

# SIGIR OBSERVATIONS

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## SECTION

# 1

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## IRAQ 2010: A YEAR OF DECISION AND DEPARTURE

2010 will be marked by two significant events: (1) the March 7 parliamentary elections, the first since December 2005, which will determine whether a change occurs in the Prime Minister's seat; and (2) the departure of 70,000 U.S. troops by August 31, which will formally end U.S. combat operations in Iraq. The implications and consequences of these two developments, though not directly related to reconstruction, will exert great influence on the nature and scope of the continuing U.S. effort in Iraq.

The past three months saw the following notable developments in Iraq's security, governance, and economic sectors:

- **Security.** This quarter's rise in attacks against Government of Iraq (GOI) facilities and political figures, especially in Anbar Province, demonstrated the very serious continuing danger posed by remaining insurgent elements. The safety and security of Iraq now depends on the capacities and capabilities of the Iraqi Security Forces (ISF), which still suffer significant weaknesses, particularly with regard to intelligence and logistics.
- **Governance.** Arab-Kurd disputes continue to brew trouble in Diyala, Ninewa, Salah Al-Din, and Tameem provinces. Control of oil-rich Kirkuk is the focal point of these potentially explosive tensions. Two key challenges will confront the newly elected government after the parliamentary elections: equitably completing the delayed national census, long a flashpoint in Arab-Kurd relations; and maintaining security and promoting reconciliation along the disputed "Green Line" (which separates the Kurdistan Region from the largely Arab portions of Iraq).
- **Economics.** This quarter's round of bidding for oil service contracts, the second in 2009, was a



An Apache helicopter departs the flightline to conduct operations from Camp Taji. (USF-I photo)

success and portends well for Iraq's economic growth. But the country's aging oil infrastructure needs quick and significant investment for the promise of the December round to reach reality.

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## REFORMING OVERSEAS STABILIZATION AND RECONSTRUCTION OPERATIONS

On February 5, 2010, SIGIR will publish its fifth Lessons Learned report: *Applying Iraq's Hard Lessons to the Reform of Stabilization and Reconstruction Operations* (SRO). This new report is divided into three parts, the first providing a brief history of SRO reform efforts, the second setting forth a series of changes essential to improving how the U.S. government currently conducts SROs, and the third recommending the creation of an integrated agency to manage SROs called the U.S. Office for Contingency Operations (USOCO). Former U.S. Ambassador to Iraq Ryan Crocker (who also served as Chargé d'Affaires in Afghanistan in 2001–2002) and former National Security Advisor Lieutenant General Brent Scowcroft support the USOCO concept. As Ambassador Crocker recently observed, after reviewing a draft of *Applying Iraq's*

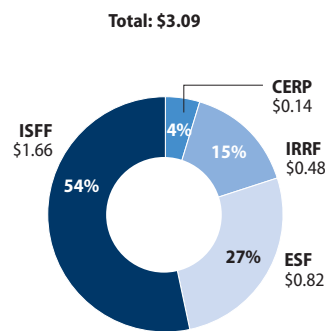
*Hard Lessons*, USOCO “makes sense” because “the current situation requires a perpetual reinventing of wheels and a huge amount of effort by those trying to manage contingencies.”<sup>1</sup>

## U.S. RECONSTRUCTION FUNDING AND FOOTPRINT

Since 2003, the United States has appropriated more than \$53 billion for the reconstruction effort in Iraq.

This quarter, the Congress authorized an additional \$200.0 million for the Commander’s Emergency Response Program (CERP) for Iraq and \$382.5 million for the Economic Support Fund (ESF). No new money was appropriated for the Iraq Security Forces Fund (ISFF).<sup>2</sup> Figure 1.1 displays unexpended obligations for the Iraq reconstruction effort.

FIGURE 1.1  
**UNEXPENDED OBLIGATIONS**  
\$ Billions



**Note:** OSD does not report CERP allocation, obligation, and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP allocation, obligation, and expenditure data from the IRMS, which lags in reporting by one quarter. Therefore, top-line values found in the Funding Sources subsection of this Report may not match sector totals found in the Funding Uses section of this Report.

