public sector's role is envisioned to be largely supportive—organizational and enabling, “to address market failures, guarantee fair distribution of natural resources, and see that at-risk social groups can effectively fulfill their role in achieving economic and social progress.”<sup>563</sup> The plan sets ambitious targets, including the construction of at least one million new housing units and creation of 3 million–4.5 million jobs. Far-reaching goals include strengthening the non-oil sectors to create a more balanced economy. But the NDP's own statistical base underscores the size of the task. It notes that crude oil has accounted for more than 90% of total exports and that Iraq's private sector in the post-2003 period has been unable to overcome the weight of war damage, cheap imports, high production costs, insurgent violence, and unreliable electricity supplies.<sup>564</sup>

## Foreign Commercial Activity

The pace of foreign commercial activity accelerated in 2010 and is expected to continue rising rapidly through 2011 as the climate for doing business improves. According to a report by Dunia Frontier Consultants, the volume of new foreign commercial activity in Iraq rose from \$28.7 billion in 2009 to \$42.67 billion in 2010.<sup>565</sup> Foreign commercial activity includes activities beyond capital investment, such as service contracts, lease agreements, and production-sharing arrangements. Capital projects

Two large natural gas agreements remained unsigned this quarter.

FIGURE 4.13  
**TOP 10 FOREIGN COMMERCIAL DEALS, 2010**  
 \$ Millions



Source: Dunia Frontier Consultants, "Foreign Commercial Activity in Iraq: 2010 Year in Review," 2/2011, pp. 21–22.

were included only after ground had been broken, and service or leasing agreements were included only after final contracts had been signed.<sup>566</sup> For the top 10 commercial deals in 2010, see Figure 4.13.

In a more narrowly focused definition, the GOI projects private investment could triple to \$30 billion in 2011.<sup>567</sup> However, the level of investment growth will likely depend on the GOI's ability to further improve—and ultimately resolve—the security issue.<sup>568</sup>

The rise in foreign commercial activity is being led by housing and real estate development, which accounted for one-third of the 2010 total—more than twice that of other important sectors, including transportation infrastructure, electricity, industry, and the hydrocarbon sector.<sup>569</sup> In late 2010, the National Investment Commission (NIC) and Ministry of Planning and Development Cooperation (MoPDC) called for the construction of 3.5 million housing units by 2020 at an estimated

cost of \$25 billion. The NIC anticipates most of these units will be built by private companies.<sup>570</sup> If recent contract values are taken into account, the total housing sector investment volume could be much higher. In late 2010, Baghdad's municipal government awarded contracts to a Turkish consortium valued at \$11.3 billion for 75,000 units in the Sadr City neighborhood,<sup>571</sup> while the Najaf Provincial Investment Commission (PIC) reported that through late March it had approved 27 investment licenses valued at \$2.92 billion for construction of more than 45,000 housing units.<sup>572</sup> According to Trade Bank of Iraq officials, Iraq's haphazard mortgage industry needs both regulations and long-term funding to become an important factor in the housing market.<sup>573</sup>

U.S. business was involved in less than 5% of the \$42.67 billion in new foreign commercial activity registered in 2010, making it the fifth largest foreign investor—ahead of China, but well behind

The rise in foreign commercial activity is being led by housing and real estate development.



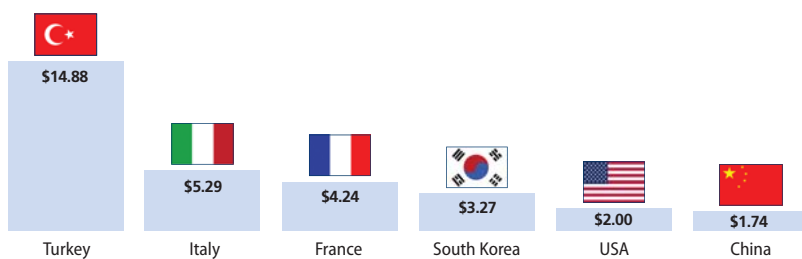
Trade Bank of Iraq branch in Baghdad.

Americans still view Iraq as a war zone—a perception not held by business executives from other countries.

Turkey, Italy, France, and South Korea. While the Italian and South Korean shares resulted from single mega-contracts, Turkish and French companies have been active across a broader front. French firms have been helped by their government’s decision to open consulates and business centers in several cities.<sup>574</sup> Figure 4.14 shows the countries with the largest foreign commercial activity begun in 2010.

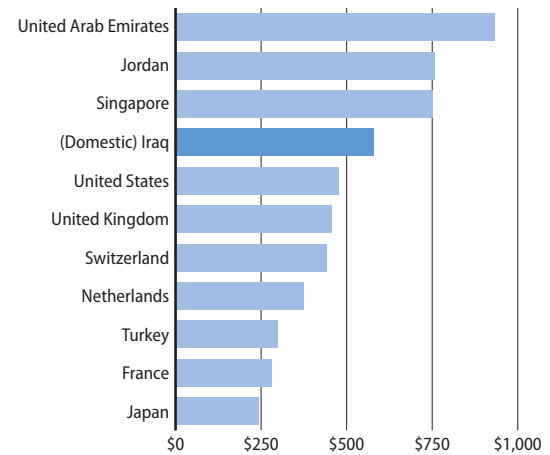
Several factors may underlie the relatively modest U.S. share of foreign commercial activity in Iraq. Americans cite a greater sensitivity to corrupt business practices and the potential for violence.

FIGURE 4.14  
COUNTRIES WITH THE LARGEST COMMERCIAL ACTIVITY IN IRAQ, 2010  
\$ Billions



Source: Dunia Frontier Consultants, “Foreign Commercial Activity in Iraq: 2010 Year in Review,” 2/2011, p. 9.

FIGURE 4.15  
LINES OF CREDIT ISSUED TO ORGANIZATIONS,  
BY COUNTRY OF ORIGIN, 2010  
\$ Millions



Source: Trade Bank of Iraq, information provided to SIGIR, 4/13/2011.

Iraq’s ambassador to the United States, Samir Shakir Mahmood Sumaida’ie, noted that, unlike most other countries, the U.S. government maintains a travel warning recommending against “all but essential travel,” and Americans still view Iraq as a war zone—a perception he says is not held by business executives from other countries.<sup>575</sup>

In 2010, the Trade Bank of Iraq issued letters of credit worth \$7.45 billion to organizations from 54 foreign countries plus Iraq itself.<sup>576</sup> For a listing, by country, see Figure 4.15.

### Real Estate Registry

Eight years of war, and the displacement of several million people, have led to substantial confusion among domestic businesses, foreign investors, and Iraqi citizens about who possesses valid legal title to many properties. Iraq’s Real Estate Registry Offices (REROs) still use an Ottoman-era, paper-based system to prepare, organize, file, and archive all real estate and land registry documents. This system’s inherent problems represent one of the many challenges facing Iraq’s nascent private sector.

To address this, the Ministry of Justice announced a plan to upgrade its RERO operations

throughout Iraq in 2009, allocating approximately \$9 million to fund an electronic administration system, and U.S. Embassy-Baghdad’s Office of the Rule of Law Coordinator obtained a \$3 million ESF grant to develop and implement a pilot RERO upgrade program.<sup>577</sup> The U.S.-funded pilot program was approved by the Minister of Justice in late March.<sup>578</sup>

## Stock Market Activity

The Iraq Stock Exchange, which listed about 120 companies in mid-April, registered a collective gain of 26% since January 2010, much of it during this quarter. The gains came as markets elsewhere in the region grew by a collective 4% amid political uncertainty.<sup>579</sup> Foreign money, mainly from the United States, Europe, the Persian Gulf, and Egypt, helped fuel the rally.<sup>580</sup> Even in regional terms, however, the Iraq Stock Exchange remains small, with a market capitalization—the sum of the share price times the number of shares of all companies on the exchange—of about \$3.6 billion. This is roughly 5% the size of the Cairo stock market, whose market capitalization is more than \$68 billion.<sup>581</sup> For a performance comparison between the Iraq Stock Exchange and the S&P Pan Arab Composite Index, see Figure 4.16.

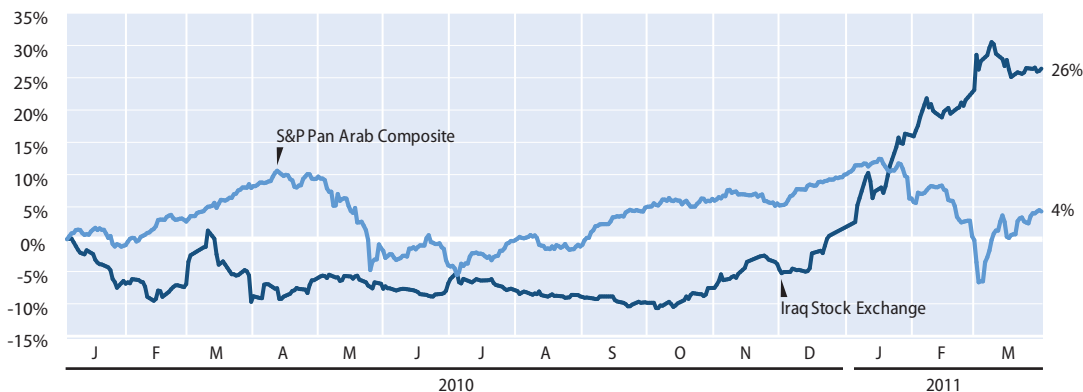
## U.S. Support

The Overseas Private Investment Corporation (OPIC) authorized one loan this quarter, for \$20.5 million to Northern Gulf Rentals Ltd, to support the company’s business of leasing heavy equipment in Iraq. The loan’s sponsor, Northern Gulf Partners, is a New York-based investment and financial advisory services company.<sup>582</sup>

As of March 31, 2011, USAID’s Provincial Economic Growth Program, known as *Tijara* (Arabic for “trade”), had expended \$77.0 million of the \$117.8 million allocated for its mission to increase private-sector access to finance.<sup>583</sup> This quarter, the Iraqi Company for Financing Small-Medium Enterprises (ICF-SME)—a company created with the assistance of *Tijara* to provide technical advice—granted 108 new loans, totaling \$2.1 million. ICF-SME and the Babylon Provincial Council established a province-wide fund to promote tourism, a step the government hopes will create jobs and reduce an unemployment rate, currently estimated at 27%. The *Tijara*-supported Iraqi Company for Banking Guarantees backed 178 new loans totaling \$3.3 million, and Iraqi microfinance lending institutions (MFIs) backed by *Tijara* disbursed 21,847 loans worth \$52.9 million.<sup>584</sup>

The Iraq Stock Exchange registered a collective gain of 26% since January 2010.

FIGURE 4.16  
IRAQ STOCK EXCHANGE VS. S&P PAN ARAB COMPOSITE INDEX, 1/2010–3/2011  
% Change



Note: The S&P Pan Arab Composite index includes stocks from 363 listed companies in the countries of Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, and the U.A.E.

Sources: Standard & Poor’s, “S&P Pan Arab Indices,” 12/2010, [www.indices.standardandpoors.com](http://www.indices.standardandpoors.com), accessed 4/1/2011; Iraq Stock Exchange, [www.isx-iq.net/isxportal/portal/sectorProfileContainer.html?sectorId=1](http://www.isx-iq.net/isxportal/portal/sectorProfileContainer.html?sectorId=1), accessed 4/1/2011.

## Public Sector Development

### Reform of State-owned Enterprises

The CoM approved and sent to the CoR a comprehensive plan this quarter to restructure the country's 170-plus state-owned enterprises (SOEs) by 2015 and eventually sell many of them to private investors. The GOI indicated it would immediately begin implementing the plan, known as the *Roadmap for Restructuring State Owned Enterprises*. However, several factors are likely to slow the process of privatizing the SOEs, which comprise the heart of Iraq's non-oil industrial base. They also encompass about two-thirds of Iraq's agricultural land and employ more than 600,000 workers.<sup>585</sup>

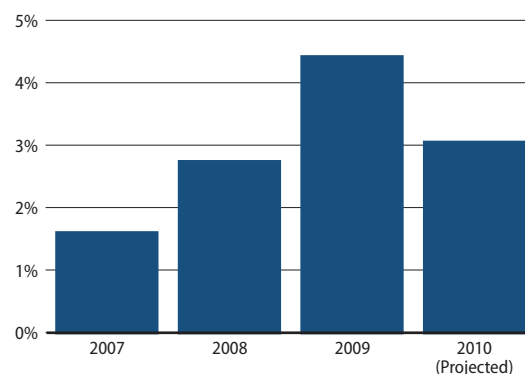
Although private investment is considered essential to the SOEs' survival and expansion, the issue is not addressed in the 190-page NDP.<sup>586</sup> With most SOEs estimated to be overstaffed by 30%–50% and payrolls laden with “ghost workers” whose salaries function as a de facto social safety net, the task of making SOEs competitive will require layoffs large enough to be politically risky. Furthermore, since 2003, the SOEs have also served as places for the GOI to place former political dissidents and members of other special groups in return for social peace and political stability. Maintaining SOEs in their current form costs the GOI roughly 3% of GDP.<sup>587</sup> Figure 4.17 shows the annual level of budget subsidies for SOEs.

Even with a slimmed-down workforce, a combination of war damage, technological obsolescence, and years of insufficient maintenance, investment, and repairs have left most SOEs incapable of competing in an open economy. Largely because of this, manufactured goods account for less than 2% of Iraq's exports. The lack of competitiveness has also made it difficult for SOEs to get loan capital.<sup>588</sup>

DoD's Task Force for Business and Stability Operations (TFBSO), whose work included efforts to restructure and revive SOEs, ceased operations on January 31, 2011. U.S. Embassy-Baghdad has taken on the role of monitoring the GOI's SOE reform effort and is advising where appropriate. The

The task of making SOEs competitive will require layoffs large enough to be politically risky.

FIGURE 4.17  
ANNUAL BUDGET SUBSIDIES FOR SOES,  
AS PERCENTAGE OF GDP



Sources: GOI, Iraq Task Force for Economic Reform (with the UN and World Bank), *Roadmap for Restructuring State Owned Enterprises in Iraq*, 8/17/2010, p. 11; U.S. Treasury, responses to SIGIR data calls, 10/2/2009 and 1/11/2010; IMF, Country Report No. 11/75, “Iraq: Second Review Under the Stand-By Arrangement, Request for Waiver of Applicability, Extension of the Arrangement and Rephrasing of Access,” 3/2011, p. 16.

Embassy is also in the process of funding a World Bank program to develop ways to value SOE assets, an important step in the reform roadmap.<sup>589</sup>

### Financial Sector Developments

This quarter, the IMF approved disbursement of the second tranche of a \$3.77 billion Stand-By Arrangement to help ensure the country's macroeconomic stability and provide a framework for structural reforms. The payment of \$471 million brought the amount Iraq has drawn under the arrangement to about \$1.7 billion. The disbursement followed an IMF review of Iraq's economic performance that drew an overall positive appraisal. The review concluded, “Iraq has maintained macroeconomic stability under difficult external and internal circumstances, while making efforts to rebuild economic institutions.” The IMF noted that “decisive efforts” to rebuild key economic institutions were “critical” for private sector development.<sup>590</sup>

The IMF also noted that a recently constituted Bank Reconciliation Unit (BRU) was working with an external audit firm and IMF staff to remove Saddam-era liabilities from the balance sheets of the country's two largest lending institutions, the

state-owned Rafidain and Rasheed Banks. The GOI has recognized the liabilities as external debt and made them part of Iraq's external debt restructuring. Restructuring the two banks is necessary to better support private sector development. The BRU is also working on a plan to relieve both banks of non-performing loans made to now-defunct SOEs.<sup>591</sup>

## Financial Management System

In a process described as “lengthy” and “challenging,” the GOI plans to establish a Financial Management and Information System (FMIS) to improve its cash management and fiscal controls and reporting. The GOI plans to develop core functional requirements for such a system by the end of May, working closely with the World Bank and the IMF.<sup>592</sup> The step comes after work ended on the U.S.-funded Iraq Financial Management Information System (IFMIS), a \$37.4 million project that was not fully delivered and lacked critical functionality. Audit reports by SIGIR and USAID's Office of Inspector General have cited the system's many deficiencies.<sup>593</sup>

## Central Bank of Iraq

The GOI and IMF this quarter both expressed support to maintain the independence of the CBI. On March 3, Minister of Finance Rafi al-Eissawi and CBI governor Sinan al-Shabibi signed a letter to the IMF stating, “We remain committed to maintain the independence of the CBI.”<sup>594</sup> In mid-March, Iraq's Higher Judicial Council issued a clarification of a January ruling that placed the CBI and other independent bodies under the supervision of the CoM—rather than the CoR. The clarification, which came amid worries about the bank's ability to act free of political pressure, declared “supervision” does not undermine the bank's independent work.<sup>595</sup> The IMF welcomed GOI steps to safeguard the CBI's independence, calling it “critical for maintaining confidence in the Iraqi dinar.”<sup>596</sup>

## Public Distribution System

Sharply rising food prices and an edgy political climate placed renewed focus on the Public

Distribution System (PDS), the world's largest program of its kind in which nearly every Iraqi household is eligible for a basket of up to 10 food items. With the exception of wheat (some of which is grown domestically), most basket items are imported, including sugar, tea, vegetable oil, rice, legumes, detergent, and soap.<sup>597</sup>

To ensure adequate funding, the GOI in February diverted resources that had been assigned elsewhere just weeks earlier in the draft 2011 budget. The 2011 budget allocates \$3.4 billion for the PDS, an amount equal to about 6% of the GOI operating budget and \$400 million more than allocated in 2010.<sup>598</sup> In 2010, the GOI reduced the content of the basket from 10 items to 5 and cut the distribution schedule from 12 to 10 times during the year. The decision was met with public bitterness, and there were also accusations that local distributors failed to supply some of the promised items. To dampen consumer dissatisfaction, the GOI began working with international suppliers to close delivery gaps and established a task force to fill in missing items. The GOI is also considering ceding provincial governments more authority in food distribution.<sup>599</sup>

The GOI and outside experts have mulled over several proposals for reforming the system, including limiting rations to just the estimated 25% of households considered food-insecure. Such a step would reduce costs by as much as two-thirds, but withdrawing a popular subsidy from 75% of the country's households could carry unacceptably high risks.<sup>600</sup>

## Cultural Projects

Preparation for major cultural, sports, and diplomatic events over the next two years has generated projects estimated at more than \$1 billion. In Basrah, a \$500 million effort is underway to prepare for the 2013 Arabian Gulf Cup of Nations, the Gulf region's premier soccer tournament. Work is already underway on a new 65,000-seat soccer stadium and accompanying sports complex. Completion is scheduled for March 2013.<sup>601</sup> In Baghdad, the city government has embarked on

The IMF welcomed GOI steps to safeguard the CBI's independence.





Main stadium of Basrah Sports City project under construction in early 2011. Stadium will seat 65,000 and have both a soccer field and light athletics track that conform to international standards. (Malachy Walsh and Partners photo)

more than \$800 million in major road improvements and other renovation and beautification projects to prepare the capital for an eventual Arab League summit meeting, in addition to its role as the Capital of Arab Culture in 2013.<sup>602</sup> Such projects are part of a GOI effort to reestablish Iraq's role as a prominent participant in regional cultural and political events and, in the process, develop a nascent tourism industry.

## Agriculture

The United Nations Food and Agricultural Organization forecasts a reduced harvest of cereals in the spring of 2011, primarily due to late winter rains. The wheat and barley harvests in the spring and summer of 2010 yielded about 3.6 million tons, nearly twice the level of the two previous drought-affected years. As a result, imports of cereals are expected to drop by about 300,000 tons to 4.9 million tons for the July 2010–June 2011 marketing year. The bumper crop was mainly due to ideal conditions in the rain-fed growing areas of northern Iraq. Crop yields in the central and southern regions, which depended on irrigation, were below average because of low water levels on the Euphrates and Tigris rivers and high soil salinity.<sup>603</sup>

The wheat and barley harvests in the spring and summer of 2010 yielded nearly twice the level of the two previous drought-affected years.



