

DEVELOPMENTS IN IRAQ

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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.³³²

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:³³³

- 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.³³⁴ 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.³³⁵

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

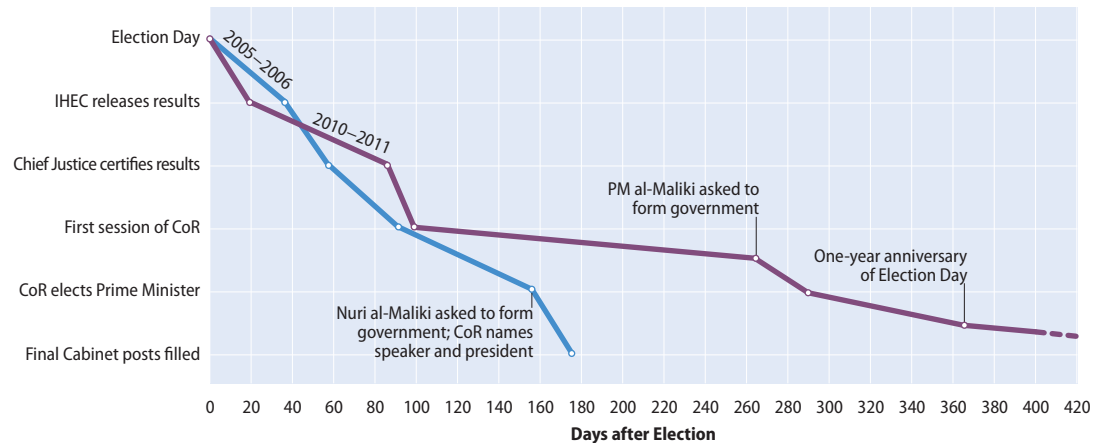
National Council for Higher Policies

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).³³⁶ 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.³³⁷

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.³³⁸

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.³³⁹ 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:³⁴⁰

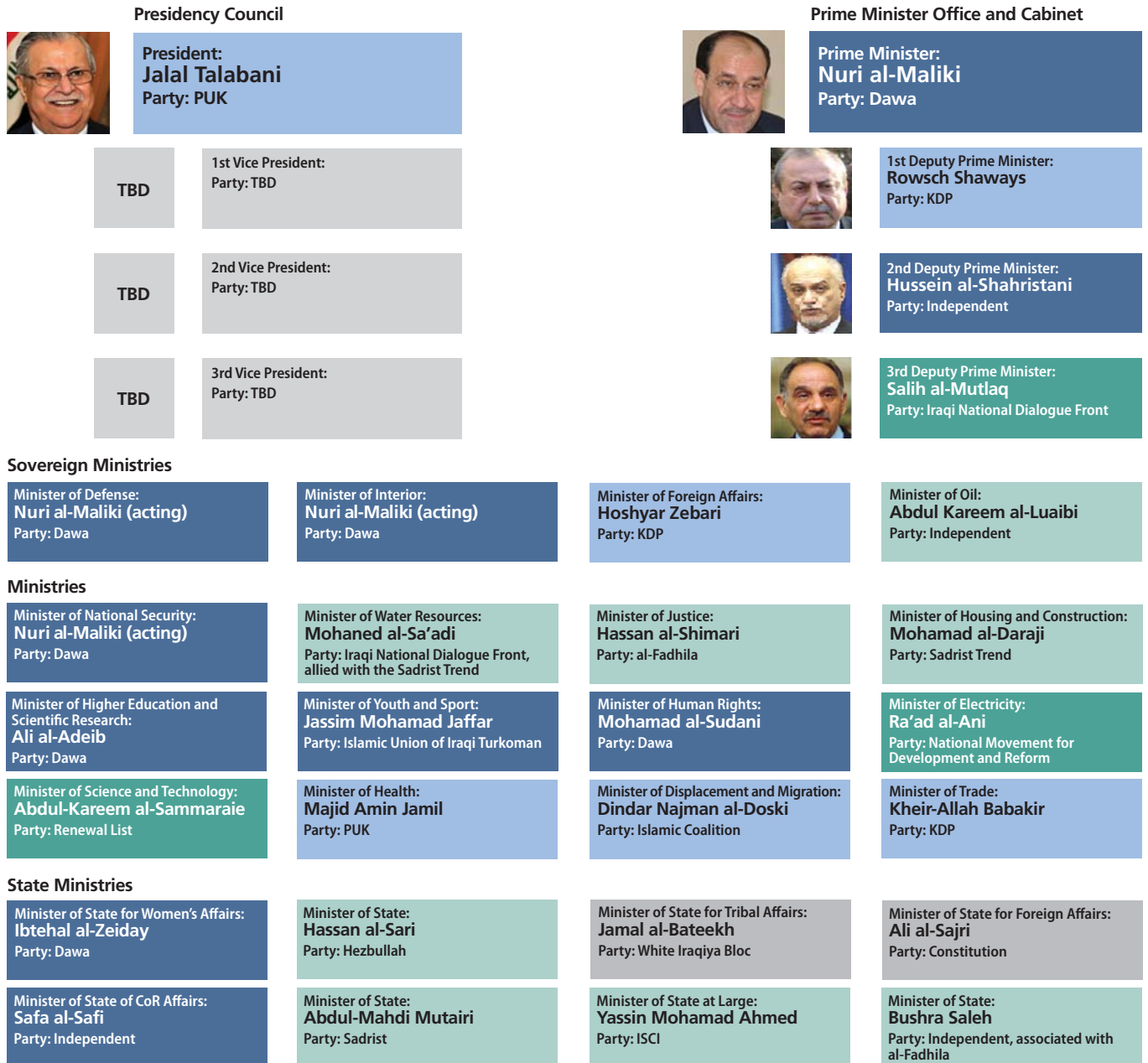
- **Defense.** In February, the Security and Defense Committee questioned three high-ranking Iraqi Security Forces (ISF) officers about the security situation in Baghdad, focusing on the recent

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; 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; 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.³⁴¹

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

- **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.³⁴³

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.³⁴⁴

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.³⁴⁵ 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).³⁴⁶ The three USAID-funded programs are scheduled for completion by September 2012, while some DoS-funded projects will continue through December 2013.³⁴⁷ 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)

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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.³⁴⁸ *Tatweer* is set to end on July 31, 2011.³⁴⁹

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.³⁵⁰ The program is set to end in June 2011.³⁵¹

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.³⁵² CAP III is scheduled to end in September 2012.³⁵³

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.