**Sources:** DoS, response to SIGIR data call, 4/5/2007; NEA-I, responses to SIGIR data call, 1/13/2010 and 1/20/2010; OSD, responses to SIGIR data calls, 4/10/2009, 1/13/2010, and 1/14/2010; U.S. Embassy-Baghdad, responses to SIGIR data call, 1/11/2010, 1/14/2010, and 1/20/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USACE, response to SIGIR data call, 1/2/2010; USAID, responses to SIGIR data calls, 4/13/2009 and 1/20/2010; USTDA, response to SIGIR data call, 4/2/2009.

## SECURITY

November 2009 had the fewest Iraqi civilian casualties since 2003,<sup>3</sup> and December was the first month since the invasion that no U.S. service members died in combat in Iraq.<sup>4</sup> Attacks against soft civilian targets, such as marketplaces, have been replaced by attacks aimed at the state, either through large-scale car bombings or assassinations. Figure 1.2 provides a comprehensive view of daily casualty figures throughout Iraq from October 1, 2009, to January 20, 2010.

### Attacks Shift to Key GOI Targets

The August 19, 2009, bombings of the Ministries of Finance and Foreign Affairs heralded an ominous trend in the pattern of insurgent violence, which continued this quarter, most notably with bombings in Baghdad striking the following targets:

- Ministry of Justice (October 25, 2009)
- Baghdad Provincial Council (October 25, 2009)
- Compound associated with the Ministry of Labor (December 8, 2009)
- Central Criminal Court of Iraq (CCC-I Karkh) (December 8, 2009)
- Ministry of Finance facility (December 8, 2009)

In the wake of the December 8, 2009, attacks, Prime Minister al-Maliki demoted the Iraqi Security Forces (ISF) general in charge of the Baghdad Operations Center.<sup>5</sup> The Council of Representatives (CoR) also asserted itself by summoning the Prime Minister and the Ministers of Defense and Interior to appear before it. Figure 1.3 shows the locations of some of the major bombings of GOI installations in Baghdad.

On January 12, 2010, ISF officials announced that they had uncovered and broken up a large-scale plot to bomb GOI ministry buildings and assassinate high-level political figures.<sup>6</sup> Reportedly, the Ministries of Defense and Trade were among those targeted for destruction. Iraqi

## TWO IRAQI LEADERS LOOK AHEAD



Minister of Finance Bayan Jabr  
(Ministry of Finance website)

### The Inspector General Meets with the Minister of Finance

On November 14, 2009, the Inspector General met with Minister Bayan Jabr at the Ministry of Finance in Baghdad. Their discussion covered a wide array of topics, including Iraq's 2010 budget and the persistent problem of public corruption.

Minister Jabr's observations included:

- Budget.** Iraq would not have a budget deficit for 2009. Minister Jabr explained that oil revenues were running above expected levels, while GOI expenditures were running below.
- International Assistance.** Iraq will receive a \$3.8 billion loan from the International Monetary Fund and a \$500 million loan from the World Bank.
- Oil Exports.** Oil exports will increase to about to 6.0 million barrels per day (MPBD) over the next six years. Current levels are around 2.5 MPBD.
- Hydrocarbons Laws.** The newly elected parliament will pass a package of hydrocarbons laws sometime in 2010, which will clarify the distribution of oil revenue.
- Privatization.** For Iraq's economy to reach its potential, the state-owned enterprises must be privatized. None currently makes a profit.
- Elections.** After Iraq's first free parliamentary election in December 2005, a prime minister was not named until April 2006. Minister Jabr emphasized the profound instability created by this prolonged governance gap and said it was essential to prevent the recurrence of such a gap after the March 2010 elections.
- Corruption.** Corruption in Iraq is now worse than at any time since the 2003 invasion. The solution must start at the top because the behavior of high-ranking officials inevitably influences the conduct of their subordinates. He did not identify with whom it should start.

### The Inspector General Discusses Judicial Security and the Rule of Law with the Chief Justice of Iraq's Higher Judicial Council

On November 15, 2009, the Inspector General conferred with the highest-ranking jurist in Iraq, the long-serving Chief Justice Medhat al-Mahmoud. The meeting focused on two pressing challenges facing Iraq today: judicial security and corruption.