Women growers attend a Greenhouse Farmer Field School in Najaf province. The Farmer Field School concept combines methods from agro-ecology, community/rural development, and experiential education. (USAID-*Inma* photo)

USAID's *Inma* (Arabic for "growth") Agribusiness Program is nearing the end of its funding cycle. All of the program's \$144.8 million allocated from the ESF has been obligated, and \$15.9 million remains for expenditure.<sup>604</sup> This quarter, *Inma*'s horticultural team trained more than 200 individuals in citrus orchard management and, working closely with the olive growers association in Ninewa Province, assisted farmers in proper growing and processing techniques.<sup>605</sup>

## Trade Development

Iraq gave off mixed signals this quarter about its intentions of joining the World Trade Organization (WTO). Appointment of a new Minister of Trade raised hopes within the U.S. government that significant progress could be made in 2011 toward accession. However, other developments raised doubts. A new Customs Tariff Law drafted by the Ministry of Finance failed to comply with WTO requirements, and a WTO-compliant alternative draft provided by USAID-*Tijara* was not taken up by the MOF. Passage of any tariff legislation without prior consultation with the WTO also ignored the so-called "standstill" provision for countries seeking membership.<sup>606</sup> ♦

## PUBLIC SERVICES

Public dissatisfaction with the delivery of essential services in Iraq, especially electric power and water services, remains high and had a noticeable effect this quarter on the actions of GOI officials. Looking toward the hot summer, the government moved with uncommon speed to put in place a near-term plan for 5,000 megawatts (MW) of new generating capacity, increased the fuel allocation for private neighborhood generators, and worked with neighboring countries to raise water levels in Iraq’s rivers.

### Electricity

As of March 31, 2011, the United States had obligated \$5.07 billion and expended \$4.97 billion to improve Iraq’s generation, transmission, and distribution of electricity.<sup>607</sup>

### Supply and Demand

After a steady climb from the beginning of 2008 through September 2009, Iraq’s quarterly average supply of electricity to the grid has remained

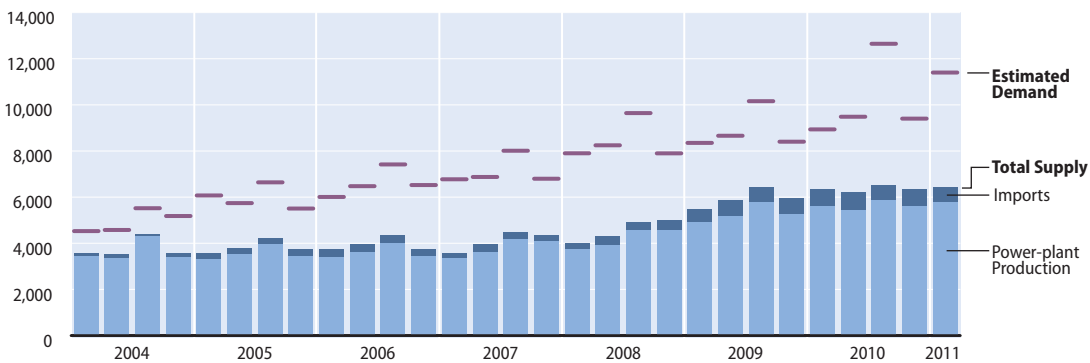
relatively flat. This quarter’s supply averaged 153,676 megawatt-hours (MWh) per day, or 6,403 MW—a 1% increase from last quarter, as well as from the same quarter in 2010.<sup>608</sup>

Protests throughout Iraq this quarter included continuing complaints about unreliable power from the national grid. The available supply at the national level averaged about 56% of estimated demand, though the supply-demand imbalance varied among the provinces. Supply was closest to meeting estimated demand in Sulaymaniyah, Erbil, and Dahuk—the three provinces of the Kurdistan Region—where new, privately owned and operated power plants have come into service over the last three years. In each of these provinces, load served as a percentage of estimated demand this quarter was at least 95%. For Iraq’s other 15 provinces, it ranged from 46% (Babylon, Najaf, and Qadissiya) to 71% (Diyala).<sup>609</sup>

For quarterly averages of supply and estimated demand since January 2004, see Figure 4.18. For the current supply-demand imbalance within each province, including a comparison with the situation three years ago, see Figure 4.20.

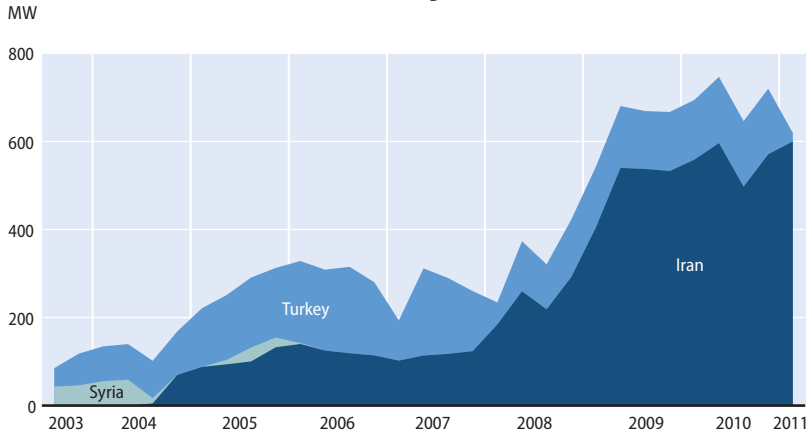
The available supply at the national level averaged about 56% of estimated demand.

FIGURE 4.18  
AVERAGE IRAQI ELECTRICITY SUPPLY AND ESTIMATED DEMAND, BY QUARTER, 1/2004–3/2011  
MW



Sources: ITAO/ESD, *Electric Daily Performance Reports*, 6/1/2006–3/31/2011; DoS, *Iraq Status Reports*, 10/25/2006, slide 11, and 5/9/2007, slide 11.

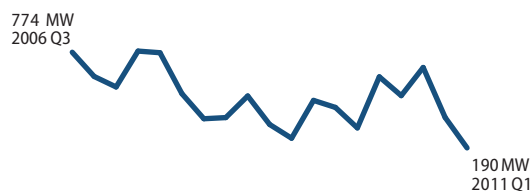
FIGURE 4.19  
ELECTRICITY IMPORTS, BY QUARTER, 2003–2011



Sources: ITAO/ESD, *Electric Daily Performance Reports*, 6/1/2006–3/31/2011; DoS, *Iraq Status Report*, 10/25/2006, slide 11.

### Power-plant Production

Quarterly production at the power plants operated by the Ministry of Electricity (MOE) dropped to 4,411 MW this quarter—its lowest level in two years—primarily because of dwindling output at hydroelectric plants. Except for the Himreem and Haditha Dam plants, every hydroelectric plant in Iraq generated less electricity this quarter than it did during the same quarter last year. Mosul Dam, the country's largest hydroelectric facility with a feasible capacity of 700 MW, came to a standstill for most of the quarter because of insufficient water. Altogether, Iraq's hydroelectric plants produced an average of 190 MW this quarter—a 49% decline from last quarter, a 70% decline from the same quarter in 2010, and their lowest level of production in the last five years.<sup>610</sup>



The drop in output from MOE plants over the past year was mostly offset by increased output from the three privately owned combustion turbine plants in the Kurdistan Region. The newest of these

plants, the 500 MW plant in Dahuk, ramped up production this quarter, with all four of its 125 MW generating units now on line. In addition, a fifth 125 MW unit became operational this quarter at the plant in Sulaymaniyah. For the entire quarter, the combined average output from these three privately owned plants was 1,210 MW.<sup>611</sup>

### Imports

As the Dahuk plant was becoming fully operational, the MOE's contract for electricity imports from Turkey into Dahuk came to its scheduled end.<sup>612</sup> In 2010, those imports averaged 146 MW, or about 21% of Iraq's total imported electricity. Turkish imports stopped in January, leaving Iran as Iraq's sole foreign supplier—though the GOI reportedly was negotiating renewed imports from Turkey through alternative routes. Over the entire quarter, total electricity imports averaged 619 MW (19 MW from Turkey and 600 MW from Iran), down 14% from the previous quarter and 11% from the same quarter last year.<sup>613</sup> For trends in electricity imports since 2003, see Figure 4.19.

According to Deputy Prime Minister al-Shahristani, Iraq is considering joining a regional power grid with other Middle Eastern countries. Such an arrangement could allow for additional imports and power sharing. In addition, al-Shahristani believes that eventually Iraq could serve as a "corridor" for the export of electricity from the Middle East to Europe—particularly in the winter, when demand increases in Europe but decreases in Iraq and its neighboring countries. Iraq's long-term goal, he said, is to be a net exporter of electricity.<sup>614</sup> In the late 1980s, Iraq became the first country in the region to export electric power following the completion of a transmission line to Turkey.<sup>615</sup> However, those exports were subsequently halted because of the effects of wars and sanctions, and Iraq became an electricity importer.

### Expansion of Generating Capacity

The total nameplate generating capacity of Iraq's power plants, including plants in the Kurdistan

Mosul Dam came to a standstill for most of the quarter.

region, is about 16,500 MW. But long-term outages and operating conditions (such as hot weather and use of suboptimal fuels) have reduced the feasible capacity of these plants to less than 12,400 MW. Actual production is half that amount—an average of 5,784 MW this quarter—because of fuel shortages, planned and unplanned outages, and other factors.<sup>616</sup>

As shown in Figure 4.20, numerous projects are either underway or being planned to significantly increase generating capacity and bring supply and demand into balance throughout Iraq. Between 18,000 MW and 27,000 MW of new nameplate generating capacity may come on line by the end of 2015, based on information from GOI and U.S. officials and from the *Iraq Electricity Masterplan*. The pace and amount of these capacity additions will be determined by construction schedules, contract approvals, funding availability, and other factors. The actual output from these plants will be affected mainly by fuel availability and the condition of the transmission and distribution networks.

### New Short-term Plan

On March 23, 2011, the MOE announced—and one week later the CoM approved—a plan to install 50 new 100 MW diesel power plants throughout Iraq by the summer of 2012. The ministry said it intended to enter into deferred-payment contracts for construction of these plants; and on April 7, it announced the signing of the first two contracts—one with MENA of South Korea to provide 2,500 MW of capacity, and the other with Elite Company for Supplies of Jordan to provide 600 MW. The remaining plants were expected to be built by al-Rafidain of Iraq (1,000 MW) and IBA of the United Arab Emirates (900 MW). The contracts call for the companies to build turnkey plants and to provide six months of training. This overall project to rapidly add 5,000 MW of nameplate capacity to the grid is expected to cost more than \$6 billion. According to the MOE, the companies will receive half of their payments after the plants have been in service for one year and the remainder after two years of operation.<sup>617</sup>

The new plants are expected to be located in all provinces except for the three in the Kurdistan Region. Because lack of fuel limits production at many Iraqi power plants, the MOE is coordinating with the Ministry of Oil to site the new plants near sources of fuel. Like almost all of the existing diesel plants in Iraq, the new plants will run on heavy fuel oil (HFO).<sup>618</sup>

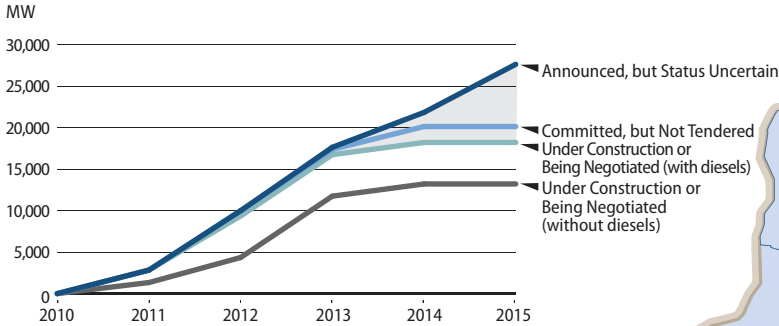
Iraq's diesel plants currently represent about 6% of the country's nameplate generating capacity and produce, on average, about 309 MW.<sup>619</sup> If all 50 new plants are completed by 2012, diesel plants will likely account for at least 20% of capacity and exceed the contribution of Iraq's once-dominant thermal power plants.<sup>620</sup> The U.S.-funded *Iraq Electricity Masterplan*, which was formally made public in February, did not recommend the use of diesel plants. According to the *Masterplan*, “diesel plants have not been considered because of their relatively small size compared to the load (maximum set size around 70 MW) and because, although large units have high efficiency and can run on HFO, their high capital cost makes them economically unattractive.”<sup>621</sup> On a per-megawatt basis, the new diesel plants will cost the GOI roughly 50% more than what it will pay for the first three combustion turbine plants that it has contracted for under the GE Mega Deal.<sup>622</sup> Presumably the GOI has decided that, in the face of public discontent, it is worth the extra cost to get new plants on line as quickly as possible. Figure 4.20 shows the effect of this recently announced plan on the expected increase in capacity over the next few years.

Among other short-term projects, the MOE expected the 320 MW al-Sadr combustion turbine plant—which was built by two Iranian companies—to be in service by the end of April. In addition, it expected to complete rehabilitation work at several plants that would bring 1,200 MW of capacity back on line within the next few months.<sup>623</sup> In the Kurdistan Region, Mass Global Investment Company planned to have an additional 500 MW on line this year at the Erbil Gas plant and another 125 MW generating unit in service at the Sulaymaniyah Gas plant.<sup>624</sup>

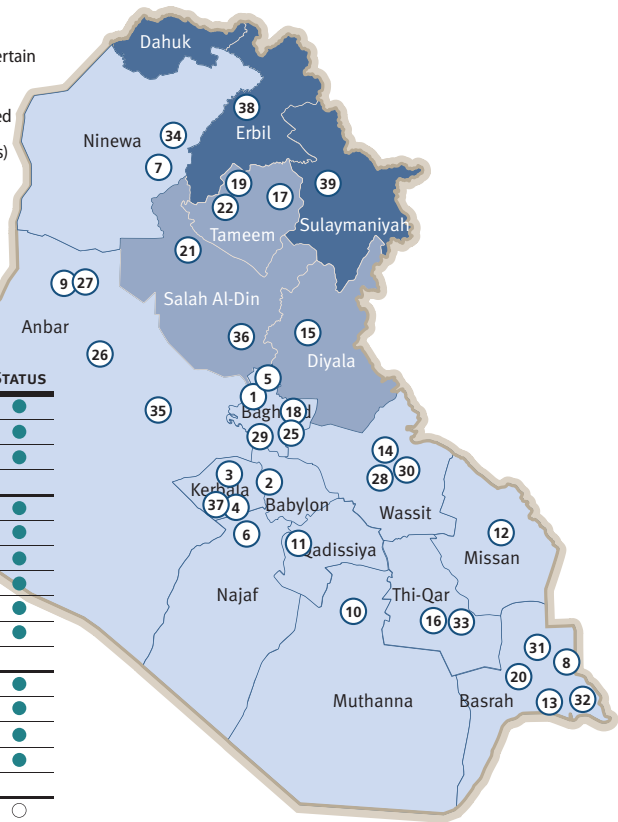
This project to rapidly add 5,000 MW of nameplate capacity to the grid is expected to cost more than \$6 billion.

FIGURE 4.20  
COMMITTED AND PLANNED NEW GENERATING CAPACITY, 2011–2015

Cumulative Addition of Power-plant Generating Capacity, 2011–2015, under Four Scenarios

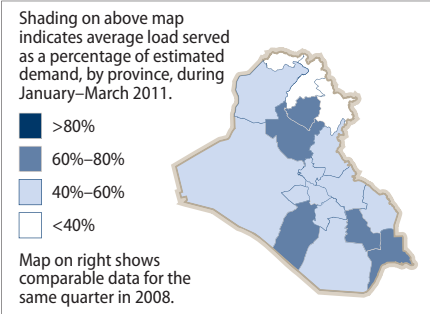


Locations of Committed and Planned New Generating Capacity



Committed and Planned Projects, 2011–2015

	KEY	PLANT	PROVINCE	PLANT TYPE	NAMEPLATE CAPACITY (MW)	ESTIMATED YEAR OF COMMISSION	STATUS
GE Fast Track Projects	1	Taji	Baghdad	CT	160	2011	●
	2	Hilla	Babylon	CT	250	2012	●
	3	Kerbala	Kerbala	CT	250	2012	●
	Subtotal				660		
GE Mega Deal EPC Projects	4	Al-Qaryat	Kerbala	CT	1,250	2012	●
	5	Qudas	Baghdad	CT	500	2012	●
	6	Haydariya	Najaf	CT	500	2012	●
	7	Al-Qayyarah	Ninewa	CT	750	2013	●
	8	Najebia	Basrah	CT	500	2013	●
	9	Akkas	Anbar	CT	250	2014	●
Subtotal				3,750			
GE Mega Deal IPP Projects	10	Al-Samawa	Muthanna	CT	500	2013	●
	11	Diwaniyah	Qadissiya	CT	500	2013	●
	12	Al-Amarah	Missan	CT	500	2013	●
	13	Shatt al-Basrah	Basrah	CT	1,250	2013	●
Subtotal				2,750			
Other GE Mega Deal Projects	14	Wassit	Wassit	CT	250	2013	○
	15	Mansuriya	Diyala	CT	250	2014	○
	16	Nassiriya	Thi-Qar	CT	500	2015	○
Subtotal				1,000			
Siemens Mega Deal EPC Projects	17	Kirkuk Taza	Tameem	CT	265	2012	●
	18	Al-Sadr	Baghdad	CT	320	2012	●
	19	Dibis-1	Tameem	CT	320	2012	●
	20	Al-Rumaila	Basrah	CT	1,325	2013	●
	21	Baiji	Salah Al-Din	CT	960	2014	●
	22	Dibis-2	Tameem	CT	320	2014	●
Subtotal				3,510			
MOE Short-term Diesel Projects	23	Multiple	Various	Diesel	1,500	2011	●
	24	Multiple	Various	Diesel	3,500	2012	●
Subtotal				5,000			
Other MOE Projects	25	Al-Sadr	Baghdad	CT	320	2011	●
	26	Haditha (Pielstick)	Anbar	Diesel	230	2011	●
	27	Akkas	Anbar	CT	120	2013	●
	28	Al-Zubaidya-1	Wassit	Thermal	1,320	2013	●
	29	Youssufiya-1	Babylon	Thermal	630	2013	●
	30	Al-Zubaidya-2	Wassit	Thermal	1,220	2014	●
	31	Hartha	Basrah	Thermal	600	2014	○
	32	Shatt al-Basrah	Basrah	Thermal	600	2014	○
	33	Nassiriya	Thi-Qar	Thermal	600	2015	○
	34	Al-Shimal	Ninewa	Thermal	1,400	2015	○
	35	Anbar	Anbar	Thermal	900	2015	○
	36	Salah Al-Din	Salah Al-Din	Thermal	1,200	2015	○
	37	Al-Qaryat	Kerbala	Thermal	1,200	2015	○
	Subtotal				10,340		
KRG IPP Projects	38	Erbil Gas	Erbil	CT	500	2011	●
	39	Sulaymaniyah Gas	Sulaymaniyah	CT	125	2011	●
Subtotal				625			
Total				27,635			



● Under Construction or Being Negotiated  
● Committed, but Not Tendered  
○ Announced, but Status Uncertain

**Note:** Information in this figure represents SIGIR's best estimate of the status of the different plants. It should not be viewed as an authoritative summary. The actual pace, amount, and location of capacity additions will be determined by construction schedules, contract approvals, funding availability, and other factors.

**Sources:** Power plant information based on Deputy Prime Minister Hussein al-Shahristani, presentation at the Iraq Electricity Masterplan conference, Istanbul, Turkey, 2/2/2011; GOI, Ministry of Oil, "Plan of Supplying Fuel for Future Power Stations, 2011–2020," presentation at the Iraq Electricity Master Plan Conference, Istanbul, Turkey, 2/1/2011; GOI, MOE, and Parsons Brinckerhoff, *Iraq Electricity Masterplan*, Final Report, Vol. 3, Generation Planning, 12/2010; U.S. Embassy-Baghdad, responses to SIGIR data call, 4/1/2011 and 4/14/2011; other GOI and open-source documents. Data on load served and demand is from ITAO/ESD, *Electric Daily Performance Reports*, 1/1/2008–3/31/2011.