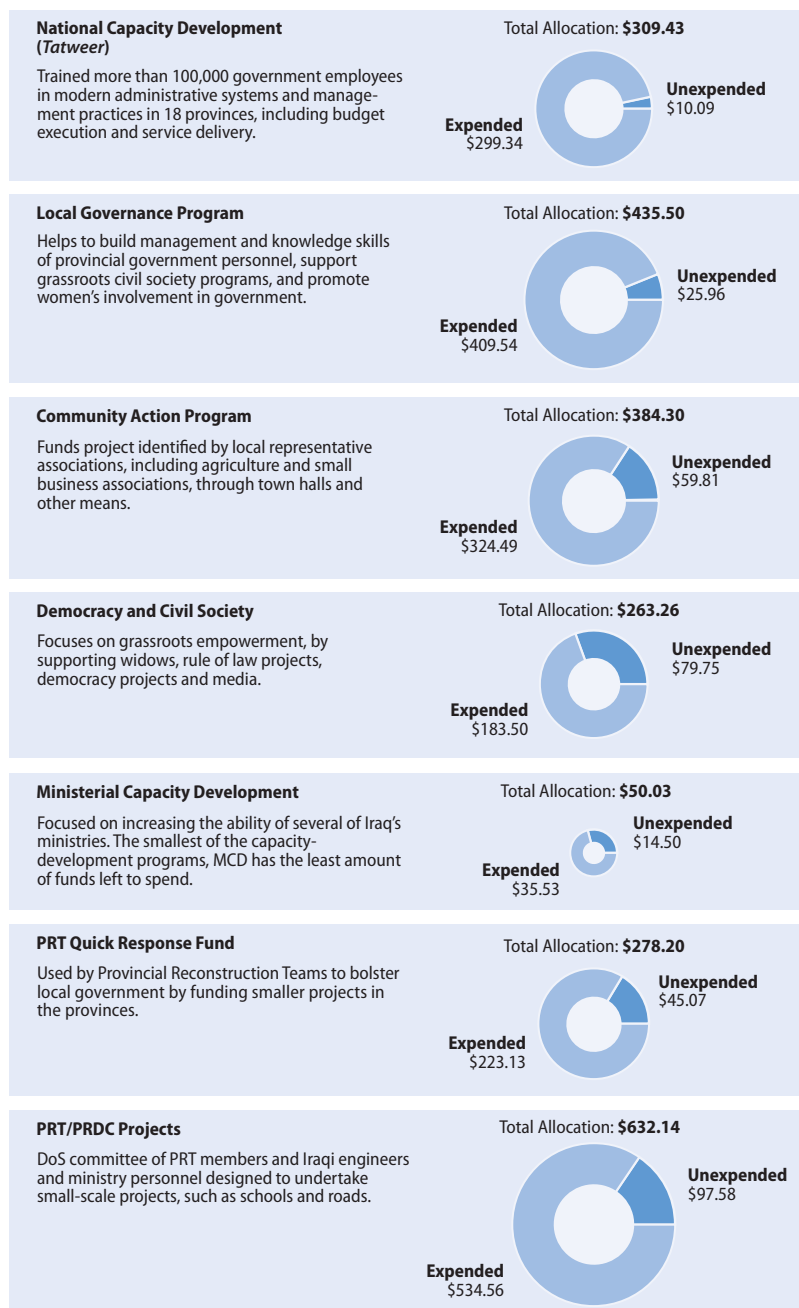
Democracy and Civil Society

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 2013.³⁵⁴

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:³⁵⁵

- 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.³⁵⁶

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.



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 2010.³⁵⁷

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.³⁵⁸

Progress toward Provincial Self-reliance

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

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

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.³⁵⁹

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.³⁶⁰ 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.³⁶¹

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	Moderately Stable	Moderately Stable
Babylon	Very Unstable	Unstable	Moderately Stable	Moderately Stable	Moderately Stable
Baghdad	Very Unstable	Unstable	Moderately Stable	Moderately Stable	Moderately Stable
Basrah	Very Unstable	Unstable	Moderately Stable	Moderately Stable	Moderately Stable
Diyala	Very Unstable	Unstable	Moderately Stable	Moderately Stable	Moderately Stable
Kerbala	Very Unstable	Unstable	Moderately Stable	Moderately Stable	Moderately Stable
Kurdistan Region	Unstable	Unstable	Moderately Stable	Moderately Stable	Moderately Stable
Missan	Very Unstable	Unstable	Moderately Stable	Very Unstable	Moderately Stable
Muthanna	Unstable	Unstable	Moderately Stable	Moderately Stable	Moderately Stable
Najaf	Very Unstable	Unstable	Moderately Stable	Moderately Stable	Moderately Stable
Ninewa	Very Unstable	Unstable	Moderately Stable	Moderately Stable	Very Unstable
Qadissiya	Unstable	Moderately Stable	Moderately Stable	Very Unstable	Moderately Stable
Salah Al-Din	Very Unstable	Unstable	Moderately Stable	Moderately Stable	Moderately Stable
Tameem	Very Unstable	Unstable	Moderately Stable	Moderately Stable	Moderately Stable
Thi-Qar	Very Unstable	Unstable	Moderately Stable	Moderately Stable	Moderately Stable
Wassit	Very Unstable	Unstable	Moderately Stable	Moderately Stable	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.³⁶²

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.³⁶³

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.³⁶⁴

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.³⁶⁵

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.³⁶⁶ Diyala and Baghdad provinces continue to host the largest concentrations of IDPs.³⁶⁷

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.³⁶⁸

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.³⁶⁹ 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.³⁷⁰

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.³⁷¹

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 2007.³⁷²

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.³⁷³

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:³⁷⁴

- 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.³⁷⁵

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 531.³⁷⁶

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.³⁷⁷

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.³⁷⁸

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.³⁷⁹

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.³⁸⁰

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.³⁸¹

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.³⁸²

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.³⁸³

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.³⁸⁴

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.³⁸⁵

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.³⁸⁶ ♦

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).³⁸⁷ 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,³⁸⁸ the remaining 45,601 U.S. military personnel—less than half of which are in Advise and Assist Brigades (AABs)³⁸⁹—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."³⁹⁰ 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.³⁹¹