- Judicial Security.** The HJC controls about 5,000 security personnel who are charged with protecting Iraq's 1,268 judges. Justice Medhat noted that each judge has only 2 or 3 security officers. Most, but not all, of these officers are armed. However, the HJC does not control the guards responsible for protecting Iraq's courthouses. These guards are employees of the Ministry of Interior (MOI). Justice Medhat lamented this bifurcation of responsibilities and forcefully argued for a unified, HJC-controlled judicial security force that would protect both judges and courthouses. He cited the example of the U.S. Marshals Service as a model for what such a service should look like.
- Corruption.** Justice Medhat noted the prevalence of corruption in the GOI, but praised the oversight work of the Board of Supreme Audit and the Council of Representatives. He observed that the two U.S.-established anticorruption agencies—the Commission on Integrity (COI) and the ministerial Inspectors General—have struggled to establish themselves and are not functioning well. Justice Medhat commented on the two most significant public corruption cases currently working their way through the Iraqi legal system. He expressed confidence regarding the case against the former Deputy Minister of Transportation (who was subsequently sentenced to 8 years in prison on December 17, 2009), but stated that more evidence was needed for the case against the former Minister of Trade.



Chief Justice Medhat al-Mahmoud  
(UN photo)

FIGURE 1.2  
SIGNIFICANT SECURITY INCIDENTS, 10/1/2009–1/20/2010

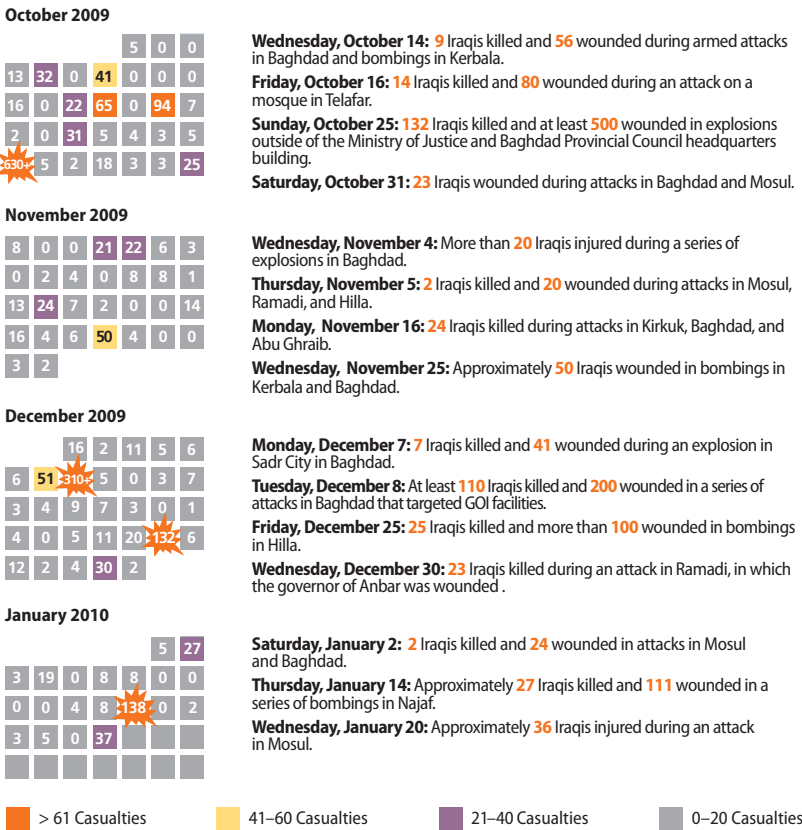
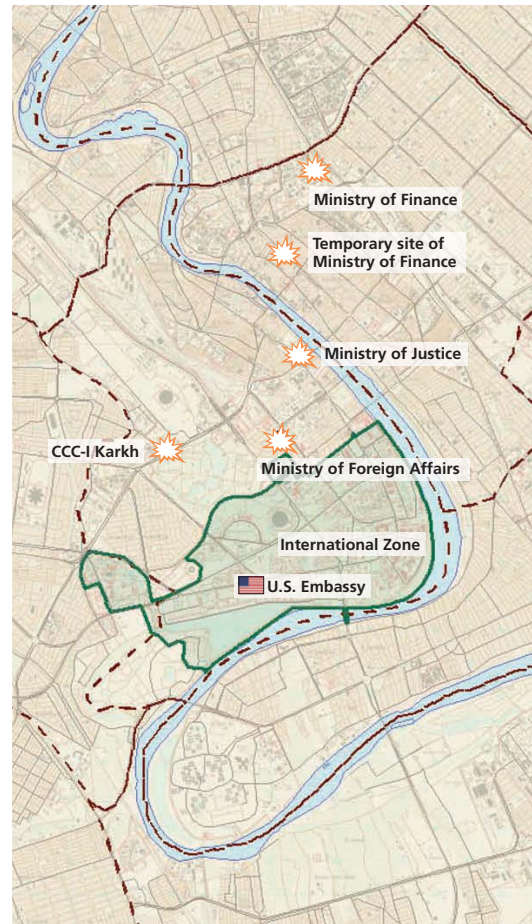


FIGURE 1.3  
SELECTED INSURGENT BOMBINGS OF KEY GOI FACILITIES, 8/2009–1/2010



Source: U.S. Embassy-Baghdad, response to SIGIR data call, 1/22/2010.