## Mid-term Projects

Larger projects, centered on the use of General Electric (GE) and Siemens combustion turbines and scheduled for completion by 2015, are at various stages of planning or execution:

- **GE “Fast Track” Projects.** Construction is ongoing at the three sites (Taji, Hilla, and Kerbala). Together, they are expected to add 660 MW of capacity to the grid within the next two years.<sup>625</sup>
- **GE “Mega Deal” EPC Projects.** The MOE awarded engineering, procurement, and construction (EPC) contracts this quarter for construction of three of the GE “Mega Deal” projects. Turkey’s Çalik Enerji will build the 1,250 MW al-Qaryat plant in Kerbala for \$445 million and the 750 MW al-Qayyarah plant in Ninewa for a \$388.5 million, while South Korea’s Hyundai will add 500 MW of generating capacity to the Qudas plant in Baghdad for \$219 million. This 2,500 MW of new capacity is expected to be on line by 2013 or 2014.<sup>626</sup>
- **GE “Mega Deal” IPP Projects.** In February, the MOE received bids for the four GE Mega Deal projects that it plans to award to independent power producers (IPPs): the 500 MW al-Samawa, Diwaniyah, and al-Amarah sites, as well as the 1,250 MW Shatt al-Basrah site. As of mid-April, the MOE had narrowed the field of bidders for each of these sites. Depending on when these contracts are awarded, the additional 2,750 MW of capacity could start coming into service in 2012 and be fully operational by summer 2013.<sup>627</sup>
- **Siemens “Mega Deal” Projects.** None of the Siemens Mega Deal projects have yet been contracted. However, negotiations for two of the projects—the 265 MW Kirkuk Taza site in Tameem and the 1,325 MW al-Rumaila site—are ongoing. Estimated completion dates for this 1,590 MW of additional capacity range from the end of 2011 to 2015.<sup>628</sup>

Other major projects under construction include two thermal plants: the 1,320 MW (to be expanded to 2,540 MW) al-Zubaidiya plant in Wassit, being

built by Shanghai Electric; and the 630 MW Youssufiya plant in Babylon.<sup>629</sup>

## Electricity Master Plan

As previewed in SIGIR’s January 2011 Quarterly Report, Parsons Brinckerhoff and the MOE formally presented the *Iraq Electricity Masterplan* on February 1 and 2. More than 375 participants from numerous countries attended the rollout conference, which was held at the Four Seasons Hotel in Istanbul and sponsored by U.S. Embassy-Baghdad (at a cost of \$350,000).<sup>630</sup>

In his opening remarks at the conference, the Senior Advisor to the Minister of Electricity said that the plan is designed to “tighten the gap between production and demand.”<sup>631</sup> Full implementation of the plan over the next 20 years would require almost \$77 billion in capital investments. But, according to the plan, the cost of doing nothing could be far more: the plan estimates that the cost at present to Iraq’s economy from unserved energy is about \$40 billion per year.<sup>632</sup>

Key features of the plan include the following:

- **Generation:** The GE and Siemens “Mega Deal” and other currently committed combustion turbine plants should be converted to natural gas as soon as practical, and simple-cycle combustion turbine units should be converted to combined-cycle units, which (by capturing waste heat) would increase their generating capacity by about 50% with no increase in fuel consumption. To keep pace with rising demand, additional gas-fired, combined-cycle power plants should be built starting in 2018. The cost of new generating capacity over the next 20 years, including the cost of projects currently underway (but excluding the recently announced 5,000 MW of new diesel capacity), is estimated to be \$37.2 billion.<sup>633</sup>
- **Transmission:** The existing transmission network needs to be reconfigured and upgraded—primarily to address high fault levels and to bring it in line with international best practices—and it must be expanded to accommodate the additional generating capacity that will be coming

Full implementation of the plan over the next 20 years would require almost \$77 billion in capital investments.



Deputy Prime Minister for Energy al-Shahristani (at right) attended the Ministry of Electricity Master Plan Conference on February 2, 2011.

into service to meet rising demand. The plan estimates that \$9.9 billion will be needed to upgrade and expand the transmission network.<sup>634</sup>

- **Distribution:** The MOE estimates that as much as 35% of the electricity generated at Iraq's power plants is "lost" in the distribution network for technical reasons and because of theft.<sup>635</sup> Although some losses are unavoidable, they exacerbate the supply-demand gap and reduce the MOE's income. The plan says that a loss-reduction program should be the first priority for the distribution network. According to the plan, rehabilitation of the distribution system will cost about \$8.5 billion, and expansion of the system will cost an additional \$21.4 billion.<sup>636</sup>

The *Iraq Electricity Masterplan* has been submitted to the CoM for review and acceptance.<sup>637</sup> The Senior Advisor to the Minister of Electricity said that he hoped the GOI would back it,<sup>638</sup> yet several Iraqis at the conference were openly critical of aspects of the plan. A representative from Prime Minister al-Maliki's office, for example, objected that it excluded the Kurdistan Region.<sup>639</sup> (The plan states that one of its assumptions is "that there will be minimal interchange with Kurdistan apart from mutual support."<sup>640</sup>) Although Deputy Prime

Minister for Energy al-Shahristani addressed the conference, he focused on the MOE's current capacity-expansion projects and made only a passing reference to the plan.<sup>641</sup>

According to U.S. Embassy-Baghdad, the development of the *Iraq Electricity Masterplan* was coordinated with the planning for and development of a separate plan—an integrated national energy strategy for Iraq—that is partially funded by the World Bank and being implemented by the Prime Minister's Advisory Commission. This coordination occurred through a series of meetings between the Department of State, the World Bank, and Parsons-Brinckerhoff.<sup>642</sup> The national energy strategy will address some of the same issues covered in the *Iraq Electricity Masterplan*, including power shortages and optimal fuel mix. At the Istanbul conference, however, the Office of the Prime Minister's presentation on the energy strategy did not mention the *Iraq Electricity Masterplan*, and none of the presentations on the *Masterplan* mentioned the strategy.<sup>643</sup> Last year, after the World Bank announced it was providing a \$5 million grant to help the Iraqis develop the national energy strategy, U.S. Embassy-Baghdad told SIGIR that it supported the project's goals but felt that U.S. sponsorship or funding of such an effort would hinder acceptance by the Iraqis.<sup>644</sup> The original contract for the U.S.-funded *Iraq Electricity Masterplan* was for \$5 million, but Parsons-Brinckerhoff has requested an equitable adjustment of \$600,000 because of a number of contract modifications.<sup>645</sup>

### Revised Tariff Structure

Because of government subsidized tariffs, insufficient metering of electricity use, and the MOE's difficulty in collecting payment for unreliable electric service, Iraqis have had little incentive to conserve electric power or use it more efficiently, and the MOE's income from consumers has been much lower than its cost to supply electricity.<sup>646</sup> To help address this issue, the MOE altered its tariff structure in October 2010, doubling the per-kilowatt-hour (kWh) rate it charges domestic, commercial,

As much as 35% of the electricity generated at Iraq's power plants is "lost" in the distribution network.

TABLE 4.5  
**MOE ELECTRICITY TARIFFS, BY CUSTOMER TYPE, 2008–2011**  
 Cents per kWh

CONSUMPTION (KWH PER MONTH)	1/2008–9/2010	AS OF 10/2010		PROPOSED, AS OF 4/2011		
	ALL	DOMESTIC, COMMERCIAL, AND GOVERNMENTAL	INDUSTRIAL AND AGRICULTURAL	DOMESTIC, COMMERCIAL, AND GOVERNMENTAL	INDUSTRIAL	AGRICULTURAL <sup>a</sup>
1–1,000	0.83	1.66	10.00	0.00	0.00	0.00
1,001–2,000	1.66	4.16	10.00	4.16	10.00	4.16/10.00
2,001–3,000	2.50	6.66	10.00	6.66	10.00	4.16/10.00
3,001–4,000	2.50	8.33	10.00	8.33	10.00	4.16/10.00
4,001+	4.16	11.25	10.00	11.25	10.00	4.16/10.00

<sup>a</sup> The lower rate would be effective only during the irrigation season.

Sources: GOI, MOE, “Electricity Regulatory Commission” presentation at Ministry of Electricity Master Plan Conference, Istanbul, Turkey, 2/2/2011; GOI, MOE, Director of Information Office, information provided to SIGIR, 4/18/2011.

and governmental consumers for the first 1,000 kWh they consume each month and more than doubling the rate charged for higher levels of consumption. Industrial and agricultural customers saw an even higher rate increase and were switched from a graduated to a flat rate structure.<sup>647</sup>

In February and April 2011, however, the MOE proposed additional rate changes after Iraqis began a new wave of protests about inadequate public services and other grievances and after farmers objected to the increased cost of operating irrigation equipment. Under the new proposals, all consumers would receive the first 1,000 kWh they consume each month for free; and during the irrigation season, agricultural users would be charged less than half the rate applied to industrial users.<sup>648</sup> Table 4.5 shows the recent changes in electricity tariffs.

### Recently Completed and Ongoing U.S.-funded Projects

The U.S. Army Corps of Engineers (USACE) reports that it completed five electricity projects, with a combined value of \$56.6 million, this quarter. Four of them were funded by the ESF and ranged in value from \$350,000 to \$3.3 million. The fifth and largest of the projects was construction of al-Farabi and Jamila substations in Sadr City, an IRRF-funded project that cost \$48.2 million.<sup>649</sup> The substations were built to improve power distribution in eastern Baghdad. Work on these facilities began in March

2007 and was initially expected to be completed in 2008. According to USACE, ongoing security concerns caused work stoppages and delayed project completion. In 2007, one of the local USACE engineer’s staff members was kidnapped by militia, and other workers were threatened.<sup>650</sup>

As of March 31, 2011, USACE had 11 ongoing electricity projects with a combined value of \$59.6 million. The largest is the last remaining electricity project funded by the IRRF: construction of a substation in Ramadi for \$29.3 million. The other 10 ongoing projects are funded by the ESF and are mostly for the procurement of parts and equipment. USACE expects all but one of these projects to be completed by the end of June, with completion of the last one scheduled for July.<sup>651</sup>

Under the new proposals, all consumers would receive the first 1,000 kWh they consume each month for free.



USACE completed construction of the 132-33 kV al-Farabi substation in Sadr City in February and turned it over to the MOE. (USACE photo)



According to USF-I, five electricity projects funded with FY 2011 CERP appropriations have been completed as of March 31, 2011, at a combined cost of slightly less than \$500,000. Four of those projects, representing 83% of the costs, were completed this quarter. An additional 16 electricity projects using FY 2011 CERP funds and collectively valued at \$2.7 million (and each costing less than \$500,000) were underway at the end of the quarter. USF-I also reported that 30 projects funded with FY 2010 CERP appropriations, with a combined cost of \$11.2 million, had not been completed as of September 30, 2010. Five of those projects were valued at more than \$500,000 each. Because of the way in which USF-I reports project-level data, SIGIR is unable to determine the current status of any of those 30 projects.<sup>652</sup>

## Water and Sanitation

As of March 31, 2011, the United States had obligated \$2.65 billion and expended \$2.57 billion to rehabilitate Iraq's water and sanitation sectors.<sup>653</sup>

More than 7.6 million Iraqis lack access to safe drinking water, according to the United Nations Educational, Scientific, and Cultural Organization (UNESCO).<sup>654</sup> Iraq is dependent on the Tigris and Euphrates Rivers for fresh water for drinking, as well as for sanitation and irrigation,<sup>655</sup> yet lack of adequate infrastructure and poor water management in the Tigris-Euphrates basin cause interruptions in the supply and reduce the quality of available drinking water.<sup>656</sup> Power shortages that hinder pumping and water filtration also affect the water supply.<sup>657</sup> To help the GOI address water shortages in the most affected areas, UNESCO launched a survey of Iraq's groundwater in October 2010. The survey is slated for completion in the last quarter of 2011.<sup>658</sup>

Iraqis also continue to suffer from a lack of access to sewerage services. According to the UN, just 26% of the population is covered by the public sewerage network, and an estimated 83% of Iraq's wastewater is left untreated.<sup>659</sup>

The GOI, meanwhile, continues to oversee water projects, such as lining canals to prevent leakage.<sup>660</sup> This quarter, the Minister of Water Resources visited earth dams in southern Iraq designed to limit the impact of drainage water coming from Iran.<sup>661</sup>

## Recently Completed and Ongoing U.S.-funded Water Projects

USACE reported that it had completed three U.S.-funded water and wastewater projects this quarter at a combined cost of \$2.5 million. The highest-value project was a \$1.9 million effort to design and reconstruct a sanitary sewer system to serve approximately 17,500 people in the Adhamiya neighborhood of Baghdad.<sup>662</sup>

Additionally, USACE reported 14 ongoing water-related projects valued at \$33.7 million, including \$1.3 million for a study of Iraq's rivers and lakes. All but the Falluja Area A House Connections project are scheduled for completion by July 2011, including the following high-value projects:<sup>663</sup>

- **Al-Kibla Sewer and Storm Network.** This \$11.1 million project in Basrah province to design and construct a sanitary sewer and storm-water collection system—including pump stations, force mains, manholes, inlets, and individual house connections—is expected to be completed at the end of June 2011.<sup>664</sup>
- **Area A House Connections.** This \$4.6 million project to connect 9,300 homes to the Falluja Waste Water Treatment System had been



A worker on site at al-Kibla Sewer and Storm Network in Basrah province. (USACE photo)

Lack of adequate infrastructure and poor water management in the Tigris-Euphrates basin cause interruptions in the supply and reduce the quality of available drinking water.



Workmen lay piping to hook up residential homes to the Falluja Waste Water Treatment System in Anbar province. (USACE photo)

scheduled for completion this quarter, but completion has now been pushed back to the end of May 2012.<sup>665</sup>

- **Falluja Sewer Collection Area B.** This \$3.3 million project, slated for completion at the end of April 2011, seeks to excavate and place piping in a collection area tied to the Falluja Waste Water Treatment System, including pouring concrete walls for manholes.<sup>666</sup>

The Falluja Waste Water Treatment System, a \$98 million project to build a wastewater treatment facility in Anbar province, is still not providing services to residents of Falluja. The project is slated for a ribbon-cutting ceremony in June 2011, but the delay of the Area A House Connections project will affect the system's operational schedule. The plant has been tested using water, but not wastewater, according to on-site engineers. Other potential problems include a lack of training among local Iraqi engineers and the unavailability of spare parts. The contract to provide engineering and design services for this project, valued at \$390,000, was completed this quarter.<sup>667</sup>

According to USF-I, 34 water and sanitation projects funded with FY 2011 CERP appropriations and collectively costing \$8.7 million were underway at the end of the quarter, and 13 others were completed during the quarter at a total cost of \$3.0 million. All of these ongoing and completed projects were valued at less than \$500,000. USF-I also reported

that 102 projects funded with FY 2010 CERP appropriations, with a combined cost of \$24.5 million, had not been completed as of September 30, 2010. Seven of these projects were valued at more than \$500,000. SIGIR is unable to determine the current status of any of those 102 projects.<sup>668</sup>

## Transportation and Communications

As of March 31, 2011, the United States had obligated \$1.14 billion and expended \$1.07 billion to rehabilitate Iraq's transportation and communications sectors.<sup>669</sup> The GOI moved forward this quarter with plans to increase transport of cargo by ship and rail, with the purchase of nine cargo ships and new plans to expand rail lines to accommodate religious pilgrims. The GOI also opened an air route between Basrah and Dubai.<sup>670</sup>

According to USF-I, seven transportation projects funded with FY 2011 CERP appropriations and collectively costing \$1.7 million were underway at the end of the quarter, and two others were completed during the quarter at a total cost of less than \$500,000. USF-I also reported that 38 projects funded with FY 2010 CERP appropriations, with a combined cost of \$8.3 million, had not been completed as of September 30, 2010. None of these projects were valued at more than \$500,000. SIGIR is unable to determine the current status of any of those 38 projects.<sup>671</sup>

The Falluja Waste Water Treatment System is still not providing services to residents of Falluja.



Workmen pave the Al Amarah-Al Maymunah Carriageway. (USACE photo)

Control of airspace at all altitudes is slated to transition to the ICAA at various times throughout 2011.

### Ports

U.S. Embassy-Baghdad reported that this quarter the Joint Interagency Task Force (JIATF) held approximately 33 meetings with Iraqi port operators to assist with port operations, helped Iraqis develop point-of-entry controls, facilitated the first country visit from a representative of the International Maritime Organization, and helped Iraqis draft port security measures.<sup>672</sup>

### Roads

USACE reported that construction of one road was underway this quarter—the \$4.1 million Al Amarah-Al Maymunah Carriageway, scheduled for completion in July 2011. The two-lane highway will be 40 miles long.<sup>673</sup>

### Railroads

U.S. Embassy-Baghdad reported that the second phase of training to enable Iraqi Republic Railway employees to operate and maintain the \$48.1 million Digital Microwave Radio Communications Network continued this quarter. Testing of the railway control system was ongoing this quarter on the south line, which runs from Baghdad to Umm Qasr in Basrah province, and minor technical issues were discovered that need to be addressed before the railway line can operate. Training and maintenance also continued on the northern line, which runs from Baghdad to the Syrian border.<sup>674</sup> The first phase of training, an \$826,000 project, ended in September 2010. The second phase, funded at \$3.71 million, began in August 2010 and included training sessions in Cedar Rapids, Iowa, in March and April 2011; the second phase is scheduled to run through September 2011. U.S. Embassy-Baghdad reported that more than \$3.5 million had been expended on the project to date, and that expected remaining costs were estimated at \$180,000.<sup>675</sup>

### Airports

The Iraq Civil Aviation Authority (ICAA) hired an additional 50 air-traffic controllers this quarter,

bringing the total number of controllers in the process of being hired or in training to approximately 100. In February, 17 Iraqi students graduated from training at the Pan Am Academy in Miami, Florida. The ICAA controls air traffic above 15,000 feet in northern Iraq, and it is in the process of taking control of airspace above 15,000 feet in the southern half of the country. Control of airspace at all altitudes is slated to transition to the ICAA at various times throughout 2011 as improvements to Iraq's communications, navigation, and surveillance capabilities are completed. U.S. Embassy-Baghdad reported that USF-I was scheduled to end its presence at the airports in Baghdad and Mosul in October, and at the airport in Basrah in December.<sup>676</sup>

Commercial and cargo flights to Iraq increased this quarter, as UAE-based carriers Emirates and Starlight Airlines began flights to Basrah and Erbil. In Kerbala province, the Ministry of Transportation continued with plans to build an international airport to accommodate religious pilgrims.<sup>677</sup>

Alnaser Airlines, a private carrier founded in 2005, continued flights to Europe, Asia, and the Arab world, with plans to expand service to Frankfurt, Germany, in late April 2011. Currently, Alnaser flies from Baghdad to Britain, Sweden, India, Kuwait, and Dubai; it also has domestic flights to Erbil, Mosul, Kut, Najaf, and Basrah. According to an Alnaser Airlines official, its first flight to London occurred shortly after Iraqi Airways stopped flying to the British capital or to Sweden due to an ongoing lawsuit brought against the airline by Kuwait.<sup>678</sup>

### Telecommunications

This quarter, the GOI Minister of Communications announced GOI plans to issue a fourth mobile phone license, to be auctioned by the end of 2011. The minister said that the license would likely cost between \$1 billion and \$2 billion, including the fee and the necessary infrastructure, and would be jointly held by an operator, the public, and the ministry. In 2007, Iraq auctioned off three 15-year licenses—to Zain, AsiaCell, and



Iraq's Minister of Communications receives a plaque for his work toward a fourth mobile phone license. (GOI photo)

Korek—each costing \$1.25 billion plus 18% of revenue. The three carriers provide cell phone service to about 20 million Iraqi subscribers. After years of neglect, Iraq boasts one of the fastest growing cell-phone markets in the region, and proponents of issuing a fourth license, approved by the CoR in May 2010, claim it will keep the industry competitive and introduce 3G and 4G technology to Iraq. In March 2011, Zain announced it would invest approximately \$100 million to expand its network in the Kurdistan Region, where better security would improve service.<sup>679</sup>

The U.S. government reported one telecommunications project under construction this quarter—the \$18.3 million al-Mamoon Exchange and Communications Center in Baghdad, which is now more than 90% constructed and scheduled for completion in June 2011. The original forecasted completion date was December 2006, but the project suffered from sabotage and contracting problems, and was re-awarded in 2009. This quarter, USACE reported that the Ministry of Electricity and the Ministry of Communications are in discussions regarding connecting the project to the national grid.<sup>680</sup>

## Health Care

Iraq continues to suffer from a shortage of doctors and nurses, but this quarter, there were incremental improvements in some areas of health care

delivery. Iraqi healthcare professionals participated in a Johns Hopkins-sponsored event designed to promote health advocacy and outreach.<sup>681</sup> Iraqi healthcare workers also attended a training program in Lebanon that focused on health care for people displaced from their homes.<sup>682</sup>

## U.S.-funded Hospital Construction

This quarter, USACE continued to oversee two ESF-funded health care construction projects with a combined cost of \$16.1 million, including the Missan Surgical Hospital and upgrades of facilities at the Ibn Sena Cardiac Center.<sup>683</sup> The surgical wing at Ba'quba General Hospital and the entire Basrah Children's Hospital have been transferred to the Ministry of Health (MOH), though neither hospital is fully functioning. Additionally, USAID continued to fund several health-related projects, including the Primary Health Care Project and the Health Promotion Program.<sup>684</sup>

According to USF-I, 6 health care projects funded with FY 2011 CERP appropriations and collectively costing \$831,489 were underway at the end of the quarter, and 18 others were completed during the quarter at a total cost of just under \$1 million. All of these ongoing and completed projects were valued at less than \$500,000 each. USF-I also reported that 27 projects funded with FY 2010 CERP appropriations, with a combined cost of \$4.0 million, had not been completed as of September 30, 2010. All of those projects were valued at less than \$500,000. SIGIR is unable to determine the current status of any of those 27 projects.<sup>685</sup>

### Missan Surgical Hospital

The Missan Surgical Hospital—a \$12.6 million, 80-bed facility in Missan province—was reportedly 71% complete this quarter, and U.S. Embassy-Baghdad reported that ISPO and USACE continue to seek to improve the contractor's performance and maintain GOI support.<sup>686</sup> Construction began in November 2007, and the project is now scheduled for completion by the end of June 2011.<sup>687</sup>

The surgical wing at Ba'quba General Hospital and the entire Basrah Children's Hospital have been transferred to the Ministry of Health, though neither hospital is fully functioning.