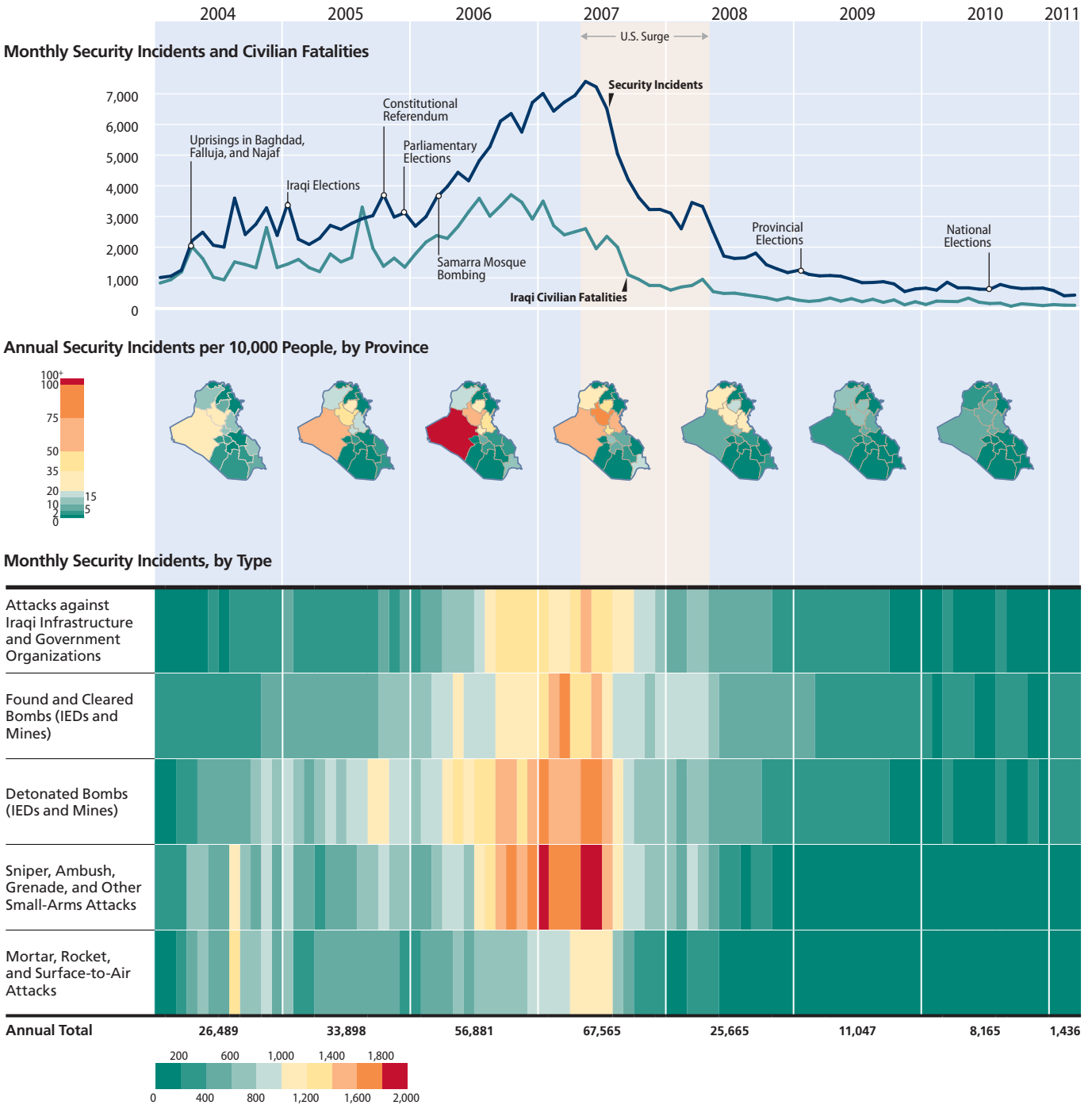
After an upward spike in the third quarter of 2010—and notwithstanding horrific incidents such as the March 29 attack on the provincial government offices in Tikrit that resulted in 58 deaths—the number of Iraqi civilians killed in violent attacks had declined every month since the formal end of the U.S. combat mission on August 31, 2010. March 2011, however, witnessed a spike in deaths related to security incidents.³⁹² U.S. combat fatalities are down from an average of 75 per month between 2004 and 2007³⁹³ to an average of 1 per month during this quarter.³⁹⁴ 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.³⁹⁵ 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.³⁹⁶

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.³⁹⁷

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.³⁹⁸

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.³⁹⁹ 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.⁴⁰⁰

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.⁴⁰¹ Additionally, a pipeline from Naft Khana to the Doura refinery in Baghdad was attacked on February 17.⁴⁰² Attacks on tanker trucks carrying refined fuels were also reported by the Ministry of Oil during the quarter.⁴⁰³

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.⁴⁰⁴ 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.⁴⁰⁵ The success of these zones will be further challenged by the movement of IA personnel from the cities by the end of the year.⁴⁰⁶

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.⁴⁰⁷

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.⁴⁰⁸ 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 2003.⁴⁰⁹

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

^a 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.⁴¹⁰ 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.⁴¹¹ 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.⁴¹²

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.⁴¹³ 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).⁴¹⁴

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.⁴¹⁵ Moreover, challenges remain in both staffing and leading the security forces of both ministries.⁴¹⁶ 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.”⁴¹⁷

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:⁴¹⁸

- 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.⁴¹⁹ 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)⁴²⁰
- radio relay-links equipment to facilitate Command, Control, and Communications (C3)

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

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

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.⁴²⁵ 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.⁴²⁶ 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.⁴²⁷ 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,⁴²⁸ raising the likelihood that there will be enduring gaps in the MOI security services' capabilities.⁴²⁹

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.⁴³⁰

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

- 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.⁴³² 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.⁴³³

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.⁴³⁴ 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.⁴³⁵

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.⁴³⁶ USACE also completed the \$3.5 million Logistics Affairs Training Institute at Camp Taji.⁴³⁷

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

- \$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.⁴³⁹

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.⁴⁴⁰

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.⁴⁴¹

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.⁴⁴²

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.⁴⁴³

Some concerns appear related to differences between Iraqi procurement laws⁴⁴⁴ 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.⁴⁴⁵ 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.⁴⁴⁶ 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
<p>U.S. Pricing More Expensive: 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.</p>	<p>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.</p>
<p>Long Waits for Items: 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.)</p>	<p>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.</p>
<p>Insufficient Consultation: 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.</p>	<p>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.</p>

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.⁴⁴⁷ 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).⁴⁴⁸ 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.⁴⁴⁹

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.⁴⁵⁰ All PRTs are scheduled to close down by September 2011.⁴⁵¹

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).⁴⁵²

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 39.⁴⁵³ 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.”⁴⁵⁴

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.⁴⁵⁵ 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.⁴⁵⁶ 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.⁴⁵⁷ 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.⁴⁵⁸
- **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.⁴⁵⁹

- **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.⁴⁶⁰
- **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.⁴⁶¹
- **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:⁴⁶²

- **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.⁴⁶³
- **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.⁴⁶⁴