**Note:** The numbers represented in the calendar graphic are estimates of total Iraqi casualties throughout the entire country on that particular day. The text to the right briefly describes significant attacks on select days and does not purport to comprehensively detail all security incidents that occurred on the specified day.

**Sources:** SIGIR analysis of open source and official English and Arabic documents, studies, and analyses. All figures are based on the best available casualty information and represent the sum of killed and wounded for each incident.

authorities detained at least 25 suspects for allegedly participating in this conspiracy.

A wave of targeted political violence swept Iraq this quarter with the apparent aim of destabilizing Iraq’s government and exacerbating sectarian and ethnic tensions. Targets included judges, significant security officers, and leading public officials in prominent cities, including Mosul and Telafar.

These attacks took an especially severe toll in Anbar province, where a suicide bombing

on December 30, 2009, seriously wounded the governor and killed several other Anbari officials. Table 1.1 presents a list of prominent political figures who appear to have been targeted for death this quarter. Significantly, members of the Sunni Awakening Movement, which evolved into the U.S.-financed Sons of Iraq (SOI), have often been the victims of these attacks. This quarter, SIGIR announced an audit of the SOI program and will issue its findings in mid-2010.



TABLE 1.1

**SELECTED EVENTS OF APPARENT TARGETED POLITICAL VIOLENCE, 10/9/2009–1/9/2010**

TARGETS / VICTIMS	LOCATION (PROVINCE)	DATE	CIRCUMSTANCES	RESULT
Anti-insurgent Sunni cleric	Anbar	10/9/2009	Bomb attached to car	Cleric killed
National Reconciliation Meeting	Anbar	10/11/2009	Multiple car bombings	At least 14 killed, dozens injured
MOI Major investigating 10/25/2009 bombings	Baghdad	10/29/2009	Gunshot	MOI Major killed
Leading Sunni political figure	Anbar	11/15-16/2009	Kidnapped, then executed	Sunni politician and more than 10 others killed
Awakening leader	Diyala	11/17/2009	Small-arms fire	Awakening leader killed
Judge	Ninewa	11/17/2009	Ambush, small-arms fire	Attack failed
Awakening leader	Diyala	11/18/2009	Ambush, small-arms fire	Attack failed
Two Sunni religious leaders	Baghdad, Anbar	11/24/2009	Bombs attached to cars (separate incidents)	Both religious leaders killed
Kurdish politician	Diyala	11/26/2009	IED	Kurdish candidate killed
Military-Intelligence General	Tameem	11/30/2009	Ambush, small-arms fire	General killed
Police counterterrorism official	Salah Al-Din	12/3/2009	Suicide bombing	Police official and bodyguards killed
Awakening leader	Baghdad	12/16/2009	IED	Awakening leader killed
Telafar District Council leader	Ninewa	12/21/2009	Suicide bombing	Council leader killed
Sunni parliamentary candidate	Anbar	12/23/2009	Bomb attached to car	Candidate killed
Mayor of Mosul	Ninewa	12/24/2009	IED	Attack failed
Anbar police official	Anbar	12/25/2009	Ambush, small-arms fire	Attack failed
Tribal Sheik	Anbar	12/27/2009	Bombing	Sheik killed
Judge	Tameem	12/29/2009	Ambush, small-arms fire	Judge injured
Anbar Provincial Governor and police leaders	Anbar	12/30/2009	Multiple bombings	Governor seriously wounded, at least 24 dead
Anti-terrorism Lieutenant Colonel	Anbar	1/7/2010	Multiple bombings	Colonel wounded, multiple associates and relatives killed

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

**Source:** SIGIR analysis of government-issued unclassified documents and other publicly available sources in both English and Arabic.