### Ibn Sena Hospital

Work on the \$3.5 million Ibn Sena Hospital in Mosul was reported to be 70% complete this quarter, and the project is now slated to be done in June 2011. Last quarter, U.S. Embassy-Baghdad reported that Al-Warka Bank in Mosul had failed to transfer \$345,000 sent by USACE to the contractor, citing banking liquidity issues. This quarter, the payment was still outstanding, and the Embassy was working with the GOI to rectify the problem. As a result, the contractor could not pay subcontractors, workers, and suppliers.<sup>688</sup>

### Ba'quba Surgical Wing

The \$8 million surgical wing at Ba'quba General Hospital, in Diyala province, was turned over to the MOH in February 2011. Some essential services, including water and sanitation, became operational for the hospital this quarter. However, U.S. Embassy-Baghdad reported that, as of April 14, 2011, the electricity connection was only about 60% complete and was expected to be finished in May 2011.<sup>689</sup>

### Basrah Children's Hospital

The \$165 million Basrah Children's Hospital was inaugurated in May 2010 and opened for operation in October 2010—five years late. Although the hospital was treating patients this quarter, the oncology treatment section, which was to be the distinguishing feature of the hospital, has not yet opened. Efforts were still underway to complete the delivery and installation of medical equipment donated by Project Hope and to hire an Arabic-speaking hospital facility manager.<sup>690</sup>

### USAID Health Care Programs

This quarter, USAID completed the \$5 million Health Promotion Program—which aimed to help the MOH evaluate and increase the Iraqi public's awareness of health issues<sup>691</sup>—and began its four-year, \$74 million Primary Health Care Project in Iraq. Designed in collaboration with the MOH and the World Health Organization, the new program seeks to improve primary health care in Iraq by

strengthening health management, mentoring health care workers, and engaging the community to increase health awareness. This quarter, USAID began to train health care providers in administration, management, and clinical practice.<sup>692</sup>

## Education

Poor security, a weak economy, and a legacy of UN-imposed economic sanctions may prevent Iraq from reaching its Millennium Development Goals for education by 2015, according to a UNESCO report. The goals include ensuring that all children complete primary school.<sup>693</sup> This quarter, the GOI partnered with UNICEF and the European Union to provide roughly \$27 million to launch a program to develop new education policies and increase enrollment in Iraq's primary schools, in keeping with the 2015 goals. The money will go toward curricula revision, adult education, and improvements to school infrastructure.<sup>694</sup>

A higher education program initiated in 2010 reportedly was beginning to show promise. According to DoS, Iraq's Education Initiative Scholarship Program has already sent more than 300 students abroad for higher education and plans to award an additional 1,000 scholarships in 2011 for graduate studies in the United States and United Kingdom.<sup>695</sup>

### U.S.-funded Education Projects

USACE reported completion of 17 school construction projects this quarter, including two valued at more than \$1 million each. Three schools and a national training center were still under construction at the end of the quarter, including one school whose construction began this quarter. All projects were slated for completion by October 2011.<sup>696</sup> For an overview of the ongoing education construction projects, see Table 4.6.

In addition to the school construction projects, USACE completed two education-related projects this quarter: the Kirkuk Public library, a \$295,000 project to remodel the existing public library; and

This quarter, USAID began its four-year, \$74 million Primary Health Care Project in Iraq.

a \$2.5 million project to provide labor, equipment, and materials to review the existing curriculum at Al Anbar University’s College of Engineering. One other education-related project was ongoing at the end of this quarter: the Iraqi Associates Program, a \$4 million program to develop professional Iraqi engineers that is scheduled to end in August 2011.<sup>697</sup>

According to USF-I, 11 education projects funded with FY 2011 CERP appropriations and collectively costing \$2.2 million were underway at the end of the quarter, and 24 others were completed during the quarter at a total cost of \$1.2 million. All of these ongoing and completed projects were valued at less than \$500,000 each. USF-I also reported that 113 projects funded with FY 2010 CERP appropriations, with a combined cost of \$16.2 million, had not been

TABLE 4.6

**EDUCATION PROJECTS UNDER CONSTRUCTION THIS QUARTER**  
\$ Millions

PROJECT	COST	PROJECTED COMPLETION DATE	PROVINCE	DESCRIPTION
Halabja School	\$1.10	6/25/2011	Sulaymaniyah	Build an 18-classroom school
Makaraem School	\$0.80	6/30/2011	Ninewa	Build an 18-classroom school
Semel Primary School	\$0.94	5/31/2011	Dahuk	Build a 12-classroom school

Source: USACE, response to SIGIR data call, 4/5/2011.

completed as of September 30, 2010. All of those projects were valued at less than \$500,000 each. SIGIR is unable to determine the current status of any of those 113 projects.<sup>698</sup> ♦

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SECTION

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# 5

## SIGIR AUDITS

Since March 2004, SIGIR has issued 188 audit reports. From January 31 to April 30, 2011, SIGIR issued six audits addressing a wide range of reconstruction issues. They included:

- a report on the management controls of the Quick Response Fund (QRF)
- a report updating the status of Iraq Relief and Reconstruction Fund 2 (IRRF 2) funds at the end of fiscal year 2010
- a report on the U.S. Agency for International Development (USAID) cooperative agreement with the Cooperative Housing Foundation (CHF) to implement the Community Action Program (CAP)
- a report on USAID responsiveness to SIGIR recommendations
- two reports on U.S. Army Corps of Engineers (USACE) management as it downsizes its activities in Iraq:
  - a report on the management and outcomes of its Aegis Personal Security Contract
  - a report that addresses the status of USACE projects and USACE support to customers in recommending project completion or cancellation decisions and transferring projects to the Government of Iraq (GOI)

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 this quarter. SIGIR performs audit work under generally accepted government auditing standards.

### SIGIR Audits Completed This Quarter

***Quick Response Fund: Management Controls Have Improved, but Earlier Projects Need Attention***  
(SIGIR 11-011, 4/2011)

#### Introduction

In August 2007, the Department of State (DoS) established the Quick Response Fund (QRF) program to provide Provincial Reconstruction Teams (PRTs) with a flexible means to fund local projects that would promote economic and social development in Iraq. DoS allocated \$258.2 million from its Economic Support Fund for use in the QRF program. The program had two components: a DoS component, which SIGIR refers to as the QRF-State (QRF-S), and a U.S. Agency for International

TABLE 5.1  
SIGIR AUDIT PRODUCTS SINCE 1/31/2011

REPORT NUMBER	REPORT TITLE	DATE ISSUED
11-011	Quick Response Fund: Management Controls Have Improved, but Earlier Projects Need Attention	4/2011
11-013	Iraq Relief and Reconstruction Fund 2: Report on Apportionments, Expenditures, and Status at End of Fiscal Year 2010	4/2011
11-014	The Iraq Community Action Program: USAID's Agreement with CHF Met Goals, but Greater Oversight Is Needed	4/2011
11-015	Gulf Region District Is Adjusting Its Aegis Security Contract Requirements for Changes in Reconstruction Activities in Iraq	4/2011
11-016	USACE Is Meeting Customer Needs, but Documentation of Project Decisions Could Improve	4/2011
11-017	USAID Is Responsive to SIGIR Recommendations	4/2011



Development (USAID) component, known as the Iraq Rapid Assistance Program (IRAP). SIGIR's past reports on the program revealed weaknesses in controls over QRF funds.

SIGIR's reporting objective in this audit was to examine the adequacy of DoS and USAID management controls to help prevent fraud, waste, and abuse.

## Results

Since SIGIR's January 2009 report on the QRF program, which identified a number of weaknesses, DoS has improved management controls over its component of the program. However, DoS needs to address accountability issues, particularly project-outcome reporting and fund-use documentation, which were missing from many of the project files that SIGIR reviewed during this audit. SIGIR found that 20 QRF-S projects implemented since January 2009 had most of the required documents, but most of the 20 QRF-S projects that SIGIR selected for review from 2007–2008 were missing documents, particularly on project outcome and fund use. Overall, for the 20 projects that SIGIR reviewed from 2007–2008, 56% of the requested or required documents were missing from project files; 14 projects (70%) were missing financial documents. The total value of these projects, which were implemented by PRTs in Anbar, Baghdad, Ninewa, and Tameem provinces, was \$259,378.

Because of the large percentage of missing documents for projects conducted in 2007–2008, SIGIR expanded its scope to include an additional 159 projects from all provinces for that time period and found similar results. SIGIR's analysis found that 35% of the documents were missing from the expanded review of 2007–2008 project files; 92 projects (58%) were missing project outcome documents; 43 projects (27%) were missing invoices and receipts; and 29 projects (18%) were missing purchase order forms used by PRTs. SIGIR also found that 21 projects (13%) were missing all three documents—meaning that there was no

record of what was accomplished or how the money was spent.

The absence of required documentation leaves projects vulnerable to fraud, waste, and abuse. To illustrate, SIGIR found eight projects in one Iraqi province, and all were missing key financial documentation, which raised questions about possible fraud. Together, these projects totaled \$165,810; the cases have been referred to SIGIR Investigations for follow-up. SIGIR has not concluded that fraud has occurred in these cases, but the circumstances surrounding them represent a risk that warrants further investigation. Several other projects involving waste and/or possible fraud were brought to SIGIR's attention during visits to PRTs or through project file reviews. Together, these projects totaled \$109,145.

By contrast, SIGIR found that USAID had good management controls over its respective component of the QRF program. USAID-managed IRAP project files had virtually all required documentation. To illustrate, SIGIR reviewed files for 20 USAID projects for 2007–2008 and 20 projects for 2009–2010, and found only one document missing. SIGIR determined that USAID's implementing partner's records contained all of the required outcome, financial, and oversight documentation. This included all final close-out reports that detailed the outcome of the grants as well as the financial documentation that provided audit trails of how the grant money was used.

## Recommendations

SIGIR recommends the U.S. Secretary of State direct the appropriate offices to:

1. Conduct an assessment of all QRF-S projects initiated in 2007 and 2008 to determine if project outcomes are documented and whether funds can be accounted for.
2. Prepare a report for the Secretary on the assessment results and actions taken to address identified problems.
3. Ensure that the Office of Provincial Affairs and the PRTs understand and implement DoS

records management policies and procedures and ensure that original QRF records are preserved and maintained until the assessment is completed.

### Management Comments and Audit Response

DoS concurred with the report's recommendations and cited specific actions it plans to take. It also provided SIGIR with technical comments that were addressed, as appropriate.

#### *Iraq Relief and Reconstruction Fund 2: Report on Apportionments, Expenditures, and Status at End of Fiscal Year 2010* (SIGIR 11-013, 4/2011)

### Introduction

In November 2003, Public Law (P.L.) 108-106 appropriated \$18.65 billion in funds, referred to as the Iraq Relief and Reconstruction Fund 2 (IRRF 2). However, the P.L. specified that \$210 million of that amount was to be transferred to non-Iraq program accounts. Two later amendments directed the transfer of \$10 million into the IRRF 2 account. Accordingly, \$18.45 billion was provided for security, relief, rehabilitation, and reconstruction in Iraq. These funds were allocated to 10 specific areas of programs and activities, referred to as sectors. The Office of Management and Budget (OMB) apportioned these funds, for the most part, to the Department of Defense (DoD)/U.S. Army, U.S. Agency for International Development (USAID), and the Department of State (DoS). The funds were initially available for obligation through September 30, 2006, but amendments to the P.L. extended the period of availability for two additional years, until September 30, 2008, with unobligated funds to remain in expired accounts for five years, until September 30, 2013. While in these expired accounts, the funds are only available to pay existing obligations or legitimate adjustments to obligations incurred during the

unexpired period. On September 30, 2013, the last IRRF 2 account will be closed, and remaining funds will not be available for any purpose.

SIGIR reports regularly on the status of the various funds used for Iraq relief and reconstruction. SIGIR's objective for this report is to address the status of IRRF 2, including the amounts apportioned to U.S. government organizations, obligated during the period of availability, adjusted while the funds were in expired accounts, and in accounts at the end of fiscal year (FY) 2010.

### Results

P.L. 108-106 and its amendments provided \$18.45 billion for security, relief, rehabilitation, and reconstruction in Iraq. During FYs 2004 and 2005, OMB apportioned \$17.86 billion of the funds from the IRRF 2 appropriation; in FY 2006, it apportioned the remaining \$588 million. Most of the funds went to three organizations: DoD/U.S. Army received \$13.52 billion; USAID received \$3.04 billion; and DoS received \$1.48 billion. Two other organizations received a total of \$401 million.

The five organizations obligated more than half of the funds by the end of FY 2004, and by the end of FY 2005 they had obligated more than three-quarters of the apportioned funds. A critical point came at the end of FY 2006, when unobligated funds would expire and no longer be available for new obligations. At that point, all but \$389 million had been obligated—about 2% of appropriated funds.

In June 2006, three months before IRRF 2 unobligated balances would have expired, P.L. 109-234 authorized the funds to remain available for one additional year. In May 2007, P.L. 110-28 amended the extension, adding another year. These amendments extended the period of availability for new IRRF 2 obligations through September 2008, with some funds remaining available for expenditure until September 30, 2013. To recognize these extended periods, OMB and the U.S. Treasury established separate Treasury accounts. During FY 2007, DoD/U.S. Army, USAID, and DoS returned \$454.56 million of previously apportioned

funds to OMB. OMB transferred the funds to a new account and apportioned \$218.59 million back to the organizations in FY 2007—waiting until FY 2008 to apportion some available funds. During FY 2008, the organizations returned \$243.40 million. OMB transferred the funds to a new account and apportioned \$412.43 million.

As of the end of FY 2010, \$17.26 billion had been expended from the IRRF 2 accounts, and unliquidated obligations totaled about \$145.25 million. The amount of the organizations' unobligated funds totaled \$402.46 million, and OMB's unobligated funds totaled about \$26.33 million—meaning that about \$429 million could be canceled at the end of the next three fiscal years (FYs 2011–2013). This is the amount that could be returned to the Treasury's General Fund if all obligations are paid and upward and downward adjustments to unliquidated obligations net to zero.

### Recommendations

This report does not contain recommendations.

### Management Comments and Audit Response

Because this report contains no recommendations, the responsible agencies were not required to, and did not, submit comments.

### *The Iraq Community Action Program: USAID's Agreement with CHF Met Goals, but Greater Oversight Is Needed* (SIGIR 11-014, 4/2011)

### Introduction

Since 2003, the U.S. Agency for International Development (USAID) has obligated about \$276 million to Cooperative Housing Foundation International (CHF) to implement the Community Action Program (CAP) in Iraq. Currently in its third phase (CAP III), the program is a key USAID Iraq Mission (USAID/Iraq) program that works in rural and urban communities to promote grass-roots

democracy and local governance. Along with other implementing partners, CHF funds hundreds of projects throughout the six provinces where it works. Because of the size of CHF's funding and the importance of CAP in USAID's overall strategy to help build a stable and democratic Iraq, SIGIR conducted this audit of the oversight of CHF's implementation of CAP III.

This report addresses the extent to which CHF achieved the goals of the CAP III in Iraq, the extent to which USAID/Iraq monitored CHF's implementation of the CAP III and ensured that completed projects were sustainable, and whether some of the costs claimed against the agreement appeared reasonable, allocable, and allowable in accordance with federal guidelines.

### Results

For the first two years of CAP III, CHF reported that it had exceeded the target level for 17 of the 23 performance and output indicators that USAID/Iraq established and CHF agreed to for measuring overall program success. However, USAID/Iraq currently does not require CHF to track the number of communities that are seeking funds from sources other than CHF to help pay for projects—a key indicator of program success. Further, when USAID extended CAP III in September 2010 and expanded its scope to include assisting internally displaced persons, it did not establish an indicator to track the progress made against the new requirement. Not having these indicators limits USAID/Iraq's ability to determine whether its assistance funds are being used effectively to meet CAP III's goals.

The lack of personnel and security risks prevent USAID officials from making needed site visits to monitor program implementation and project sustainability. Because of these obstacles, USAID/Iraq relies on CHF, contractors, and external auditors for information. Moreover, USAID/Iraq's reliance on Provincial Reconstruction Teams in the future to provide program implementation information is problematic because these teams will soon be disbanded. Hiring more personnel to

oversee the program is underway, but the process is not yet completed. Consequently, it may be even more difficult for USAID/Iraq to determine overall program success as CAP III continues into future years. USAID/Iraq also requires that CHF implement projects that are sustainable; however, CHF files of completed projects do not contain clear and concrete plans for long-term sustainability. The result could be that projects may not be sustained, and the positive impacts on the lives of Iraqis may be short-lived.

USAID/Iraq's oversight of CHF's financial management did not detect questionable charges, allocations of costs, or accounting practices. Based on SIGIR's examination of select fiscal year 2010 costs claimed, SIGIR questions the reasonableness, allocability, and allowability of about \$1.08 million. These questioned costs are a result of CHF's inappropriate use of cash-basis accounting practice and overcharging of overhead costs. A principal reason for USAID/Iraq's failure to identify these questionable charges was that the Agreement Officer and his representative conducted limited reviews of financial data. They did use findings from other audit agencies to help identify deficiencies. However, SIGIR believes that these audits generally capture only high-level financial information and would not have identified specific questioned costs that the Agreement Officer and his representatives would have noticed based on their familiarity with the cooperative agreement and CHF's processes. SIGIR also believes that reliance on the findings of other audit agencies, especially financial auditors, could place USAID/Iraq at risk of failing to identify questionable costs.

Although SIGIR did not identify major deficiencies as a result of CHF's implementation of CAP III, this may not always be the case with USAID/Iraq's other implementing partners. If USAID/Iraq plans to extend CAP III beyond the current 2012 end date, it is critical that it provide more direct oversight of CHF and its other implementing partners to ensure that U.S. taxpayers' funds are put to good use.



SIGIR auditors interview leaders and villagers in al-Zuhoor village, Qadissiya, on November 18, 2010.

## Recommendations

SIGIR recommends that the USAID/Iraq Mission Director direct the Agreement Officer to:

1. Include a requirement in the cooperative agreement for CHF to develop a stand-alone sustainability plan for each future CAP III project.
2. Provide guidance to CHF on the requirement to use accrual accounting in its annual financial reporting.

SIGIR also makes other recommendations in the body of the report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

## Management Comments

Management comments are included in the final report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

## *Gulf Region District Is Adjusting Its Aegis Security Contract Requirements for Changes in Reconstruction Activities in Iraq*

(SIGIR 11-015, 4/2011)

## Introduction

Since May 2004, the Department of Defense (DoD) has had a series of contracts with Aegis Defense

Services, Limited (Aegis), for private security and related services in Iraq. As of April 7, 2011, Aegis had received more than \$1 billion for its services. The U.S. Army Corps of Engineers (USACE), DoD's primary user of Aegis services in Iraq, will decrease its reconstruction activities in Iraq as U.S. military forces plan to withdraw by the end of calendar year 2011. In January 2009, SIGIR issued a report on DoD's oversight of Aegis's performance on the largest active and completed contracts at the time. SIGIR's objectives for this current report are to determine if and on what basis Aegis's contract services have been adjusted to reflect changes in USACE's reconstruction activities in Iraq.

## Results

SIGIR found that the number of USACE's active projects in Iraq have declined and Aegis's security personnel services have also declined since SIGIR's January 2009 report. Moreover, USACE's active projects and security personnel requirements are projected to decline much further by July 2011. USACE's Gulf Region District (GRD)—previously the Gulf Region Division—monitors the utilization of Aegis's security teams and provides Aegis with planning information from which Aegis can determine the number and composition of security personnel to satisfy GRD's requirements. Information provided by GRD includes the number of active projects GRD must monitor, how often GRD inspectors need to visit each project, the location of each project to be visited, and the duration of the projects. GRD monitors the utilization of contractor security teams to ensure contract requirements are adjusted to reflect changes in GRD's reconstruction activities. GRD's process for adjusting contract requirements appears reasonable and responsive to changes in reconstruction activities.

GRD officials told SIGIR that a new security services contract is being negotiated to provide security services for multiple organizations, including GRD. The contract was to be issued in late March 2011, but had not been issued by April 5,

2011. Requirements for GRD and other organizations utilizing the contract will be in task orders specific to an organization. GRD officials told SIGIR that GRD's active projects and required security personnel in July 2011 will be about 10% of the number in July 2010.