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.⁴⁶⁵

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

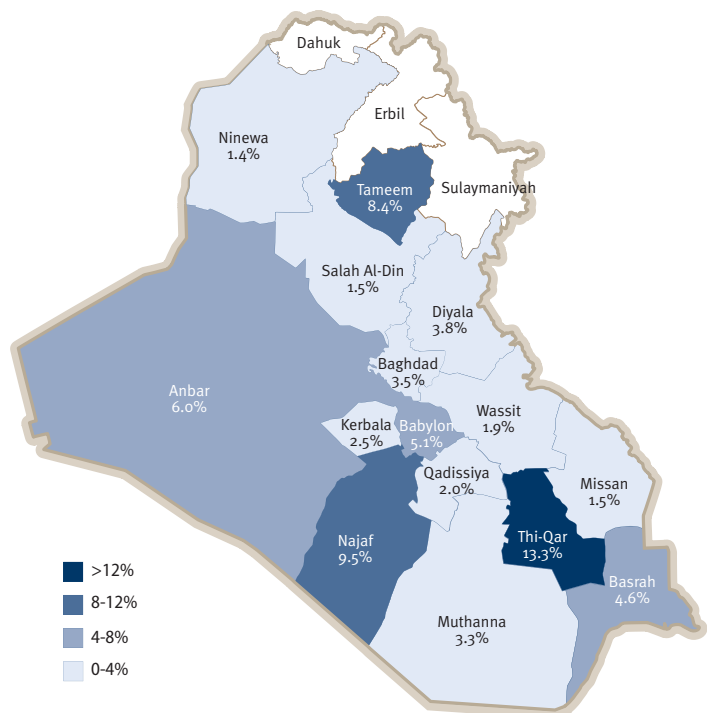
COI in 2010), the MOI (7.3%), and the Ministry of Municipalities and Public Works (6.2%).⁴⁶⁶

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 2011.⁴⁶⁷

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.⁴⁶⁸

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.⁴⁶⁹

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.⁴⁷⁰ He noted that bribery demands and onerous licensing requirements impede entrepreneurs' ability to establish enterprises.⁴⁷¹ 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.⁴⁷²

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 summer⁴⁷³ 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.⁴⁷⁴

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 2007.⁴⁷⁵ 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.⁴⁷⁶

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 2004.⁴⁷⁷ At its apogee in 2007, more than a dozen ICITAP personnel (primarily retired U.S. law enforcement officers) trained, mentored, and advised COI investigators.⁴⁷⁸ In April, DoS reported that this program was extended into 2012, with a staff of one ICITAP advisor and one interpreter.⁴⁷⁹

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.⁴⁸⁰

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:⁴⁸¹

- **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.⁴⁸² According to Chief Justice Medhat, additional branches of the Commercial Court are planned for Basrah and Mosul.⁴⁸³

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%.⁴⁸⁴ 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%.⁴⁸⁵

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.⁴⁸⁶

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.⁴⁸⁷

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.⁴⁸⁸

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.⁴⁸⁹ The facility now has shatterproof and bulletproof windows, as well as new safety lighting.⁴⁹⁰ INL funds several other courthouse-upgrade projects with USACE through interagency agreements.⁴⁹¹

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).⁴⁹²

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.⁴⁹³

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.⁴⁹⁴

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.⁴⁹⁵ ♦

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.⁴⁹⁶ Higher-than-expected oil receipts will likely reduce the projected budget deficit for 2011, or eliminate it completely,⁴⁹⁷ and enable the government to bolster social programs at a time of visible public discontent.⁴⁹⁸ Rising levels of foreign investment are also expected to contribute to economic growth.⁴⁹⁹ 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).⁵⁰⁰ Yet, for all its potential, Iraq remains one of the world's toughest places to do business.⁵⁰¹ 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

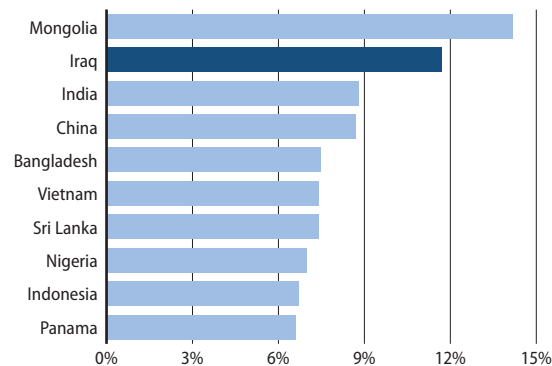
The Iraqi economy remains heavily dependent on its oil sector, although increases in both public and private sector capital spending will also help the economy grow. Iraq's 2011 budget, approved by the CoR in February, calls for a 27% increase in capital spending, while private foreign commercial activity has grown sharply over the past year.⁵⁰² 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.⁵⁰³ 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.⁵⁰⁴ 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.