## 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](http://www.sigir.mil).

### *USACE Is Meeting Customer Needs, but Documentation of Project Decisions Could Improve*

(SIGIR 11-016, 4/2011)

## Introduction

As part of the U.S.-Iraq Security Agreement, all U.S. military forces will withdraw from Iraq by December 31, 2011. Among the U.S. military units withdrawing from Iraq is the U.S. Army Corps of Engineers (USACE). However, as of February 17, 2011, USACE's Gulf Region District (GRD) was still managing many projects in Iraq for U.S. Forces-Iraq (USF-I) and the U.S. Embassy. USACE plans to keep some staff in Baghdad to manage these projects through 2011 and into 2012.

SIGIR's objectives for this report are to determine the status of ongoing USACE construction projects, whether USACE's recommendations to complete or cancel projects meet customers' needs, and the extent to which USACE is involved in transferring completed projects to the Government of Iraq (GOI).

## Results

As of February 17, 2011, USACE was managing 150 Iraq projects for its customers. The value of these projects was \$902.9 million. USACE plans

to complete 119 of the 150 projects (79%) by June 30, 2011; 21 additional projects are planned for completion between July 1, 2011, and December 31, 2011, and the remaining 10 projects are planned for completion in 2012.

SIGIR has identified two related risk factors to USACE's project completion plans. First, SIGIR's analysis shows that many recently completed projects have experienced delays. There is little latitude in the time remaining to complete projects, and further delays could affect the number of projects completed. Second, the timetable for the withdrawal of U.S. forces may further limit USACE's ability to respond to delays.

USACE has developed guidelines for working with its customers and making recommendations on whether to complete or terminate contracts. These guidelines consider whether the contractor is able to perform the work within the time specified in the contract, is making progress, and is meeting quality standards. USACE also considers (1) the need for the project, (2) the estimated period of performance of the project, (3) whether the customer will be in country for the duration of the project in order to accept it, and (4) the availability of funds.

SIGIR examined the 20 contract files of projects completed between October and December 2010 and found that USACE used the criteria it established to arrive at its recommendations. SIGIR also interviewed USACE's customers and found that they were satisfied with USACE's management processes for their projects. SIGIR notes that four projects were terminated for default after significant funding had been expended because USACE, in part, did not believe sufficient time remained to re-award and complete them. The funds invested in these projects may potentially be wasted depending on whether the GOI completes them. SIGIR will continue to review these projects to assess their outcomes.

One area that SIGIR noted as in need of improvement is that key project decisions were often not documented in contract files. USACE officials said they are working to improve documentation of key project decisions.

Finally, SIGIR looked at the process for transferring completed projects to the GOI. In prior reports, SIGIR has noted problems particularly in documenting the number of projects transferred and who in the GOI received them. In November 2009, the Embassy and the GOI signed a memorandum of agreement that formalized a process for transferring completed projects. USACE is part of this process and provides project data and information important to the sustainment of the projects.

## Recommendations

This report does not contain recommendations.

## Management Comments

Because this report contains no recommendations, the responsible agencies were not required to submit comments.

## *USAID Is Responsive to SIGIR*

### *Recommendations*

*(SIGIR 11-017, 4/2011)*

## Introduction

The Inspector General Act of 1978, as amended, requires SIGIR to identify in its semiannual report each significant recommendation described in previous semiannual reports on which corrective action has not been completed. SIGIR conducted this review to follow up on those recommendations it made to the U.S. Agency for International Development (USAID) to determine the status of corrective actions. The objectives of this report are to determine whether USAID has a system to track and oversee the status of SIGIR recommendations and has taken appropriate action.

## Results

The Office of Management and Budget (OMB) Circular A-50, *Audit Followup*, dated September 19, 1982, provides agency guidance for following up on and resolving audit findings and

recommendations. The circular states that the agency's audit follow-up official has responsibility for ensuring that (1) systems of audit follow up, resolution, and corrective action are documented and in place; (2) timely responses are made to all audit reports; (3) disagreements are resolved; (4) corrective actions are actually taken; and (5) reporting requirements are met.

OMB Circular A-50 and the Inspector General Act also provide the guidance and requirements for agency responses and follow-up to audit reports. The circular states that responses to audit reports shall be written comments by agency officials indicating agreement or disagreement on reported findings and recommendations. Comments indicating agreement on final reports shall include planned corrective actions and, where appropriate, dates for achieving actions. Comments indicating disagreement shall explain fully the reasons for disagreement.

The Inspector General Act defines other terms and requirements used in the audit follow-up process. For example, the term "management decision" is defined as "the evaluation by agency management of the findings and recommendations included in an audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions concluded to be necessary." The Act defines the term "final action" as "the completion of all actions that agency management has concluded, in its management decision, are necessary with respect to the findings and recommendations included in an audit report; and in the event that the management concludes no action is necessary, final action occurs when a management decision has been made."

SIGIR defines open recommendations as those that the agency (1) agreed with in its response to the audit report and provided corrective action plans that need to be confirmed as having been taken, (2) did not indicate that it agreed or disagreed with in its response, or (3) did not respond to before the final report was issued. According to OMB Circular A-50, it is incumbent on both

the Office of the Inspector General and agency management to work together to address open recommendations by tracking and coordinating their resolution.

USAID's audit follow-up policies and procedures are contained in its Automated Directives System 595, *Audit Management Program*, which incorporates OMB Circular A-50 audit follow-up requirements. Specifically, the Directives provide the procedures for managing the agency's audit tracking system.

USAID has taken appropriate corrective actions on four of the six open SIGIR recommendations which SIGIR has closed, and is working with SIGIR to resolve the remaining two. In addition, SIGIR found that the agency's audit tracking system is effective and well managed.

## Recommendations

SIGIR recommends that the Administrator, U.S. Agency for International Development, direct the Assistant Administrator for Management to develop a process to periodically provide SIGIR information on the status of actions to implement SIGIR recommendations.

## Management Comments

USAID management concurred with SIGIR's recommendations. Their comments are included in the final report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

## Ongoing and Planned Audits

SIGIR primarily conducts performance audits that assess the economy, efficiency, effectiveness, and results of Iraq reconstruction programs, often with a focus on the adequacy of internal controls and the potential for fraud, waste, and abuse. This includes a series of focused contract audits of major Iraq reconstruction contracts, which will support SIGIR's response to congressional direction for a "forensic audit" of U.S. spending associated with Iraq

reconstruction. Additionally, SIGIR has conducted and will continue to conduct in-depth assessments of the reasonableness, allowability, and allocability of costs charged to the United States. SIGIR will also closely monitor and review reconstruction activities as the DoD presence declines and the DoS management responsibilities for reconstruction increases.

## Announced or Ongoing Audits

SIGIR is currently working on these audits:

- Project 1105: Audit of the Use of Funds Provided for the Iraq Commander's Emergency Response Program
- Project 1103: Audit of the Status of Recommendations Made to the Department of State
- Project 1102: Audit of the Status of Recommendations Made to the Department of Defense
- Project 1101: Audit of the Use of Funds for the Commander's Emergency Response Program in Iraq for Fiscal Year 2011
- Project 1021: Audit of the Status of International Narcotics and Law Enforcement Funds Appropriated for Iraq Reconstruction
- Project 1020: Audit of the Departments of Justice and State Management of Rule of Law Activities in Iraq
- Project 1019b: Audit of the Status of Oversight of Private Security Contractors in Iraq (DoS, DoD, USAID)
- Project 1018: Audit of the Cost, Outcome, and Management of the Falluja Wastewater Treatment Plant Project
- Project 1009: Audit of the Contract for Warehousing and Distribution Services at Abu Ghraib and the Port of Umm Qasr
- Project 1008: Audit of the Status of DoD's Theater-wide Internal Security Services (TWISS) Contracts
- Projects 9005, 9012, and 9013: Audits of Appropriation, Obligation, and Expenditure Transaction Data Related to Iraq Relief and Reconstruction of the Department of Defense, Department of State, and the U.S. Agency for International Development

## Planned Audits

SIGIR's audit planning is aligned with three key goals contained in its strategic audit plan:

- improving business practices and accountability in managing contracts and grants associated with Iraq reconstruction
- assessing and strengthening the economy, efficiency, and effectiveness of programs and operations designed to facilitate Iraq reconstruction
- providing independent, objective leadership and recommendations on policies designed to address deficiencies in reconstruction and stabilization efforts in Iraq

SIGIR's strategic plan recognizes the legislative mandate to complete a forensic audit report on all amounts appropriated or otherwise made available for Iraq reconstruction. As part of that effort, SIGIR has completed 20 focused contract audits dealing with outcomes, costs, and the oversight associated with major reconstruction contracts in Iraq, as well as vulnerabilities to fraud, waste, and abuse. SIGIR also conducted grant audits that looked at outcomes and whether specific costs were reasonable, allowable, and allocable according to federal regulations. Additionally, this quarter SIGIR completed a review of a cooperative agreement that identified oversight issues that may have an impact on the effectiveness of the program. From these, SIGIR has identified questionable costs.

SIGIR will continue to audit the management, costs, and outcomes of U.S. reconstruction efforts in Iraq, focusing on contracts funded by the Iraq Security Forces Fund and the Economic Support Fund. Additionally, SIGIR will maintain its oversight of issues related to the downsizing of the DoD presence in Iraq and the transition of reconstruction activities, such as police training and asset transfer, to DoS. ♦



## SIGIR INVESTIGATIONS

SIGIR Investigations continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 118 open investigations as of April 30, 2011. During this reporting period, SIGIR had 2 investigative personnel assigned to Baghdad; 6 at SIGIR headquarters in Arlington, Virginia; and 11 in offices in Pennsylvania, Florida, Texas, Oklahoma, and California. Investigative accomplishments this quarter include 2 indictments, 6 convictions, and 6 sentencing. To date, the work of SIGIR investigators has resulted in 31 arrests, 56 indictments, 50 convictions, and more than \$144 million in fines, forfeitures, recoveries, restitution, and other monetary results.

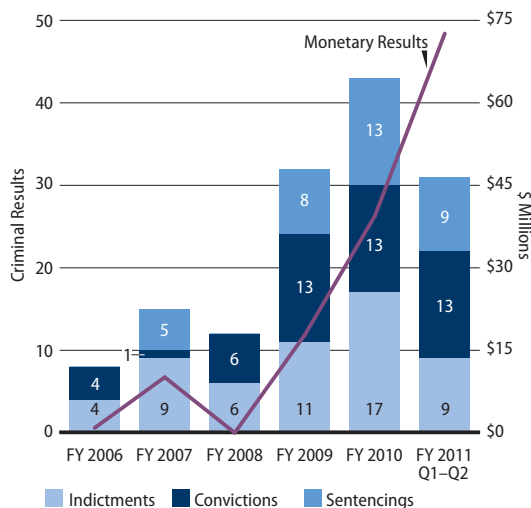
This quarter, SIGIR continued to conduct a number of significant criminal investigations related to Iraq reconstruction and to work closely with prosecutors, U.S. partner investigative agencies, coalition partner investigators, and law enforcement personnel from other countries. As a result of SIGIR investigations, 2 defendants are awaiting trial, and an additional 16 defendants are awaiting sentencing. Figure 5.1 shows the

substantial increases in the number of judicial actions and monetary results achieved in each of the last two years based on SIGIR's investigations. This trend is expected to continue, as substantial numbers of additional cases are in the hands of prosecutors. For a comprehensive list of convictions compiled by the Department of Justice, see Table 5.2 at the end of this section.

SIGIR notes these investigative activities this quarter:

- A Department of State (DoS) employee was charged with and pled guilty to soliciting and accepting illegal payments from Iraqi contractors.
- A DoS employee at U.S. Embassy-Baghdad was convicted and sentenced for stealing nearly \$250,000.
- A U.S. Marine Corps captain was sentenced to six years in prison and his wife was also sentenced for skimming \$1.7 million from contracts in Iraq.
- A former U.S. Army major and his wife were convicted on all charges for their roles in a bribery scheme.
- A former senior employee with a U.S. military contractor was sentenced to 37 months in prison for involvement in a bribery scheme.
- A U.S. Army major was charged with and admitted to stealing Commander's Emergency Response Program (CERP) funds meant for Iraqis.
- A former U.S. Marine Corps staff sergeant was sentenced for accepting bribes involving Iraq contracts.
- A U.S. Army lieutenant colonel pled guilty to charges of conspiracy, accepting gratuities, and converting property of another to his own use.

FIGURE 5.1  
SIGIR INVESTIGATIONS: CRIMINAL AND MONETARY RESULTS



### Department of State Employee Guilty of Soliciting and Accepting Kickbacks

On February 28, 2011, Richard L. Razo pled guilty to a two-count criminal information filed on January 20, 2011, charging wire fraud conspiracy

and wire fraud. From 2005 through May 2009, according to court documents, Razo entered into a scheme to enrich himself by fraudulently providing Iraqi contractors with confidential bidding information, and otherwise assisting these contractors to obtain contracts on Iraqi reconstruction projects, in exchange for a percentage of the face value of the fraudulently obtained contracts. He did so first as an employee of an international company doing business in Iraq under contracts with the U.S. government and then as an employee of DoS. Razo collected more than \$106,000 in kickbacks and was promised a total of more than \$370,000 for his illegal conduct. Sentencing is scheduled for May 26, 2011, in U.S. District Court, San Antonio, Texas.

The case is being conducted by SIGIR, Defense Criminal Investigative Service (DCIS), Immigration and Customs Enforcement (ICE), and Department of State Office of Inspector General (DoS OIG), and is being prosecuted by a SIGIR Prosecutorial Initiative (SIGPRO) attorney.

### **Department of State Employee Convicted and Sentenced for Stealing Nearly \$250,000**

On April 8, 2011, Osama Esam Saleem Ayesh, an employee of U.S. Embassy-Baghdad, was sentenced in U.S. District Court, Alexandria, Virginia, to 42 months in prison and 3 years of supervised release following his prison term, and also ordered to pay \$243,416 in restitution and a \$5,000 fine. The sentencing was the result of a jury verdict of guilty on February 3, 2011, of stealing nearly \$250,000 intended for the payment of shipping and customs services for the Embassy.

Ayesh, a resident of Jordan, had been hired by DoS as a shipping and customs supervisor at the Embassy where he oversaw the shipments of personal property of Embassy officials and personnel in Iraq. He was personally involved in establishing and operating blanket purchase agreements for the provision of customs clearance and delivery services to the Embassy.

According to court records, Ayesh used his DoS computer to create a phony email account in the name of a real Iraqi contractor and used that email account to impersonate the contractor in communications with Embassy procurement officials. He also established a bank account in Jordan under his wife's name to further his criminal scheme and submitted false invoices in the name of the Iraqi contractor—which caused DoS to wire \$243,416 to his wife's account in Jordan.

On October 15, 2011, Ayesh was indicted by a grand jury on two counts of theft of public money and one count of engaging in acts affecting a personal financial interest. A jury subsequently found him guilty on all three counts. After sentencing, the U.S. District judge issued the following order to the government: "It is appropriate in light of the sentence imposed and the need for general deterrence that the government be directed to advise the Court as to the steps that have been taken to publicize defendant's conviction and sentence in all adequate respects, so that the information may be brought to the attention of U.S. Embassy employees in Iraq and elsewhere." As a result of the court order, DoS issued a cable on April 18, 2011, from the Secretary of State, Washington, D.C., to all diplomatic and consular posts that detailed the facts of the case and the sentencing of Ayesh. The cable further instructed the recipients to inform all personnel of this information no later than April 21, 2011.

The case is being conducted by DoS OIG and the Federal Bureau of Investigation (FBI), and was prosecuted by a SIGPRO attorney.

### **U.S. Marine Corps Captain Who Skimmed \$1.7 Million from Contracts Sentenced to Six Years in Prison; Wife also Sentenced**

On February 7, 2011, U.S. Marine Corps Captain Eric Schmidt was sentenced in U.S. District Court, Riverside, California, by United States District Judge Virginia A. Phillips to 72 months in federal prison. While he was in Iraq, Schmidt worked with his wife to skim about \$1.69 million from



One of two residential properties and a BMW seized from Eric Schmidt.

government contracts awarded under the Iraqi First Program. During the sentencing hearing, Judge Phillips noted that, in addition to the illicit profits from their fraud, the Schmidts' actions resulted in fewer first aid kits and explosive detecting devices being delivered to personnel in Iraq.

Schmidt pled guilty last May to conspiracy to commit wire fraud and filing a false tax return that concealed the illicit income from the Internal Revenue Service (IRS). Schmidt's wife, Janet Schmidt, pled guilty last year to a tax offense for failing to report income received as part of the scheme, and on April 4, 2011, she was sentenced in U.S. District Court to 12 months home confinement followed by 36 months probation.

According to court documents, Captain Schmidt was deployed to Iraq for one year in 2008, when he used his position in the contracting process to steer contracts to an Iraqi contractor, the Al-Methwad Company. The contracts were often awarded under the Iraqi First Program, which was designed to award certain contracts to Iraqi vendors to assist with Iraqi economic expansion and entrepreneurship. Once Al-Methwad had been awarded the contract, Janet Schmidt found United States-based vendors to provide the goods purportedly to be furnished by Al-Methwad under the terms of the contract. Janet Schmidt purchased the goods using money provided by Al-Methwad, often purchasing far fewer or inferior products than those required by the contract. She then arranged for the goods to be delivered to the U.S. Marines in Iraq. Once the shipment arrived



Part of \$40,000 in cash with Iraqi marking seized at Schmidt's residence.

in Iraq, Captain Schmidt falsely certified that both the number and type of goods required by the contract had been provided by Al-Methwad. Armed with the false certification, representatives from Al-Methwad sought and received payment from the United States.

As a result of the scheme, the Schmidts caused the U.S. Department of Defense (DoD) to suffer losses of \$1,692,472 and the IRS to suffer losses of \$458,141. The Schmidts were also ordered to pay full restitution to the two agencies.

During the course of this investigation, government agents seized from the Schmidts two California real properties—one in Big Bear and one in Murietta—two luxury vehicles, and approximately \$40,000 in cash.

The ongoing investigation in this case is being conducted by SIGIR, DCIS, the Naval Criminal Investigative Service (NCIS), and Internal Revenue Service-Criminal Investigation (IRS-CI).

## Former U.S. Army Major and Wife Convicted on All Charges for Their Roles in Bribery Scheme

On March 1, 2011, a federal jury in Decatur, Alabama, convicted Eddie Pressley, a former U.S. Army major and contracting official in Kuwait, and his wife, Eurica Pressley, on all counts of a 22-count indictment in connection with a bribery and money-laundering scheme related to defense contracts awarded in support of Operation Iraqi Freedom.

Evidence presented at trial demonstrated that Eddie Pressley took various contracting actions to benefit certain contractors, including Terry Hall, who paid him bribes. Pressley operated and had an interest in several companies doing business with DoD. In February 2005, Eddie Pressley arranged for Hall to obtain a blanket purchase agreement (BPA) to deliver goods and services to DoD and its components in Kuwait and elsewhere.

According to Hall's testimony and other evidence presented at trial, Pressley demanded a \$50,000 bribe before he would issue bottled water calls to Hall. Hall and his associates then arranged for Pressley to receive the money in a bank account established in the name of a shell company. Yet soon after the \$50,000 bribe was paid, Pressley and another U.S. Army contracting official increased the bribe demand to \$1.6 million: \$800,000 for Pressley and \$800,000 for the other contracting official. After Hall and others agreed to pay the money, Pressley took various official acts to benefit Hall.

Evidence at the trial also showed that Eddie Pressley enlisted the help of his wife, Eurica, to receive the bribes. He sent his wife an email in which he told her, among other things, "You will be getting some paperwork with your maiden name on it," "I need you to sign it and mail to whatever (sic) address on it," "I am doing some consulting," and "Of course I am not going to turn down any money, but I can't have anyone paying me in my name because I am in the military so I had them put everything in your maiden name." Subsequently, Eurica Pressley traveled to Dubai in May 2005 and to the Cayman Islands in June 2005 to open bank



A Lincoln Navigator seized from Eddie Pressley.

accounts to receive the bribe money. Eddie and Eurica Pressley, Hall, and others also attempted to conceal the true nature of their corrupt scheme by having Eurica Pressley execute bogus "consulting agreements." They prepared false invoices that were designed to justify the bribe payments as payment for non-existent "consulting services."

Bank statements and wire transfer reports demonstrated that, in total, the Pressleys received approximately \$2.9 million in bribe payments. Bank statements, wire transfer reports, and other records presented at trial showed that the Pressleys used the money to purchase real estate, expensive automobiles, and home decorating services, among other things.

Following the guilty verdict, the defendants agreed to forfeit \$27,178,407. U.S. District Judge Virginia Emerson Hopkins scheduled sentencing for June 29, 2011.

This case is being conducted by SIGIR, Army Criminal Investigation Command-Major Procurement Fraud Unit (CID-MPFU), DCIS, IRS-CI, and FBI.

## Former Senior Employee with U.S. Military Contractor Sentenced to 37 Months in Prison for Bribery Scheme

On January 25, 2011, Dorothy Ellis, a former senior employee of a U.S. military contractor, was sentenced in U.S. District Court, Houston, Texas, to 37 months in prison for participating in a conspiracy to pay \$360,000 in bribes to U.S. Army



Part of a proposed multi-million dollar resort property on the Tennessee River forfeited by Eddie Pressley.



A BMW seized from Eddie Pressley.

contracting officials. In addition, Ellis was ordered to serve three years of supervised release following her prison term and ordered to pay \$360,000 in restitution. Ellis pled guilty in U.S. District Court on September 2, 2010, to one count of conspiracy to bribe public officials.

According to court documents, from spring 2004 through fall 2007, Terry Hall, Ellis's former boss and military contractor, operated and had an interest in several companies, which, at various times during this period, provided goods and services to DoD.

Ellis was Hall's most senior employee and was responsible for serving as the liaison between Hall and U.S. Army contracting officials. She participated in a bribery scheme by providing access to secret bank accounts established in the Philippines to enable Hall and others to transfer bribe payments to U.S. contracting officials. Ellis also obtained confidential Army contract pricing information that was designed to give Hall an unlawful advantage in the bidding process for a DoD contract.

In exchange for these bribe payments, DoD paid Hall's companies more than \$6.4 million for contracting services.

The case is being conducted by SIGIR, DCIS, CID-MPFU, IRS-CI, and FBI.

### **U.S. Army Major Charged with and Admits to Stealing CERP Funds**

On February 8, 2011, U.S. Army Major Kevin J. Schrock pled guilty in U.S. District Court, Tacoma,

Washington, to money-laundering charges. Schrock admitted he stole money that was to be used for humanitarian or rebuilding purposes in Iraq and that he deposited it into his bank accounts in the Lacey, Washington, area. Schrock laundered more than \$47,000 of the stolen funds by breaking the currency into a series of small deposits.

According to the plea agreement, Schrock was deployed to Mosul from September 2004 to September 2005, and had been appointed as the "Paying Agent" for the CERP. The Paying Agent is responsible for requesting and obtaining the funds from the Army finance office and distributing the funds. During the second half of his tour, Schrock was the contracting officer's representative, responsible for the day-to-day contact with contractors in Iraq on behalf of the U.S. government.

When Schrock was at home on leave in April 2005, he deposited \$18,900 into his bank accounts in two deposits. From September 2005 to December 2005, he made 18 more cash deposits totaling more than \$28,000. When questioned in January 2010, Schrock claimed the deposits in April were from the sale of a car. He said the later deposits were of cash he and his wife had been saving around the house. In June 2010 Schrock was interviewed again, but this time admitted that he stole \$45,000 from funds he was to administer in Iraq and that he smuggled the cash home on his person.

Schrock has agreed to forfeit any assets purchased with the stolen funds and has agreed to pay

\$47,461 to the United States. Schrock is scheduled to be sentenced on June 10, 2011.

This case is being investigated by SIGIR, CID-MPFU, and DCIS.

## **Former U.S. Marine Corps Staff Sergeant Sentenced for Accepting Bribe**

On March 28, 2011, Mariam Mendoza Steinbuch, a former U.S. Marine Corps staff sergeant, was sentenced in U.S. District Court, Washington, D.C., to serve five years probation and to pay restitution of \$25,000 and a \$200 special assessment. The sentencing was the result of her guilty plea on October 5, 2010, to accepting a \$25,000 bribe in exchange for awarding numerous contracts to a Lebanon-based company. Steinbuch was deployed by the Marine Corps as a contracting specialist at Camp Falluja in 2006. According to court documents, Steinbuch returned to the United States in February 2007, where she flew from San Diego to Houston and picked up \$25,000 cash from an official of a Houston-based affiliate of the company.

This case is being conducted by SIGIR, DCIS, CID-MPFU, and FBI.

## **U.S. Army National Guard Officer Pleads Guilty to Charges of Conspiracy, Accepting Gratuities, and Converting Property of Another to His Own Use**

On March 25, 2011, David Pfluger, a retired lieutenant colonel with the U.S. Army National Guard, pled guilty in U.S. District Court, Lubbock, Texas, to a four-count indictment that charged him with conspiracy, accepting gratuities, and, as a public official, converting property of another to his own use.

According to the indictment, Pfluger was deployed to Iraq from October 2003 through April 2004 and during that time served as the “Mayor” of a forward operating base (FOB). In this capacity, he had authority over the day-to-day operations of the FOB’s physical assets and security. The indictment reflected that Pfluger used his status to enrich himself by accepting more than \$10,000 in cash, as well

as gifts of jewelry and clothing, from contractors. In return, Pfluger encouraged awarding contracts to specific contractors, bypassed and relaxed security procedures at the FOB for specific contractors, issued weapon permits (without legal authority and without following proper protocol) to contractor employees, directed government employees to use equipment and supplies that benefited specific contractors, and converted government property in his control for use by these contractors.

The case is being conducted by SIGIR, DCIS, and CID-MPFU, and is being prosecuted by a SIGPRO attorney.

## **CIGIE Peer Review**

This quarter SIGIR underwent and passed the Council of Inspectors General on Integrity and Efficiency (CIGIE)-mandated external Quantitative Assessment Review (QAR) of its investigative operations. The objective of the QAR was to determine whether internal safeguards and management procedures are in place and operating effectively to provide reasonable assurance that established policies, procedures, and applicable investigative standards are being followed. SIGIR was determined to be in compliance with the Quality Standards for Investigations and the applicable Attorney General Guidelines.

SIGIR’s peer review for the year ending December 31, 2010, was conducted by the Tennessee Valley Authority’s Office of Inspector General in conformity with the Qualitative Assessment Review Guidelines for Federal Offices of Inspector General (May 2009) established by the CIGIE, the Attorney General Guidelines for Offices of Inspector General with Statutory Law Enforcement Authority (December 2003), and the Quality Standards for Investigations (December 2003). The “Letter of Observations Concerning the Investigative Operations of the Office of the Special Inspector General for Iraq Reconstruction,” dated April 5, 2011, from Richard W. Moore, Inspector General

of the Tennessee Valley Authority, further cited three “Best Practices” of SIGIR that are particularly worthy of praise and acknowledgement. These were SIGIR’s Prosecutorial Initiative (SIGPRO), SIGIR’s International Criminal Enforcement and Prosecution Team (INTERCEPT), and SIGIR’s Forensic Evaluation, Research, Recovery, and Enforcement Team (FERRET).

## SIGPRO Update

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 Department of Justice (DoJ) prosecutors. They were detailed as a unit to the Fraud Section of the Criminal Division of DoJ to prosecute SIGIR investigation cases, handling their own DoJ caseloads, and working closely with the SIGIR General Counsel and other DoJ prosecutors who are assigned SIGIR cases. The SIGPRO attorneys are now firmly ensconced at DoJ with full dockets of criminal fraud matters. They are currently leading or significantly involved in a number of prosecutorial matters and continue to play integral roles in the development and prosecution of cases being worked by the SIGIR Investigations Directorate.

There were two major case law updates as a result of SIGPRO actions:

- In *United States v. Ayesha*, No. 1:10CR388 (E.D. Va. 2011), the SIGPRO attorney served as the lead prosecutor in this complex and lengthy case resulting in the first judicial opinion that violations of the federal conflict-of-interest statute, 18 U.S.C. sec. 208, are subject to the extraterritorial jurisdiction of the United States. The case also resulted in only the second judicial opinion that the theft of public funds in violation of 18 U.S.C. sec. 641 is subject to extraterritorial jurisdiction, and the first opinion holding that non-U.S. citizens charged with violating 18 U.S.C. sec. 641 are subject to extraterritorial jurisdiction. As a

result, there is now broader judicial precedent to prosecute these offenses when they occur in war zones such as Iraq and Afghanistan.

- In *United States v. Pfluger*, No. 1:10CR054 (N.D. Tx. 2011), the SIGPRO attorney served as the prosecutor in this case. The defendant moved to dismiss the indictment based on the argument that the five-year statute of limitations (SOL) had expired in 2009 and the case was not indicted until 2010. The government responded by arguing that the SOL was suspended during the pendency of the war in Iraq by the operation of the Wartime Suspension of Limitations Act (18 U.S.C. Section 3287). The judge, sitting in the Northern District of Texas, agreed with this argument and denied the defendant’s motion to dismiss. The defendant subsequently pled guilty to the indictment.

## Suspension and Debarment

Since December 2005, SIGIR has worked closely with DoJ, CID-MPFU, DCIS, and the Army Legal Services Agency’s Procurement Fraud Branch (PFB) to suspend and debar contractors and government personnel for fraud or corruption within the Army, including those involving Iraq reconstruction or Army support contracts in Iraq. These cases arise as the result of criminal indictments filed in federal district courts and allegations of contractor irresponsibility that require fact-based examination by the Army’s Suspension and Debarment Official. Between January 1 and March 31, 2011, the Army suspended 9 contractors based on allegation of fraud in Iraq and Kuwait. In addition, the Army proposed 4 contractors for debarment and finalized 2 debarments of individuals and companies during that period. To date, the Army has suspended 110 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait; and 142 individuals and companies have been proposed for debarment, resulting in

118 finalized debarments that range in duration from 9 months to 10 years. These totals include 2 proposals for debarment and 2 debarments that occurred during October 2010 that had not previously been reported. PFB is pursuing additional companies and individuals associated with fraud related to Army contracts in Iraq, Kuwait, and other locations in Southwest Asia, with additional

suspension and debarment actions projected during 2011. Suspension and debarment actions related to reconstruction and Army support-contract fraud in Afghanistan are reported to the Special Inspector General for Afghanistan Reconstruction (SIGAR). For a list of debarments, see Table 5.3. 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
Lt. Col. David Pfluger, USA	Conspiracy, accepting gratuities, and converting the property of another to his own use	3/25/2011	Pending
Eddie Pressley, former USA major	Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds	3/1/2011	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	3/1/2011	Pending
Richard Razo, former DoD contractor and DoS employee	Wire fraud, wire fraud conspiracy	2/28/2011	Pending
Maj. Kevin Schrock, USA	Money laundering	2/8/2011	Pending
Osama Ayesh, former U.S. Embassy-Baghdad employee	Theft of public money, engaging in acts affecting a personal financial interest	2/2/2011	42 months in prison; 36 months supervised release; \$243,416 restitution; and \$5,000 fine
Capt. Bryant Williams, USA	Honest services fraud, accepting bribes	12/17/2010	Pending
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	Pending
Lt. Col. Bruce Gillette, USAR	Acts affecting a personal financial interest	10/6/2010	1 year probation; \$2,000 fine; 160 hours community service; and inability to possess a firearm
Mariam Steinbuch, former USMC staff sergeant	Bribery	10/5/2010	5 years probation and \$25,000 restitution
Ismael Salinas	Kickbacks	10/1/2010	Pending
Dorothy Ellis	Conspiracy	9/2/2010	37 months in prison; 3 years probation; and \$360,000 restitution
Wajdi Birjas, former DoD contract employee	Bribery, money laundering	8/11/2010	Pending
Maj. Mark Fuller, USMC	Structuring financial transactions	8/4/2010	1 year and 1 day in prison; \$198,510 fine; and \$200 special assessment
Maj. Charles Sublett, USA	False statements	7/7/2010	21 months in prison; 2 years supervised release; and forfeit \$107,900 and 17,120,000 in Iraqi dinar

*Continued on the next page*



NAME	CHARGES	DATE OF CONVICTION	SENTENCE
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	Pending
Gloria Martinez	Bribery and conspiracy	8/12/2009	5 years in prison
Robert Jeffery	Conspiracy and theft	8/11/2009	4 years in prison
William Driver	Money laundering	8/5/2009	3 years probation, to include 6 months home confinement, and \$36,000 restitution
Nyree Pettaway	Conspiracy to obstruct justice	7/28/2009	12 months and 1 day in prison; 2 years supervised release; and \$5 million restitution
Michel Jamil	Conspiracy	7/27/2009	40 months in prison
Robert Young	Conspiracy and theft of government property	7/24/2009	97 months in prison; 3 years supervised release; forfeiture of \$1 million; and \$26,276,472 restitution
Samir Itani	Conspiracy	7/21/2009	24 months in prison; 3 years supervised release; \$100,000 fine; and \$100 special assessment
Tijani Saani	Filing false tax returns	6/25/2009	110 months in prison; 1 year supervised release; \$1.6 million fine; and \$816,485 restitution to the IRS
Diane Demilta	Wire fraud	5/27/2009	6 months in prison; 12-month house arrest; 2 years supervised release; \$20,000 fine; and \$70,000 restitution
Benjamin R. Kafka	Misprision of a felony	5/18/2009	Pending
Elbert W. George III	Theft of government property; conspiracy	5/18/2009	60 days intermittent confinement; 2 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Roy Greene \$52,286.60 restitution

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# SIGIR OVERSIGHT

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Roy Greene, Jr.	Theft of government property; conspiracy	5/18/2009	3 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Elbert George \$52,286.60 restitution
Frederick Kenvin	Conspiracy	4/30/2009	3 years probation and \$2,072,967 restitution
Stephen Day	Conspiracy to defraud the United States by misrepresentation	4/13/2009	3 years probation; \$41,522 restitution; and \$2,000 fine
Jeff Alex Mazon, contractor, KBR	Major fraud against the United States and wire fraud	3/24/2009	1 year probation; 6 months home confinement; and \$5,000 fine
Carolyn Blake, Sister of Maj. John Cockerham	Conspiracy and money laundering	3/19/2009	70 months in prison; 3 years of supervised release; and \$3.1 million restitution
Michael Carter, Project Engineer, Force Protection Industries	Violating the Anti-Kickback Act	1/25/2009	61 months in prison and 3 years supervised release
Harith al-Jabawi, contractor	Conspiracy, bribery, and false statements	1/22/2009	Pending
Maj. Christopher Murray, USA Contracting Officer	Bribery and false statements	1/8/2009	57 months in prison; 3 years supervised release; and \$245,000 restitution
Maj. Theresa Baker, USAR Contracting Officer	Conspiracy and bribery	12/22/2008	70 months in prison and \$825,000 restitution
Col. Curtis Whiteford, USAR Senior Official, CPA-South Central Region	Conspiracy, bribery, and wire fraud	11/7/2008	5 years in prison; 2 years supervised release; and \$16,200 restitution
Lt. Col. Michael Wheeler, USAR CPA Reconstruction Advisor	Conspiracy, bribery, wire fraud, interstate transportation of stolen property, and bulk cash smuggling	11/7/2008	42 months in prison; 3 years supervised release; \$1,200 restitution; and \$100 special assessment
David Ramirez, contractor, Readiness Support Management, Inc.	Bulk currency smuggling and structuring transactions	10/9/2008	50 months in prison; 3 years supervised release; and \$200 special assessment
Lee Dubois, contractor, Future Services General Trading and Contracting Company	Theft of government property	10/7/2008	3 years in prison and repayment of \$450,000 that represented the illegal proceeds of the scheme
Jacqueline Fankhauser	Receipt of stolen property	8/28/2008	1 year probation; 180 days home confinement; 104 hours community service; \$10,000 fine; and \$100 special assessment
Robert Bennett, contractor, KBR	Violating the Anti-Kickback Act	8/28/2008	1 year probation and \$6,000 restitution
Maj. James Momon, Jr., USA Contracting Officer	Conspiracy and bribery	8/13/2008	Pending
Lt. Col. Debra M. Harrison, USA Acting Comptroller for CPA-South Central Region	Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, and preparing false tax returns	7/28/2008	30 months in prison; 2 years supervised release; and \$366,640 restitution
Capt. Cedar Lanmon, USA	Accepting illegal gratuities	7/23/2008	1 year in prison and 1 year supervised release
Maj. John Lee Cockerham, Jr., USA Contracting Officer	Bribery, conspiracy, and money laundering	6/24/2008	210 months in prison; 3 years of supervised release; and \$9.6 million restitution
Melissa Cockerham, Wife of Maj. John Cockerham	Conspiracy and money laundering	6/24/2008	41 months in prison; 3 years of supervised release; and \$1.4 million restitution
Lt. Col. Levonda Selph, USAR Contracting Officer	Conspiracy and bribery	6/10/2008	Pending
Raman International Corp.	Conspiracy and bribery	6/3/2008	\$500,000 fine and \$327,192 restitution

*Continued on the next page*

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Capt. Austin Key, USA Contracting Officer	Bribery	12/19/2007	24 months confinement; 2 years supervised release; \$600 assessment; and forfeit \$108,000
Maj. John Rivard, USAR Contracting Officer	Bribery, conspiracy, and money laundering	7/23/2007	10 years in prison; 3 years supervised release; \$5,000 fine; and \$1 million forfeiture order
Kevin Smoot, Managing Director, Eagle Global Logistics, Inc.	Violating the Anti-Kickback Act and making false statements	7/20/2007	14 months in prison; 2 years supervised release; \$6,000 fine; and \$17,964 restitution
Anthony Martin, Subcontractor Administrator, KBR	Violating the Anti-Kickback Act	7/13/2007	1 year and 1 day in prison; 2 years supervised release; and \$200,504 restitution
Jesse D. Lane, Jr. USAR 223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months in prison and \$323,228 restitution
Steven Merkes, DoD Civilian, Operational Support Planner	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison and \$24,000 restitution
Chief Warrant Officer Peleti "Pete" Peleti, Jr., USA, Army's Food Service Advisor for Kuwait, Iraq, and Afghanistan	Bribery and smuggling cash	2/9/2007	28 months in prison and \$57,500 fine and forfeiture
Jennifer Anjakos, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$86,557 restitution; and \$100 assessment
Sgt. Carlos Lomeli Chavez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$28,107 restitution; and \$100 assessment
Sgt. Derryl Hollier, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$83,657.47 restitution; and \$100 assessment
Sgt. Luis Lopez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$66,865 restitution; and \$100 assessment
Bonnie Murphy, Contracting Officer	Accepting unlawful gratuities	11/7/2006	1 year supervised release and \$1,500 fine
Samir Mahmoud, employee of U.S. construction firm	Making false statements	11/3/2006	1 day credit for time served and 2 years supervised release
Gheevarghese Pappen, USACE civilian	Soliciting and accepting illegal gratuities	10/12/2006	2 years in prison; 1 year supervised release; and \$28,900 restitution
Lt. Col. Bruce Hopfengardner, USAR Special Advisor to CPA- South Central Region	Conspiracy, conspiring to commit wire fraud and money laundering, and smuggling currency	8/25/2006	21 months in prison; 3 years supervised release; \$200 fine; and \$144,500 forfeiture
Faheem Mousa Salam, Interpreter, Titan Corp.	Violating the Foreign Corrupt Practices Act's Anti-Bribery Provisions	8/4/2006	3 years in prison; 2 years supervised release; 250 hours community service; and \$100 special assessment
Mohammad Shabbir Khan, Director of Operations for Kuwait and Iraq, Tamimi Global Co., Ltd.	Violating the Anti-Kickback Act	6/23/2006	51 months in prison; 2 years supervised release; \$10,000 fine; \$133,860 restitution; and \$1,400 assessment
	Witness tampering	8/10/2009	Pending
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

*Continued on the next page*

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Christopher Cahill, Regional Vice President, Middle East and India, Eagle Global Logistics, Inc.	Major fraud against the United States	2/16/2006	30 months in prison; 2 years supervised release; \$10,000 fine; and \$100 assessment (a civil settlement with EGL arising from the same facts resulted in a settlement of \$4 million)
Robert Stein, CPA-South Central Comptroller and Funding Officer	Felon in possession of a firearm, possession of machine guns, bribery, money laundering, and conspiracy	2/2/2006	9 years in prison; 3 years supervised release; \$3.6 million forfeiture; \$3.5 million restitution; and \$500 special assessment
Glenn Powell, Subcontracts Manager, KBR	Major fraud and violating the Anti-Kickback Act	8/1/2005	15 months in prison; 3 years supervised release; \$90,973.99 restitution; and \$200 assessment