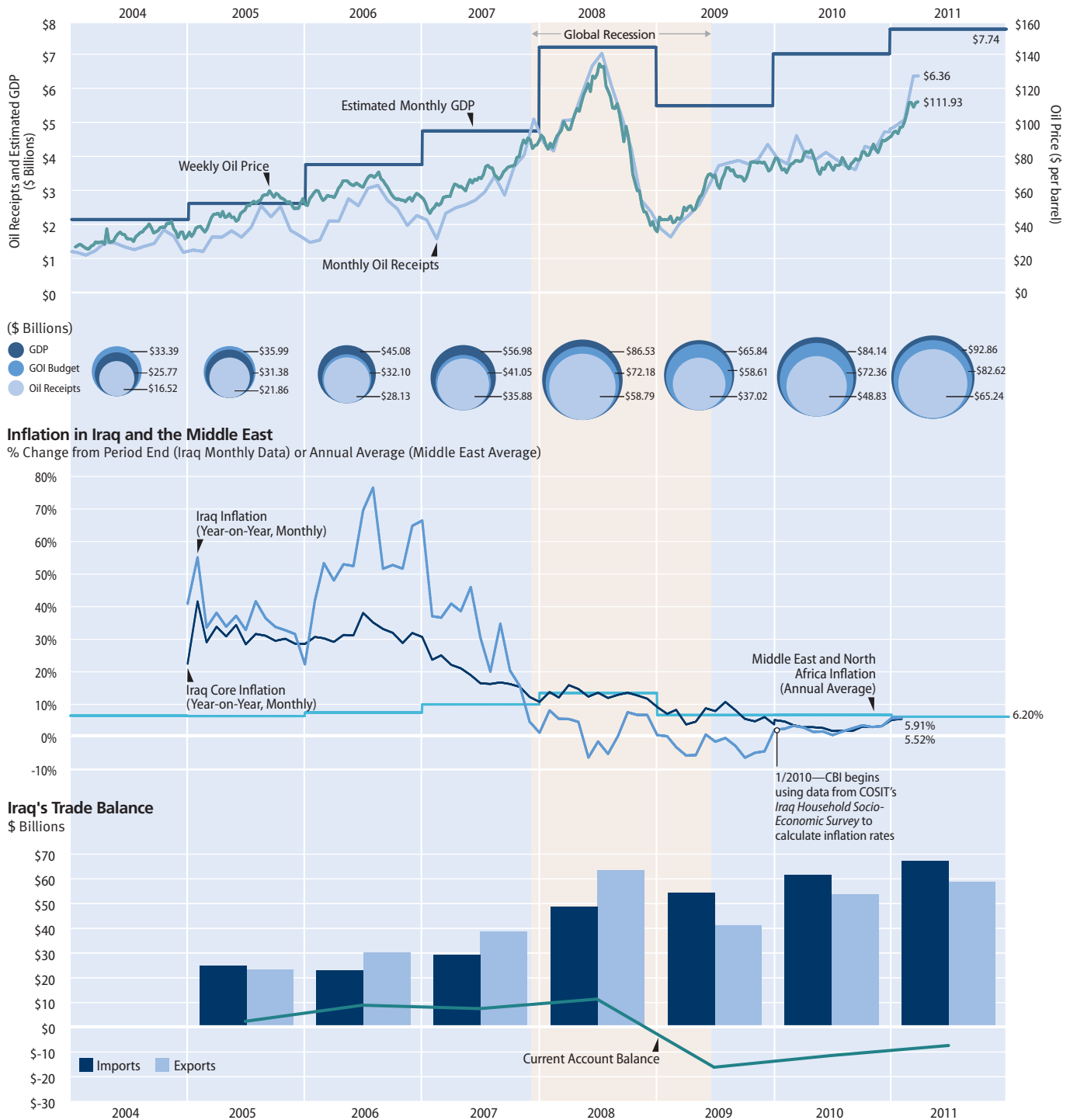
TABLE 4.4
EASE OF DOING BUSINESS RANKING, SELECTED MIDDLE EAST COUNTRIES

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, 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, 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, accessed 4/12/2011; GOI, CBI, “Key Financial Indicators,” 4/6/2011, 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.⁵⁰⁵ 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%.⁵⁰⁶ 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.⁵⁰⁷ 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.⁵⁰⁸ Inflation is projected to remain near 6% through the end of 2012.⁵⁰⁹ 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.⁵¹⁰

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 2011.⁵¹¹ 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.⁵¹² 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
Iraq	\$1,458
Iran	\$959

Source: EIA, "OPEC Revenues Fact Sheet Energy Data, Statistics and Analysis," 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.⁵¹³

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.⁵¹⁴ 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 2008.⁵¹⁵ 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.⁵¹⁶ 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.⁵¹⁷

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.⁵¹⁸ 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.⁵¹⁹

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.⁵²⁰

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.⁵²¹ 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.⁵²²

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.⁵²³ 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.⁵²⁴ 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.⁵²⁵

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.⁵²⁶ Figure 4.11 shows the status of these claims.

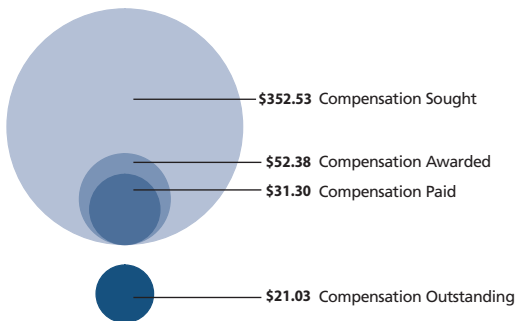
Unrelated to the UNCC claims, the CoM approved and submitted to the CoR a U.S.-Iraq agreement signed in September 2010 under which the GOI would pay \$400 million to settle outstanding Saddam-era claims by U.S. nationals, many of them seeking compensation for alleged trauma and torture during Saddam's 1990 invasion of Kuwait.⁵²⁷

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, 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.⁵²⁸

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.⁵²⁹

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.⁵³⁰

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.⁵³¹

Oil and Gas

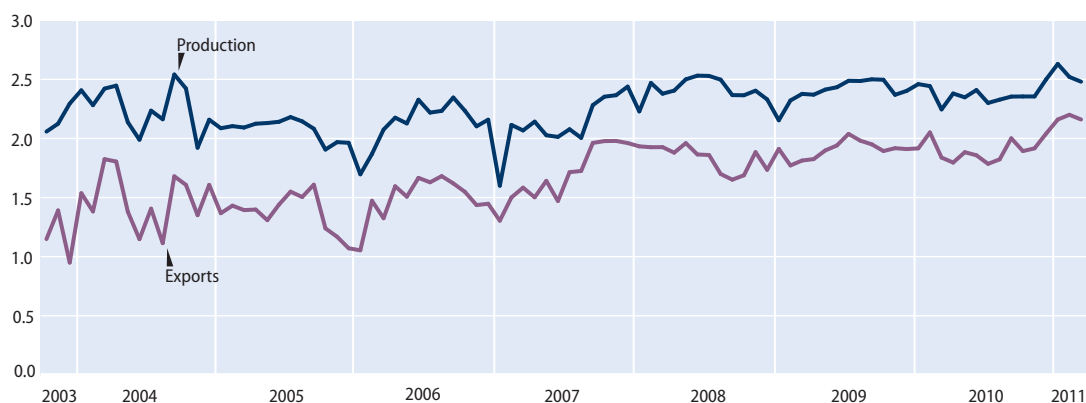
Crude Oil Production and Field Development

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 2010.⁵³² 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.⁵³³

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.⁵³⁴ 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 2014.⁵³⁵ 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.⁵³⁶ 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.”⁵³⁷

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.⁵³⁸
- 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.⁵³⁹ Exxon also awarded Halliburton a contract this quarter to drill 15 wells at this field.⁵⁴⁰

- 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 2009.⁵⁴¹ 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.⁵⁴²
- 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.⁵⁴³ Shell is also planning to build a port along the nearby Shatt al-Arab waterway solely to serve the Majnoon field.⁵⁴⁴

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 2009.⁵⁴⁵ 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.⁵⁴⁶

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.⁵⁴⁷

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.⁵⁴⁸

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.⁵⁴⁹

Crude Oil Exports and Capacity Expansion

Crude oil exports also reached a post-invasion high this quarter, averaging 2.18 MBPD.⁵⁵⁰ The level was a 12% increase over the previous quarter and over the same quarter in 2010.⁵⁵¹ 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.⁵⁵² The increase followed a GOI-KRG agreement to resume crude oil exports from the Kurdistan Region for the first time since 2009;⁵⁵³ however, the two sides continued to discuss a deal that would set more permanent conditions.⁵⁵⁴

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.⁵⁵⁵ 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 2012.⁵⁵⁶

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 2015.⁵⁵⁷ Work has begun to add 2.9 million barrels of new crude oil storage capacity on al-Faw Peninsula.⁵⁵⁸

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 2010.⁵⁵⁹

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 2010.⁵⁶⁰ 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.⁵⁶¹