**Note:** Does not include non-U.S. court results from joint SIGIR/foreign law enforcement investigations.

TABLE 5.3  
DEBARMENT LIST

NAME	DEBARRED
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-Taqaos Al-Afjan	12/13/2010
International Quality Kitchens Ardiya	12/13/2010
John Napolian	12/13/2010
Joseph Sebastian	12/13/2010
N.K. Ismail	12/13/2010
Biju Thomas	12/13/2010
Combat General Trading Company	12/13/2010
Jank Singh	11/24/2010
Blue Marine Services	11/24/2010
Blue Marines General Trading, LLC	11/24/2010
Blue Marines	11/24/2010
Blue Marines Group	11/24/2010
BMS Logistics	11/24/2010
BMS Group	11/24/2010
BMS General Trading, LLC	11/24/2010
Christopher Murray	11/10/2010
Curtis Whiteford	10/22/2010
William Driver	10/22/2010
Allied Arms Company, Ltd.	9/28/2010
Allied Arms Company, W.L.L.	9/28/2010
Shahir Nabih Fawzi Audah	9/28/2010
Defense Consulting and Contracting Group, LLC	9/28/2010
Amwaj Al-Neel Company	9/22/2010
Baladi Company	9/22/2010
Desert Moon Company	9/22/2010
Ameer S. Fadheel	9/22/2010
Oday Abdul Kareem	9/22/2010
Maytham Jassim Mohammad	9/22/2010
Michael Dung Nguyen	8/19/2010
Michael Wheeler	7/28/2010
Austin Key	7/14/2010
Ashraf Mohammad Gamal	4/16/2010
Triple A United General Trading and Contracting	4/16/2010

Continued next column

NAME	DEBARRED
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 Tareh	9/30/2009
Babwat Dourat Al-Arab	9/30/2009
Dourat Al-Arab	9/30/2009
Hussein Ali Yehia	9/30/2009
Amina Ali Issa	9/30/2009
Adel Ali Yehia	9/30/2009
Javid Yousef Dalvi	9/25/2009
Mohamed Abdel Latif Zahed	9/10/2009
Gerald Thomas Krage	9/4/2009
Andrew John Castro	9/4/2009
Airafidane, LLC	9/4/2009
Kevin Arthis Davis	8/20/2009
Jacqueline Fankhauser	8/7/2009
Debra M. Harrison, LTC, USAR	8/7/2009
Nazar Abd Alama	7/1/2009
San Juan Company	7/1/2009
Mississippi Company for the General Contract	7/1/2009
Lee Dynamics International	6/17/2009
Lee Defense Services Corporation	6/17/2009
George H. Lee	6/17/2009
Justin W. Lee	6/17/2009
Oai Lee	6/17/2009
Mark J. Anthony	6/17/2009
Levonda J. Selph	6/17/2009
Starcon Ltd., LLC	6/17/2009

Continued next column

NAME	DEBARRED
Cedar J. Lanmon, CPT, USA	6/3/2009
D+J Trading Company	5/14/2009
Jesse D. Lane, Jr.	1/30/2009
Jennifer Anjakos	1/30/2009
Carlos Lomeli Chavez	1/30/2009
Derryl Hollier	1/30/2009
Luis A. Lopez	1/30/2009
Mohammed Shabbir Kahn	10/10/2008
Kevin Andre Smoot	9/30/2008
Green Valley Company	9/17/2008, 5/18/2007
Triad United Technologies, LLC	9/17/2008
Dewa Europe	9/17/2008
Dewa Trading Establishment	9/17/2008
Al Ghannom and Nair General Trading Company	9/17/2008
Dewa Projects (Private), Ltd.	9/17/2008
Future AIM United	9/17/2008
First AIM Trading and Contracting	9/17/2008
Vasanthan 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

*Continued next column*

NAME	DEBARRED
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

## 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. The SIGIR Hotline receives walk-in, telephone, mail, fax, and online contacts from people in Iraq, the United States, and throughout the world. Most cases are received through SIGIR's website and electronic mail. When a case received by the SIGIR Hotline is not related to a program or operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq, SIGIR refers that case to the appropriate entity.

### First Quarter Reporting

As of March 31, 2011, the SIGIR Hotline had initiated 845 cases. Of these cases, 793 have been closed, and 52 cases remain open. For a summary of these cases, see Table 5.4.

TABLE 5.4  
SUMMARY OF SIGIR HOTLINE CASES,  
AS OF 3/31/2011

OPEN CASES				
Investigations				40
Audits				12
<b>Total Open</b>				<b>52</b>
CLOSED CASES	3RD QTR 2010	4TH QTR 2010	1ST QTR 2011	CUMULATIVE*
FOIA	0	0	0	4
OSC Review	0	0	0	2
Assists	0	1	0	47
Dismissed	2	3	0	140
Referred	15	4	16	374
Inspections	0	0	0	80
Investigations	0	1	12	129
Audits	0	0	0	17
<b>Total Closed</b>	<b>17</b>	<b>9</b>	<b>28</b>	<b>793</b>
<b>Cumulative* Open &amp; Closed</b>				<b>845</b>

\*Cumulative totals cover the period since the SIGIR Hotline began operations—from 3/24/ 2004 to 3/31/2011.

### New Cases

During this reporting period, the SIGIR Hotline received 14 new complaints, bringing the cumulative total to 845 Hotline cases. The new complaints were classified in these categories:

- 4 involved contract fraud.
- 3 involved waste.
- 3 involved personnel issues.
- 2 involved mismanagement.
- 2 involved miscellaneous issues.

Of SIGIR's 14 new Hotline complaints, 6 were received through the SIGIR website, 6 were received through electronic mail, and 2 were received by telephone.

### Closed Cases

During this quarter, SIGIR closed 28 Hotline cases:

- 16 were referred to other inspector general agencies.
- 12 were closed by SIGIR Investigations.

### Referred Complaints

After a thorough review, SIGIR referred 16 complaints to outside agencies for proper resolution:

- 10 were sent to the Department of Defense Office of Inspector General.
- 2 were sent to the U.S. Army Criminal Investigation Command.
- 1 was sent to the U.S. State Department Office of Inspector General.
- 1 was sent to the U.S. Army Office of Inspector General.
- 1 was sent to the Special Inspector General for Afghanistan Reconstruction.
- 1 was sent to the Treasury Inspector General for Tax Administration. ♦

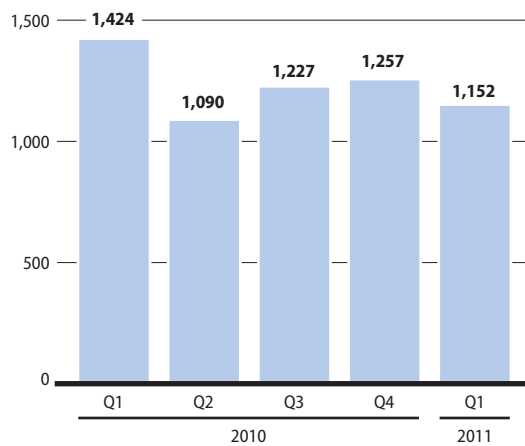
## SIGIR WEBSITE

During this reporting period, the SIGIR website ([www.sigir.mil](http://www.sigir.mil)) recorded these activities:

- More than 102,550 users visited the SIGIR website this quarter—1,152 users per day.
- The Arabic language section of the site received more than 3,800 visits.
- The most frequently downloaded documents were SIGIR’s recent Quarterly Reports.
- More than 28,000 web feeds were visited during this quarter. Information is updated to the web feeds, which are automatically downloaded to subscribers’ computers and can be viewed by feed-reader programs.

For an overview of daily visits to the SIGIR website, see Figure 5.2. ♦

FIGURE 5.2  
AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, BY QUARTER, 1/1/2010–3/31/2011



Source: DoD, IMCEN, response to SIGIR data call, 4/18/2011.



## LEGISLATIVE UPDATE

### Appropriations

Several laws were enacted this quarter that provided temporary “continuing appropriations” for various periods in FY 2011, to fund various reconstruction activities in Iraq, generally at levels contained in FY 2010 appropriations.

On April 15, 2011, the President signed into law the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (Public Law 112-10). Funding levels for all programs were fixed either at FY 2010 levels or at levels specified in the act. All non-defense appropriations were subject to an overriding reduction of  $\frac{2}{10}$  of one percent. The act contained several provisions of interest to SIGIR. The applicable provisions of the law are discussed in more detail in Section 2; a summary of certain provisions is provided below.

The act provides funding for SIGIR at \$21,956,000 for FY 2011, very close to SIGIR’s request.

#### Defense Appropriations

The act provides, in section 9014, that the Department of Defense may use up to \$129.1 million of Defense operation and maintenance funds “to support United States Government transition activities in Iraq by undertaking facilities renovation and construction associated with establishing Office of Security Cooperation locations, at no more than four sites, in Iraq.”

The act also provides \$1.5 billion for the Iraq Security Forces Fund, to remain available until September 30, 2012.

The act provides \$500 million for the Commander’s Emergency Response Program without specifying an amount for Iraq.

#### Other Appropriations

The act provides “continuing appropriations,” generally at a reduction from FY 2010 appropriations

for the same activities or programs, and often with significant reductions. The Economic Support Fund, which has been a significant source of funding for Iraq, was subjected to reductions. The Administration had not, at the time this section was prepared, fully articulated its plan to allocate funds to Iraq given changes to the Administration’s request for various individual accounts made during the legislative process. For details, see Section 2 of this Report.

### Congressional Appearances

Since the last Quarterly Report, the Inspector General appeared before a congressional committee on one occasion:

- March 2, 2011—**House Committee on Government Reform and Oversight, Subcommittee on National Security, Homeland Defense, and Foreign Operations—Hearing on “U.S. Military Leaving Iraq: Is the State Department Ready?”** The Inspector General testified about how the mission of the Department of State will change with the impending withdrawal of U.S. military forces from Iraq. The Inspector General noted SIGIR has uncovered an insufficient focus by program managers on program outcomes and effects. He expressed concern about whether State could manage large reconstruction projects, such as the Police Development Program, given the problems SIGIR has documented in the past. Specifically, he observed that State must apply the hard lessons learned from previous Iraq experiences, correcting in particular the limited in-country oversight that SIGIR previously identified. He observed that the central questions about State’s capacities include executing program elements in a setting previously dominated by the Department of Defense, ensuring

adequate oversight, and simply functioning in the unpredictable security situation that will exist after troop withdrawal. He recommended that the Congress consider conditioning the availability of funds for large programs on the submission by State of a plan describing how it will manage such programs and a certification that it has the

resources and personnel in place to manage the activities in question.

The complete prepared statements of SIGIR officials who have testified before the Congress can be found at [www.sigir.mil/publications/testimony/index.html](http://www.sigir.mil/publications/testimony/index.html).♦

# OTHER AGENCY OVERSIGHT

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SECTION

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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 February 2011, the Joint Planning Group held its sixteenth meeting.

The Southwest Asia Joint Planning Group issued the FY 2011 update to the Comprehensive Oversight Plan for Southwest Asia and Surrounding Areas on March 31, 2011. The FY 2011 plan is organized by subcategories under functional areas to articulate the commonalities of the oversight community efforts. This oversight includes projects that directly impact efforts in Southwest Asia and surrounding areas. The oversight projects may be conducted exclusively in theater, require travel into theater, or be conducted outside the theater, such as solely in the continental United States.

In addition to the audits of contracts, subcontracts, and task and delivery orders for logistical support being conducted, this Comprehensive Plan addresses other oversight areas, including asset accountability, financial management, security, human rights, rule of law, and economic and social

development. Participating oversight agencies will continue to coordinate audit plans through working groups and councils.

Each quarter, SIGIR requests updates from member organizations on their completed, ongoing, and planned oversight activities. This section summarizes the audits and investigations reported to SIGIR this quarter by the following organizations:

- DoD OIG
- Department of State Office of Inspector General (DoS OIG)
- Government Accountability Office (GAO)
- U.S. Army Audit Agency (USAAA)
- U.S. Agency for International Development Office of Inspector General (USAID OIG)

For Defense Contract Audit Agency (DCAA) updates, see Appendix G.

In previous quarters, SIGIR has provided updates on the U.S. Department of the Treasury and the U.S. Department of Commerce, but these agencies have no current Iraq reconstruction oversight activities ongoing or planned for FY 2011. SIGIR no longer reports on these agencies in this section.

Section 842 of the National Defense Authorization Act for Fiscal Year 2008 (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. ♦

## OTHER AGENCY OVERSIGHT REPORTS

This section updates the audits that IIGC member agencies reported to SIGIR:

- For recently completed oversight report activity, see Table 6.1.
- For ongoing oversight activities of other U.S. agencies, see Table 6.2.
- For more information on other agency oversight activities, 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 3/31/2011

AGENCY	REPORT NUMBER	REPORT DATE	REPORT TITLE
DoD	SPO-2011-005	3/31/2011	Assessment of Allegations Concerning Traumatic Brain Injury Research Integrity in Iraq
DoD	SPO-2011-004	3/17/2011	Assessment of DoD Wounded Warrior Matters – Fort Sam Houston
DoD	D-2011-049	3/15/2011	Competition Issues and Inherently Governmental Functions Performed by Contractor Employees on Contracts to Supply Fuel to U.S. Troops in Iraq
DoD	D-2011-043	2/22/2011	Improvements Needed on the Fleet and Industrial Supply Center, Sigonella, Ship Maintenance Contracts in Southwest Asia
DoD	D-2011-037	2/9/2011	Marine Corps Response to Nonlethal Laser Dazzler Urgent Request
DoD	D-2011-036	2/3/2011	Competition Should Be Used for Instructor Services for the Mine Resistant Ambush Protected Vehicles
DoD	SPO-2011-002	1/18/2011	Evaluation of DoD Contracts Regarding Combating Trafficking in Persons: U.S. Central Command
DoD	D-2011-033	1/12/2011	DoD Needs to Improve the Management and Oversight of Operations at the Defense Reutilization and Marketing Office-Camp Arifjan, Kuwait
DoD	D-2011-032	1/7/2011	Logistics Civil Augmentation Program Support Contract Needs to Comply With Acquisition Rules
DoD	D-2011-030	1/3/2011	Ballistic Testing and Product Quality Surveillance for the Interceptor Body Armor – Vest Components Need Improvement
GAO	GAO-11-419T	3/3/2011	Foreign Operations: Key Issues for Congressional Oversight
GAO	GAO-11-417T	3/1/2011	Warfighter Support: DoD Should Have a More Comprehensive Approach for Addressing Urgent Warfighter Needs
GAO	GAO-11-273	3/1/2011	Warfighter Support: DoD's Urgent Needs Processes Need a More Comprehensive Approach and Evaluation for Potential Consolidation
GAO	GAO-11-163	2/10/2011	Military Personnel: DoD Addressed Challenges in Iraq and Afghanistan But Opportunities Exist to Enhance the Planning Process for Army Medical Personnel Requirements
USAAA	A-2011-0067-ALL	2/22/2011	Controls Over Vendor Payment Phase II–Afghanistan
USAAA	A-2011-0058-ALM	2/16/2011	Follow-up Audit of M88A1 Recovery Vehicle FY 09 Reset Maintenance Requirements
USAAA	A-2011-0063-ALL	2/14/2011	Redistribution Property Assistance Teams, United States Forces-Iraq
USAAA	A-2011-0056-ALL	2/1/2011	Forward Operating Base Closures—Property Transfers to Government of Iraq
USAAA	A-2011-0054-ALM	2/1/2011	Contracts for Maintenance Support TACOM Life Cycle Management

# OTHER AGENCY OVERSIGHT

TABLE 6.2

**ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 3/31/2011**

AGENCY	PROJECT NUMBER	DATE INITIATED	REPORT TITLE
DoD	D2011-D005PO-0203.000	3/25/2011	Assessment of the DoD Establishment of the Office of Security Cooperation-Iraq
DoD	D2011-D000AB-0156.000	3/11/2011	DoD Countermine and Improvised Explosive Device Defeat Systems Contracts—Vehicle Optics Sensor System
DoD	D2011-D000JB-0098.000	12/8/2010	Contracting for Force Protection for U.S. Installations in Iraq
DoD	D2011-D000LF-0041.000	11/2/2010	Follow-up of Health Care Provided by Military Treatment Facilities to Contractors in Southwest Asia
DoD	D2011-D000CH-0032.000	10/19/2010	Contractor Logistics Support Contract for Stryker Vehicles with General Dynamics Land Systems
DoD	D2010-D000LD-0264.000	8/30/2010	Controls and Processes Pertaining to the Defense Logistics Agency's Procurement Automated Contract Evaluation System
DoD	D2010-D000AS-0266.000	8/9/2010	Army Warfighter Field Operations Customer Support Contract
DoD	D2010-D000JA-0241.000	7/21/2010	Special Operations Forces Plans for the Drawdown and Reset of Property in Iraq
DoD	D2010-D000JB-0219.000	5/7/2010	Drawdown and Reset of Equipment in Iraq—Supply Support Activity and Central Receiving and Shipping Point Operations in Iraq
DoD	D2010-D000JB-0211.000	5/6/2010	Realignment of Contractor Support in Response to the Drawdown of U.S. Forces from Iraq
DoD	D2010-D005PO-0209.000	4/16/2010	Assessment of DoD Wounded Warrior Matters
DoD	D2010-D000AE-0139.000	1/29/2010	DoD Countermine and Improvised Explosive Device Defeat Systems Interrogation Arm
DoD	D2010-D000CH-0077.001	11/18/2009	Material Purchases Made Through the Partnership Agreement with Sikorsky Aircraft Corporation at Corpus Christi Army Depot
DoD	D2010-D000CH-0077.000	11/17/2009	Material Purchases Made Through the Partnership Agreement with the Boeing Company at Corpus Christi Army Depot
DoD	D2009-D000FH-0292.000	9/23/2009	Commercial Vendor Services Compliance With Federal Tax Reporting Requirements for Contractors Supporting Operations in Southwest Asia
DoD	D2009-D000JB-0307.000	9/16/2009	Controls Over the Accountability and Disposition of Government Furnished Property in Iraq
DoD	D2009-DIPOE3-0306.000	9/11/2009	Review of Army Response to Sodium Dichromate Exposure at Qarmat Ali, Iraq—Part II
DoD	D2009-D005PO-0287.000	8/5/2009	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	D2009-D000AS-0266.000	7/31/2009	Contracts Supporting Base Operations in Kuwait
DoD	D2009-D000FG-0183.000	4/7/2009	FY 2008 Marine Corps Global War on Terror-Related Costs Processed Through the Standard Accounting, Budgeting, and Reporting System
DoD	D2009-D000FB-0112.000	1/5/2009	Deployment of the Standard Procurement System in the Joint Contracting Command Iraq/Afghanistan
DoD	D2009-D000CK-0100.000	12/9/2008	Maintenance and Support of the Mine Resistant Ambush Protected Vehicle
DoD	D2008-D000CD-0256.000	8/7/2008	DoD Body Armor Contracts
DoD	D2007-D000FL-0252.000	8/31/2007	Internal Controls and Data Reliability in the Deployable Disbursing System
DoS	11MERO3010	1/1/2011	Program Evaluation of the Department of State's Antiterrorism Assistance Program (ATA) in Iraq
DoS	11MERO3004	12/1/2010	Review of Embassy Baghdad's Operations and Maintenance Contract with PAE
DoS	10MERO3016	7/1/2010	Review of Embassy Baghdad Transition Planning—Phase II (DoD Downsizing)
GAO	120976	Not reported	State Contracting for Conflict Countries
GAO	351552	10/21/2010	Marine Corps Equipping Strategies to Reset Equipment Returning from Iraq and Afghanistan
GAO	351559	10/8/2010	Army's Strategies to Reset Non-Standard Equipment Returning from Iraq
GAO	120874	8/6/2010	Review of Joint Report on Contracting in Iraq and Afghanistan
GAO	351525	8/2/2010	DoD Task Force on Business