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.⁵⁶²

Investment Climate

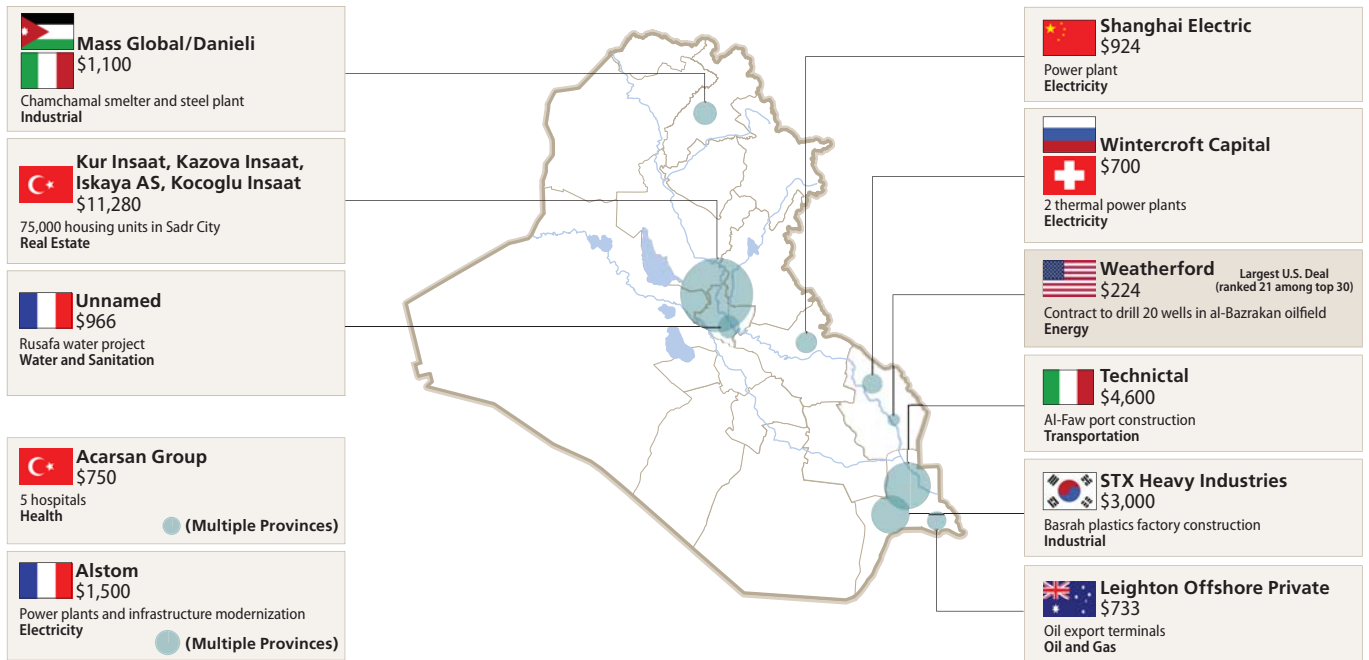
Iraq's *National Development Plan (2010–2014)* (NDP) calls for \$186 billion in spending to set the country on course to become “a diverse and competitive economy in which the private sector plays a leadership role in creating wealth and jobs.” The public sector's role is envisioned to be largely supportive—organizational 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.”⁵⁶³ 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.⁵⁶⁴

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 2010.⁵⁶⁵ 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.⁵⁶⁶ 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 2011.⁵⁶⁷ However, the level of investment growth will likely depend on the GOI's ability to further improve—and ultimately resolve—the security issue.⁵⁶⁸

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.⁵⁶⁹ 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.⁵⁷⁰ 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,⁵⁷¹ 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.⁵⁷² 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.⁵⁷³

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.



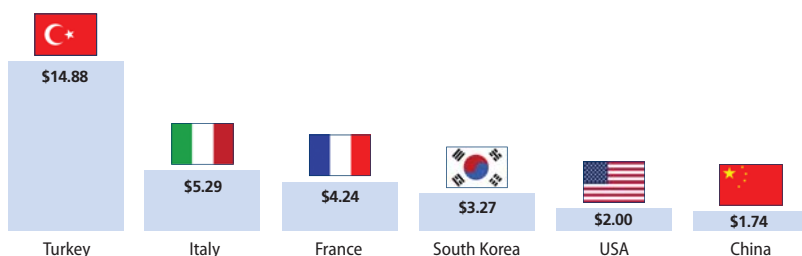
Trade Bank of Iraq branch in Baghdad.

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.⁵⁷⁴ Figure 4.14 shows the countries with the largest foreign commercial activity begun in 2010.

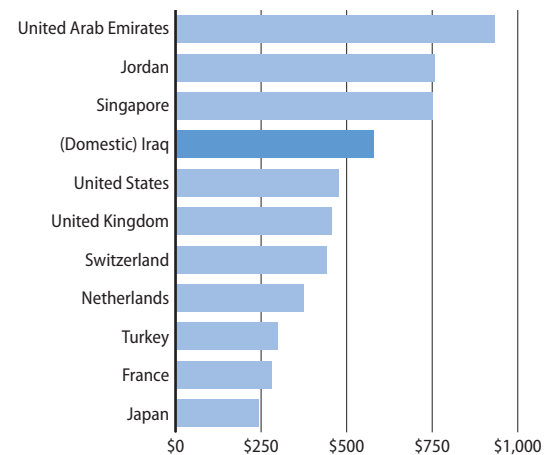
Several factors may underlie the relatively modest U.S. share of foreign commercial activity in Iraq. Americans cite a greater sensitivity to corrupt business practices and the potential for violence.

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.⁵⁷⁵

In 2010, the Trade Bank of Iraq issued letters of credit worth \$7.45 billion to organizations from 54 foreign countries plus Iraq itself.⁵⁷⁶ 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.⁵⁷⁷ The U.S.-funded pilot program was approved by the Minister of Justice in late March.⁵⁷⁸

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.⁵⁷⁹ Foreign money, mainly from the United States, Europe, the Persian Gulf, and Egypt, helped fuel the rally.⁵⁸⁰ 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.⁵⁸¹ For a performance comparison between the Iraq Stock Exchange and the S&P Pan Arab Composite Index, see Figure 4.16.

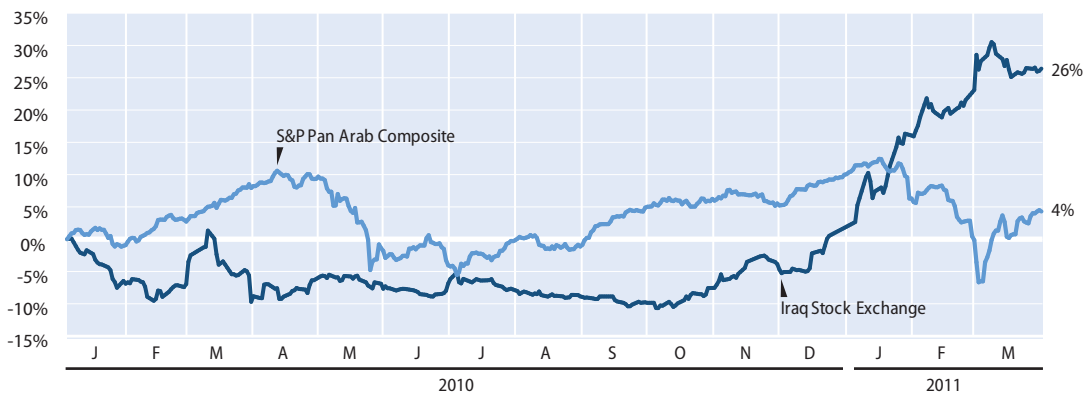
U.S. Support

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.⁵⁸²

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.⁵⁸³ 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.⁵⁸⁴

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, accessed 4/1/2011; Iraq Stock Exchange, 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.⁵⁸⁵

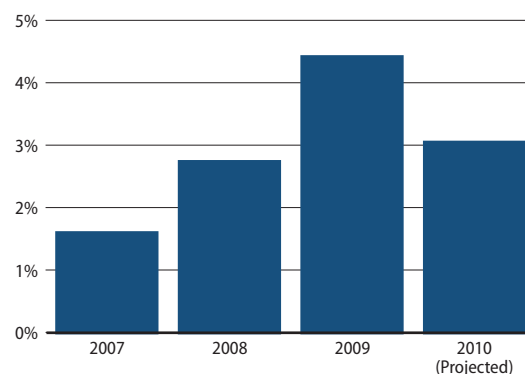
Although private investment is considered essential to the SOEs' survival and expansion, the issue is not addressed in the 190-page NDP.⁵⁸⁶ With most SOEs estimated to be overstaffed by 30%–50% and payrolls laden with “ghost workers” whose salaries function as a de facto social safety net, the task of 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.⁵⁸⁷ 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.⁵⁸⁸

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.⁵⁸⁹

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.⁵⁹⁰

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.⁵⁹¹

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.⁵⁹² 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.⁵⁹³

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.”⁵⁹⁴ 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.⁵⁹⁵ The IMF welcomed GOI steps to safeguard the CBI's independence, calling it “critical for maintaining confidence in the Iraqi dinar.”⁵⁹⁶

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.⁵⁹⁷

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 2010.⁵⁹⁸ 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.⁵⁹⁹

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.⁶⁰⁰

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 2013.⁶⁰¹ In Baghdad, the city government has embarked on

The IMF welcomed GOI steps to safeguard the CBI's independence.



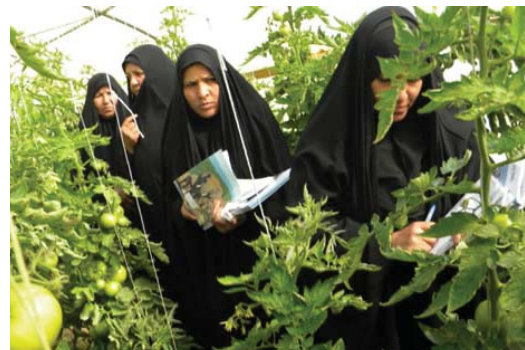
Main stadium of Basrah Sports City project under construction in early 2011. Stadium will seat 65,000 and have both a soccer field and light athletics track that conform to international standards. (Malachy Walsh and Partners photo)

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 2013.⁶⁰² 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.⁶⁰³

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.⁶⁰⁴ 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.⁶⁰⁵

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.⁶⁰⁶ ♦

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.⁶⁰⁷

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

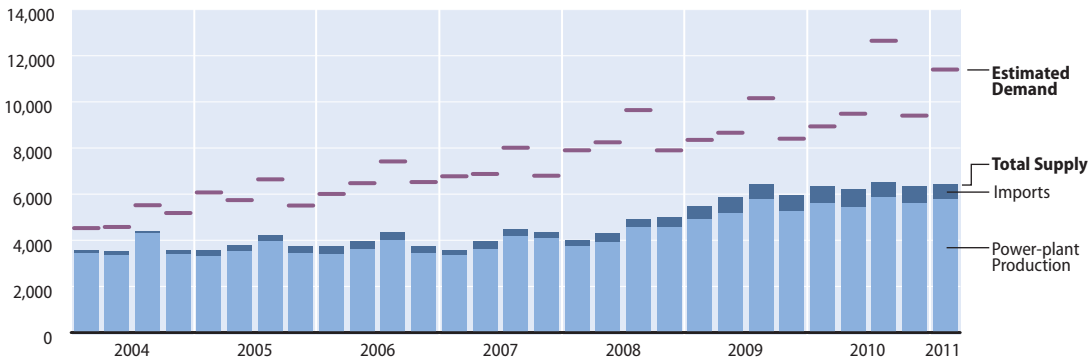
relatively flat. This quarter’s supply averaged 153,676 megawatt-hours (MWh) per day, or 6,403 MW—a 1% increase from last quarter, as well as from the same quarter in 2010.⁶⁰⁸

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).⁶⁰⁹

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.

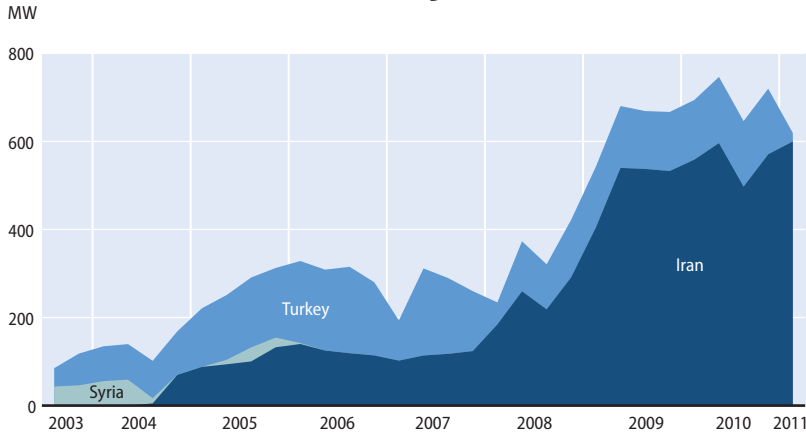
The available supply at the national level averaged about 56% of estimated demand.

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.

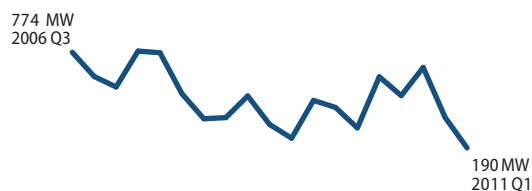
FIGURE 4.19
ELECTRICITY IMPORTS, BY QUARTER, 2003–2011



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.⁶¹⁰



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.⁶¹¹

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.⁶¹² 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.⁶¹³ 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.⁶¹⁴ 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.⁶¹⁵ 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.⁶¹⁶