*Continued on next page*

# OTHER AGENCY OVERSIGHT REPORTS

AGENCY	PROJECT NUMBER	DATE INITIATED	REPORT TITLE
GAO	351514	6/14/2010	Army Advise and Assist Brigades
GAO	351476	4/1/2010	DoD Iraq Drawdown Planning
GAO	351431	1/7/2010	Army's Equipping Strategies to Reset Equipment Returning from Iraq
GAO	320734	11/1/2009	U.S. Strategy and Joint Campaign Plan for Iraq
GAO	120931	7/1/2009	Close-out of Iraq Contracts
USAAA	A-2011-ALL-0346.000	2Q/FY 2011	Property Accountability in CONUS
USAAA	A-2011-ALL-0342.000	2Q/FY 2011	Commander's Emergency Response Program-Afghanistan
USAAA	A-2011-ALL-0344.000	2Q/FY 2011	Property Accountability in Afghanistan
USAAA	A-2011-ALL-0092.000	2Q/FY 2011	Foreign Excess Personal Property (FEPP) Program—Phase II
USAAA	A-2011-ALL-0135.000	1Q/FY 2011	Micro-Purchases of Field Ordering Officers—Afghanistan
USAAA	A-2011-ALL-0107.000	1Q/FY 2011	The U.S. Equipment Transfer to Iraq (USETTI) Program—Phase II
USAAA	A-2011-ALL-0098.000	1Q/FY 2011	Bulk Fuel Operations in Afghanistan
USAAA	A-2011-ALL-0087.001	1Q/FY 2011	Management Controls Over Payments for Overseas Contingency Operations Transportation—ARCENT
USAAA	A-2011-ALL-0087.000	1Q/FY 2011	Management Controls over Department of Defense Activity Address Codes (DODAAC), U.S. Army Central Command
USAAA	A-2010-ALL-0541.000	4Q/FY 2010	Bulk Fuel Operations in Iraq
USAAA	A-2010-ALL-0480.000	3Q/FY 2010	Agreed-Upon Procedures Attestation for USFOR-A LOGCAP Course of Action – Afghanistan
USAAA	A-2010-ALL-0260.000	3Q/FY 2010	Followup Audit of Retrograde Operations in Southwest Asia – Multi Class Supplies
USAAA	A-2010-ALM-0394.000	3Q/FY 2010	Follow-up Audit of Automatic Reset Induction
USAAA	A-2010-ALL-0258.000	3Q/FY 2010	Followup Audit of Retrograde Operations – Class VII Equipment in Iraq
USAAA	A-2010-ALC-0125.003	3Q/FY 2010	Human Capital Issues—Current Plans (Reachback Capabilities)
USAAA	A-2010-ALL-0421.000	2Q/FY 2010	LOGCAP IV Contract Requirements Determination—Afghanistan
USAAA	A-2010-FFF-0372.000	2Q/FY 2010	Improvised Explosive Device Defeat (IED-D) Home Station Training
USAAA	A-2010-ALL-0312.000	2Q/FY 2010	U.S. Equipment Transferred to Iraq
USAAA	A-2010-ALL-0311.001	2Q/FY 2010	Disposal of Army Equipment and Materials Into Dump Sites in Iraq
USAAA	A-2009-ALL-0593.000	4Q/FY 2009	Controls over Shipping Container Accountability and Visibility—Iraq
USAAA	A-2009-ALL-0571.000	4Q/FY 2009	Contract for Recycling and Disposing of Waste Material at Camp Steeler, Iraq
USAAA	A-2009-ALL-0118.000	2Q/FY 2009	Controls over Vendor Payments – Southwest Asia (Phase II)
USAAA	A-2009-ALC-0093.000	1Q/FY 2009	Logistics Civil Augmentation Program (LOGCAP) III, Contract Close-out
USAID	Not reported	2Q/FY 2011	Audit of USAID/Iraq's Elections Support Program
USAID	Not reported	4Q/FY 2010	Information Survey of USAID/Iraq's Active Awards and Subawards During Fiscal Year 2010
USAID	Not reported	3Q/FY 2010	Audit of Audit of USAID/Iraq's Microfinance Activities Under its Provincial Economic Growth Program
USAID	Not reported	2Q/FY 2010	Audit of USAID/Iraq's Community Action Program III Activities
USAID	Not reported	1Q/FY 2010	Audit of USAID/Iraq's Agribusiness Program

## OTHER AGENCY INVESTIGATIONS

SIGIR regularly coordinates with other government agencies conducting investigations in Iraq. For statistics of investigative activities from other agencies, see Table 6.3. ♦

TABLE 6.3  
STATUS OF INVESTIGATIVE ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 3/31/2011

AGENCY	INVESTIGATORS IN IRAQ	INVESTIGATORS IN KUWAIT	OPEN/ONGOING CASES*
U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit	2	2	104
Defense Criminal Investigative Service	4	2	163
DoS OIG	2	0	18
FBI	4	1	71
NCIS	0	1	2
U.S. Air Force, Office of Special Investigations	2	0	6
USAID	1	0	13
<b>Total</b>	<b>15</b>	<b>6</b>	<b>377</b>

\* Numbers include pending cases worked with other agencies within the Joint Operations Center.



# ENDNOTES AND ACRONYMS AND DEFINITIONS

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2. USF-I, response to SIGIR data call, 4/14/2011.
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8. The figure for average daily expenditures was calculated by dividing \$50.08 billion (the cumulative expenditures for Iraq reconstruction as of March 31, 2011) by 2,934 (the number of days from the Coalition invasion on March 19, 2003, to March 31, 2011). The sources for cumulative expenditures are in the preceding endnote.
9. GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2011," 2/23/2011.
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11. GOI officials, meetings with SIGIR, 1/2011–4/2011.
12. GOI, CoM Secretary General, meeting with SIGIR, 4/12/2011.
13. SIGIR analysis of GOI and U.S. government documents and open-source information in Arabic and English.
14. SIGIR analysis of GOI and U.S. government documents and open-source information in Arabic and English.
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37. SIGIR translation of open-source information in Arabic.
38. USF-I, DoS, and ISF officials, meetings with SIGIR, 1/16/2011–1/29/2011.
39. USF-I and Embassy officials, meetings with SIGIR, 4/2011.
40. GOI, MOI IG, meetings with SIGIR, 1/29/2011 and 4/12/2011.
41. GOI, CoM Secretary General, meeting with SIGIR, 4/12/2011.
42. Director, INL, meetings with SIGIR, 2/9/2011 and 2/12/2011; MOI IG, meetings with SIGIR, 1/29/2011 and 4/12/2011.
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56. U.S. Embassy-Baghdad, Treasury Attaché, meeting with SIGIR, 1/16/2011 and Economic Affairs officers, meeting with SIGIR, 1/24/2011; GOI officials, meetings with SIGIR, 4/2011; SIGIR analysis of GOI and U.S. government documents and open-source information in Arabic and English.
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126. P.L. 112-10.
127. USAID, response to SIGIR data call, 1/10/2011; USACE, response to SIGIR data call, 1/4/2011; NEA-I, responses to SIGIR data calls, 12/20/2010, 12/21/2010, 1/7/2011, and 1/10/2011. SIGIR calculates expired funds as appropriations less obligations, as of the expiration date. Some ESF was transferred to other agencies under the Foreign Assistance Act of 1961, Sec. 632(b). NEA-I did not indicate whether its reported obligations include such transfers, so SIGIR’s calculations may overstate expired funds. In addition, NEA-I was not able to provide the complete status of funds for the \$50 million in FY 2003 appropriations to the ESF; only approximately \$9 million were reported obligated and expended as of March 31, 2011. It is likely that more of these funds were obligated and expended than reported, which would affect the overall status of funds and the amount of expired funds.
128. USAID, response to SIGIR data call, 1/10/2011; USACE, response to SIGIR data call, 1/4/2011; NEA-I, responses to SIGIR data calls, 12/20/2010, 12/21/2010, 1/7/2011, and 1/10/2011; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004-10/2010.
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133. P.L. 109-148, P.L. 109-234.
134. USF-I, response to SIGIR data call, 4/14/2011; ABO, response to SIGIR data call, 4/18/2011.
135. USF-I, response to SIGIR data call, 4/14/2011; ABO, response to SIGIR data call, 4/18/2011.
136. In an effort to create a replacement database, ABO worked with SIGIR to match the complete financial data it provides to the abbreviated project-level data that USF-I provides, which could conceivably yield a complete data set that is both accurate at the aggregate level and detailed at the project- and category-level. However, as reported last quarter, SIGIR discovered two unresolvable obstacles while trying to create this new database: 1) prior to FY 2008, USF-I did not consistently include the document reference number (DRN) in its CERP Project Tracker, making it impossible to use ABO data to track individual projects to completion for FY 2004-FY 2007 CERP appropriations; and 2) for FY 2008-FY 2010 CERP appropriations, some projects (mostly CERP microgrants) are bundled under a single DRN, making it impossible to distinguish which specific projects or grants under that DRN have been paid out or canceled.
137. 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.
138. P.L. 112-10.
139. 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; INL, response to SIGIR data call, 1/10/2011.
140. INL, response to SIGIR data call, 1/10/2011.
141. P.L. 108-106; P.L. 109-102; P.L. 109-234; P.L. 110-252. The Congress initially appropriated \$18,649 million to the IRRF2, but earmarked \$210 million to be transferred to other accounts for programs in Jordan, Liberia, and Sudan. In FY2006, the Congress transferred approximately \$10 million into the IRRF from the ESF. In FY2008, P.L. 110-252 rescinded \$50 million.
142. P.L. 108-106; P.L. 109-102; P.L. 109-234; P.L. 110-252; OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, 8/2009, Sec. 10, p. 3, and Sec. 20, pp. 15, 20.
143. P.L. 108-106; P.L. 109-102; P.L. 109-234; P.L. 110-252; OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, 8/2009, Sec. 10, p. 3, and Sec. 20, pp. 15, 20.
144. NEA-I, response to SIGIR data call, 4/5/2011; USAID, response to SIGIR data call, 7/8/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USTDA, response to SIGIR data call, 4/2/2009; DoS, response to SIGIR data call, 4/5/2007; OSD, response to SIGIR data call, 4/10/2009; SIGIR Audit 11-007, “Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Cancelled Funds,” 12/28/2010; OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, 8/2009, Sec. 10, p. 3, and Sec. 20, pp. 15, 20.
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# ACRONYMS AND DEFINITIONS

This section contains all of the abbreviations and acronyms found in this Report.

ACRONYM	DEFINITION
ABO	Army Budget Office
ABOT	al-Basrah Oil Terminal
AAB	Advise and Assist Brigade
ACCO	Anti-Corruption Coordination Office (U.S. Embassy-Baghdad)
AFAA	Air Force Audit Agency
Amanat	Baghdad Municipality
AIC	Anbar Investment Commission
AQI	al-Qaeda in Iraq
ARCENT	Army Central
Army	Department of the Army
ATA	Antiterrorism Assistance Program (DoS)
BBG	Broadcasting Board of Governors
BPA	blanket purchase agreement
BPD	barrels per day
BRU	Bank Reconciliation Unit
BSA	Board of Supreme Audit
CAG	community action group
CAP	Community Action Program
CBI	Central Bank of Iraq
CCC-I	Central Criminal Court of Iraq
CEFMS	Corps of Engineers Financial Management System
CENTCOM	U.S. Central Command
CERP	Commander's Emergency Response Program
CHF	Cooperative Housing Foundation International
CID-MPFU	U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit
CIDNE	Combined Information Data Network Exchange
CIGIE	Council of the Inspectors General on Integrity and Efficiency

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ACRONYM	DEFINITION
CIO	U.S. Contributions to International Organizations
CLC	Concerned Local Citizens (Iraq - Focus on Anbar)
COFE	Committee of Financial Experts (Board of Supreme Audit)
COI	Commission of Integrity (previously known as Commission on Public Integrity)
COIN	counterinsurgency
CoM	Council of Ministers
COM	Chief of Mission
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)
CSH	Child Survival and Health Programs Fund
CSP	Community Stabilization Program (USAID)
CTA	Case Tracking Application (funded through ESF)
CWC	Commission on Wartime Contracting in Iraq and Afghanistan
DAD	Development Assistance Database (United Nations Development Program)
DATT	Iraqi Defense Attache
DBE	Department of Border Enforcement (GOI)
DCAA	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
DFI	Development Fund for Iraq
DoD	Department of Defense
DoD OIG	Department of Defense Office of Inspector General
DoJ	Department of Justice
DoL	Department of Labor
DoS	Department of State

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ACRONYM	DEFINITION
DoS OIG	Department of State Office of Inspector General
DPM	Deputy Prime Minister
DRL	Bureau of Democracy, Human Rights, and Labor (DoS)
DS	Diplomatic Security (DoS)
EBO	Embassy Branch Office
ECA	Bureau of Educational and Cultural Affairs (DoS)
EDA	Excess Defense Articles (U.S. Military)
EIA	Energy Information Administration (DoE)
EPC	engineering, procurement, and construction
ePRT	embedded Provincial Reconstruction Team
ERMA	Emergency Refugee & Migration Assistance
ESF	Economic Support Fund
FAO	Food and Agriculture Organization (United Nations)
FBI	Federal Bureau of Investigation
FERRET	Forensic Evaluation, Research, Recovery, and Enforcement Team (SIGIR)
FMF	Foreign Military Financing
FMR	Financial Management Regulation (DoD)
FMS	Foreign Military Sales
FOB	forward operating base
FP	Federal Police (GOI)
FPS	Facilities Protection Service (GOI)
FY	fiscal year
GAD	Government Assistance Database
GAO	U.S. Government Accountability Office
GDP	gross domestic product
GE	General Electric
GOI	Government of Iraq
GRD	Gulf Region Division (USACE)
HFO	heavy fuel oil
HJC	Higher Judicial Council
HQDA	Headquarters, Department of the Army

*Continued next column*

# ACRONYMS AND DEFINITIONS

ACRONYM	DEFINITION
H.R.	House Resolution
HRW	Human Rights Watch
IA	Iraqi Army
IACA	International Anti-Corruption Academy
IAF	Iraqi Armed Forces
IAMB	International Advisory and Monitoring Board for Iraq
ICAA	Iraq Civil Aviation Authority
ICE	U.S. Immigration and Customs Enforcement
ICF-SME	Iraqi Company for Financing Small-Medium Enterprises
ICITAP	International Criminal Investigative Training Assistance Program (DoJ)
IDA	International Development Association (World Bank)
IDA	International Disaster Assistance (USAID humanitarian trust fund)
IDFA	International Disaster and Famine Assistance
IDP	internally displaced person
IECI	Independent Election Commission of Iraq (later IHEC)
IED	improvised explosive device
IFF	Iraq Freedom Fund
IFMIS	Iraq Financial Management Information System
IG	inspector general
IHEC	Independent High Electoral Commission
IIGC	Iraq Inspectors General Council
IILHR	Institute for International Law and Human Rights
IIP	Iraqi Islamic Party (Sunni)
IJ	investigative judge (GOI)
IMET	International Military Education and Training program
IMF	International Monetary Fund
INA	Iraqi National Alliance
INCLE	International Narcotics Control and Law Enforcement account (INL)
ING	Iraqi National Guard
INL	Bureau of International Narcotics and Law Enforcement Affairs (DoS)

*Continued next column*

ACRONYM	DEFINITION
INL	Iraqi National List
<i>Inma</i>	"Growth" in Arabic—Agribusiness Program (USAID)
INTERCEPT	International Criminal Enforcement and Prosecution Team (SIGIR)
INU	Iraqi National Unity
IOCs	international oil companies
IOM	International Organization for Migration
IP	Iraqi Police
IPA	International Police Advisor
IPP	independent power producer
IRAP	Iraq Rapid Assistance Program (USAID component of QRF program)
IRFFI	International Reconstruction Fund Facility for Iraq
IRMS	Iraq Reconstruction Management System
IRR	Iraqi Republic Railway Company
IRRF	Iraq Relief and Reconstruction Fund - IRRF1 and IRRF 2
IRS-CI	Internal Revenue Service-Criminal Investigation
ISAM	Iraq Security Assistance Mission
ISCI	Islamic Supreme Council of Iraq
ISF	Iraqi Security Forces
ISFF	Iraq Security Forces Fund
ISOF	Iraqi Special Operations Force (also, Counter-Terrorism Force)
ISP	Infrastructure Security Program
ISPO	Iraq Strategic Partnership Office (replaces ITAO)
ITAM	Iraq Training and Advisory Mission
ITAO	Iraq Transition Assistance Office
ITAO/ESD	Iraq Transition Assistance Office/ Electric Services Division
JASG-C	Joint Area Support Group-Central (DoD)
JCTSR	Joint Committee to Transfer Security Responsibility
JDI	Judicial Development Institute
JFSOCC-I	Joint Forces Special Operations Component Command-Iraq
JI	Judicial Investigator (GOI)
JIATF	Joint Interagency Task Force

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ACRONYM	DEFINITION
KA	Kurdistani Alliance
KAAOT	Khawr al-Amaya Oil Terminal
KDP	Kurdistan Democratic Party
km	kilometer
KRG	Kurdistan Regional Government
kV	kilovolt
LBG	Louis Berger Group, Inc.
LGP	Local Governance Program (USAID)
LOA	letters of acceptance
LOGCAP	Logistics Civil Augmentation Program
LPG	liquefied petroleum gas
MBPD	million barrels per day
MCD	Ministerial Capacity Development Program (formerly MCTD)
MCF	million cubic feet
MEC	Minimum Essential Capability
MEEES	<i>Middle East Economic Survey</i>
MEPI	Middle East Partnership Initiative (DoS)
MFI	microfinance institution ( <i>Tijara</i> -supported lending)
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
MOF	Ministry of Finance
MOH	Ministry of Health
MoHR	Ministry of Human Rights
MOI	Ministry of Interior
MOJ	Ministry of Justice
MoPDC	Ministry of Planning and Development Cooperation
MOT	Ministry of Transportation
MRA	Migration and Refugee Assistance
MW	megawatt
MWh	megawatt-hour
NACS	<i>Iraq's National Anti-Corruption Strategy for 2010–2014</i>

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# ACRONYMS AND DEFINITIONS

ACRONYM	DEFINITION
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	Naval Criminal Investigative Service
NDAA	National Defense Authorization Act
NDP	Iraq's <i>National Development Plan (2010–2014)</i>
NEA-I	Bureau of Near Eastern Affairs-Iraq (DoS)
NGO	non-governmental organization
NIC	National Investment Commission (GOI)
NMC	National Media Center (GOI)
NRRRF	Natural Resources Risk Remediation Fund
O&M	Army Operation and Maintenance funds
O&M	operations and maintenance (general terms)
OCHA	Office for the Coordination of Humanitarian Affairs (UN)
OCO	Overseas Contingency Operations (DoS)
OFDA	Office of Foreign Disaster Assistance (USAID)
OHDACA	Overseas Humanitarian, Disaster and Civic Aid
OIF	Operation Iraqi Freedom
OMB	Office of Management and Budget
OP	Oil Police (GOI)
OPA	Office of Provincial Affairs (U.S. Embassy-Baghdad)
OPDAT	Office of Overseas Prosecutorial Development and Assistance Training (DoS)
OPIC	Overseas Private Investment Corporation
OSC-I	Office of Security Cooperation-Iraq
OSD	Office of the Secretary of Defense

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ACRONYM	DEFINITION
OTA	Office of Technical Assistance (U.S. Department of the Treasury)
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)
P.L.	Public Law
PA	Paying Agent
PC	Provincial Council
PCO	Project and Contracting Office
PDP	Police Development Program (INL)
PDS	Public Distribution System
PEZ	Pipeline Exclusion Zone
PFB	Procurement Fraud Branch (Army Legal Services Agency)
PIC	Provincial Investment Commission (GOI)
PIC	Provincial Iraqi Control
PII	personally identifiable information
PM	Prime Minister
PM	Bureau of Political-Military Affairs (DoS)
PRDC	Provincial Reconstruction Development Council
PRM	Bureau of Population, Refugees and Migration (DoS)
PRT	Provincial Reconstruction Team
PSC	private security contractor
PUK	Patriotic Union of Kurdistan
QAR	Quantitative Assessment Review (CIGIE)
QRF	Quick Response Fund
QRF-State	Quick Response Fund - State (DoS component of QRF program)
REROs	Real Estate Registry Offices (GOI)
RFIs	requests for information (purchase contracts between U.S. and Iraq)
RLAs	Resident Legal Advisors (DoS INL)
RoLC	Office of the Rule of Law Coordinator (U.S. Embassy-Baghdad)
ROM	rough order of magnitude (references pricing on purchasing contracts between U.S. and Iraq)

*Continued next column*

ACRONYM	DEFINITION
SA	U.S.-Iraqi Security Agreement
Sadrist	Independent Liberals Trend
SATs	Security Assistance Teams
SBA	Stand-By Arrangement (IMF)
SCIRI	Supreme Council for Islamic Revolution in Iraq
SDO	senior defense official
SDR	Stability Development Roadmap
SDR	Special Drawing Rights (IMF)
SDR	discrepancy report (GOI BSA)
SECDEF	U.S. Secretary of Defense
SFA	Strategic Framework Agreement
S/GWI	Office of Global Women's Issues (DoS)
SIGAR	Special Inspector General for Afghanistan Reconstruction
SIGIR	Special Inspector General for Iraq Reconstruction
SIGPRO	SIGIR Prosecutorial Initiative
SIV	special immigrant visa
SME	Small- and Medium-Enterprise
SOC	South Oil Company (Iraq)
SOE	state-owned enterprise
SOI	Sons of Iraq
SoL	State of Law Coalition (headed by Nuri al-Maliki)
SPM	single-point mooring station
SPOT	Synchronized Predeployment and Operational Tracker
<i>Tatweer</i>	National Capacity Development Program (USAID)
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
TVA OIG	Tennessee Valley Authority Office of Inspector General
TWISS	Theater-wide Internal Security Services (DoD)
UK	United Kingdom
UN	United Nations
UNAMI	UN Assistance Mission for Iraq

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# ACRONYMS AND DEFINITIONS

ACRONYM	DEFINITION
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
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

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ACRONYM	DEFINITION
USAID OIG	U.S. Agency for International Development Office of Inspector General
USF-I	U.S. Forces-Iraq
USFOR-A	U.S. Forces-Afghanistan
USIP	United States Institute of Peace
USMC	U.S. Marine Corps
VCJCS	Vice-Chairman, Joint Chiefs of Staff
WTO	World Trade Organization

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