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.⁶¹⁷

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).⁶¹⁸

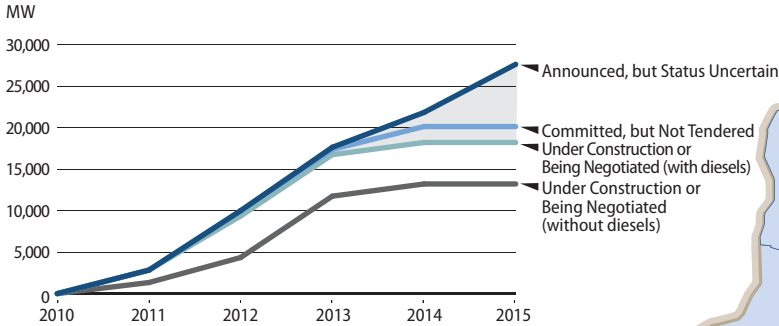
Iraq's diesel plants currently represent about 6% of the country's nameplate generating capacity and produce, on average, about 309 MW.⁶¹⁹ If all 50 new plants are completed by 2012, diesel plants will likely account for at least 20% of capacity and exceed the contribution of Iraq's once-dominant thermal power plants.⁶²⁰ 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.”⁶²¹ 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.⁶²² 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.⁶²³ 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.⁶²⁴

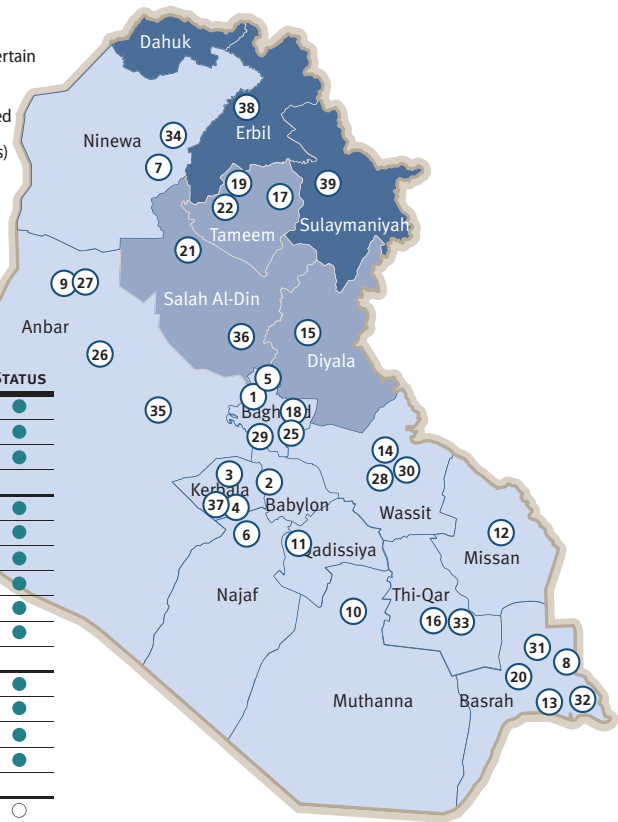
This project to rapidly add 5,000 MW of nameplate capacity to the grid is expected to cost more than \$6 billion.

FIGURE 4.20
COMMITTED AND PLANNED NEW GENERATING CAPACITY, 2011–2015

Cumulative Addition of Power-plant Generating Capacity, 2011–2015, under Four Scenarios

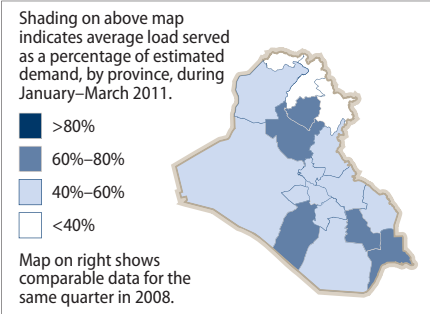


Locations of Committed and Planned New Generating Capacity



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	●
GE Mega Deal IPP Projects	9	Akkas	Anbar	CT	250	2014	●
	Subtotal				3,750		
	10	Al-Samawa	Muthanna	CT	500	2013	●
Other GE Mega Deal Projects	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	●
Subtotal					3,510		
	22	Dibis-2	Tameem	CT	320	2014	●
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.⁶²⁵
- **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 2014.⁶²⁶
- **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 2013.⁶²⁷
- **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 2015.⁶²⁸

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.⁶²⁹

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).⁶³⁰

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.”⁶³¹ 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.⁶³²

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.⁶³³
- **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.⁶³⁴

- **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.⁶³⁵ 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.⁶³⁶

The *Iraq Electricity Masterplan* has been submitted to the CoM for review and acceptance.⁶³⁷ The Senior Advisor to the Minister of Electricity said that he hoped the GOI would back it,⁶³⁸ 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.⁶³⁹ (The plan states that one of its assumptions is "that there will be minimal interchange with Kurdistan apart from mutual support."⁶⁴⁰) 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.⁶⁴¹

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.⁶⁴² 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.⁶⁴³ 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.⁶⁴⁴ 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.⁶⁴⁵

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.⁶⁴⁶ 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 ^a
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

^a 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.⁶⁴⁷

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.⁶⁴⁸ 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.⁶⁴⁹ 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.⁶⁵⁰

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.⁶⁵¹

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.⁶⁵²

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.⁶⁵³

More than 7.6 million Iraqis lack access to safe drinking water, according to the United Nations Educational, Scientific, and Cultural Organization (UNESCO).⁶⁵⁴ Iraq is dependent on the Tigris and Euphrates Rivers for fresh water for drinking, as well as for sanitation and irrigation,⁶⁵⁵ 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.⁶⁵⁶ Power shortages that hinder pumping and water filtration also affect the water supply.⁶⁵⁷ 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 2011.⁶⁵⁸

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.⁶⁵⁹

The GOI, meanwhile, continues to oversee water projects, such as lining canals to prevent leakage.⁶⁶⁰ This quarter, the Minister of Water Resources visited earth dams in southern Iraq designed to limit the impact of drainage water coming from Iran.⁶⁶¹

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.⁶⁶²

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:⁶⁶³

- **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 2011.⁶⁶⁴
- **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 2012.⁶⁶⁵

- **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.⁶⁶⁶

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.⁶⁶⁷

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.⁶⁶⁸

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.⁶⁶⁹ 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.⁶⁷⁰

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.⁶⁷¹

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.⁶⁷²

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.⁶⁷³

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.⁶⁷⁴ 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 \$180,000.⁶⁷⁵

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.⁶⁷⁶

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.⁶⁷⁷

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.⁶⁷⁸

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.⁶⁷⁹

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.⁶⁸⁰

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.⁶⁸¹ Iraqi healthcare workers also attended a training program in Lebanon that focused on health care for people displaced from their homes.⁶⁸²

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.⁶⁸³ 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.⁶⁸⁴

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.⁶⁸⁵

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.⁶⁸⁶ Construction began in November 2007, and the project is now scheduled for completion by the end of June 2011.⁶⁸⁷

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.⁶⁸⁸

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 2011.⁶⁸⁹

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.⁶⁹⁰

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 issues⁶⁹¹—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.⁶⁹²

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.⁶⁹³ 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.⁶⁹⁴

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.⁶⁹⁵

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 2011.⁶⁹⁶ 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 2011.⁶⁹⁷

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.⁶⁹⁸ ♦