## Government of Iraq Reports Executing 77 in 2009

On January 5, 2010, Chief Justice Medhat al-Mahmoud announced that the GOI carried out 77 death sentences in 2009.<sup>7</sup> According to the Chief Justice, all of the individuals had been convicted of terrorism-related offenses.<sup>8</sup>

## U.S. Military Presence

In his December 1, 2009, speech to the Corps of Cadets at the U.S. Military Academy at West Point, President Obama reiterated his intention to

withdraw all U.S. combat brigades from Iraq by August 31, 2010, and all U.S. military forces by the end of 2011. One month later, on January 1, 2010, the remaining major U.S. military commands in Iraq—including Multi-National Force-Iraq and the Multi-National Security Transition Command-Iraq—completed the process of merging into a single new command, United States Forces-Iraq (USF-I), under General Raymond Odierno.

Indicative of the U.S. military's drawdown is the U.S. Marines Corps' conclusion of its mission in Ramadi on January 23, 2010.

## GOVERNANCE

The passage of legislation, the resolution of territorial disputes, and the distribution of political power between Baghdad and the provinces are all in abeyance until after Iraq conducts its parliamentary elections in early March. At stake are 325 seats in the CoR. The newly elected members will then gather to select a Prime Minister. Thus, this election will provide Iraq's citizens with their first opportunity to render directly a verdict on Prime Minister Nouri al-Maliki's government.

### The Elections Law

On December 6, 2009, following months of negotiations—which forced the parliamentary elections to be postponed from January to March—the CoR passed a new Elections Law. Sunni Vice-President Tariq al-Hashimi, however, vetoed the law, stating that it disenfranchised Iraqis residing outside the country by providing them with too few seats in parliament. After the CoR addressed certain of al-Hashimi's concerns, the Presidency Council (President Talabani and Vice-Presidents Abdul al-Mahdi and al-Hashimi) ratified the revised legislation in early January 2010.

### Iraqis Voting from Abroad

In December, Iraq's Independent High Electoral Commission (IHEC) announced that Iraqis living abroad in at least 14 countries will be allowed to vote. About 1.9 million Iraqis reside outside Iraq, many of them Sunni refugees who fled the sectarian violence that erupted after the February 2006 bombing of the Shia shrine at Samarra. The 14 countries where the IHEC currently plans to open polling stations are Syria, Jordan, Sweden, the United States, Iran, Lebanon, the United Arab Emirates, Turkey, the Netherlands, Australia, Germany, Canada, Austria, and Egypt.<sup>9</sup> IHEC was also in negotiations in January with the United

TABLE 1.2  
NEW GEOGRAPHY OF THE COUNCIL  
OF REPRESENTATIVES

PROVINCE	2005 NUMBER OF SEATS	2010 NUMBER OF SEATS
Dahuk	7	10
Erbil	13	14
Sulaymaniyah	15	17
Ninewa	19	31
Tameem	9	12
Salah Al-Din	8	12
Anbar	9	14
Diyala	10	13
Baghdad	59	68
Wassit	8	11
Babylon	11	16
Qadissiya	8	11
Kerbala	6	10
Najaf	8	12
Muthanna	5	7
Thi-Qar	12	18
Missan	7	10
Basrah	16	24
Compensatory	45	7
Compensatory/Minorities	0	8
<b>National Total</b>	<b>275</b>	<b>325</b>

Sources: GOI, IHEC, [www.iheq.iq](http://www.iheq.iq), accessed 1/15/2010; and UN, [www.uniraq.org](http://www.uniraq.org), accessed 1/22/2010.

Kingdom and Denmark about opening polling stations in those two countries.<sup>10</sup>

### Changes in Council of Representatives

For the past four years, the CoR comprised 275 members. Under the provisions of the new law, 50 additional members will be elected, bringing the total number of representatives to 325. The new law also adjusts the balance of political power among the provinces. Table 1.2 shows the number of seats gained by each province and the change in the number of seats allocated on a non-geographic basis.

## Elections: Commission Bans Candidates

On January 7, 2010, the Accountability and Justice Commission—the successor to the controversial de-Ba’athification Commission—announced that it was banning at least 14 political parties (and more than 500 candidates) from participating in March’s elections. Among those banned, allegedly on the basis of newly discovered documents linking him to the former regime, was Salih al-Mutlaq, a leading Sunni parliamentarian who has been critical of the current government and its Kurdish allies. Al-Mutlaq had been allied with the Iraqi National Movement.<sup>11</sup> Figure 1.4 highlights five of the most significant coalitions and lists the key members in each.

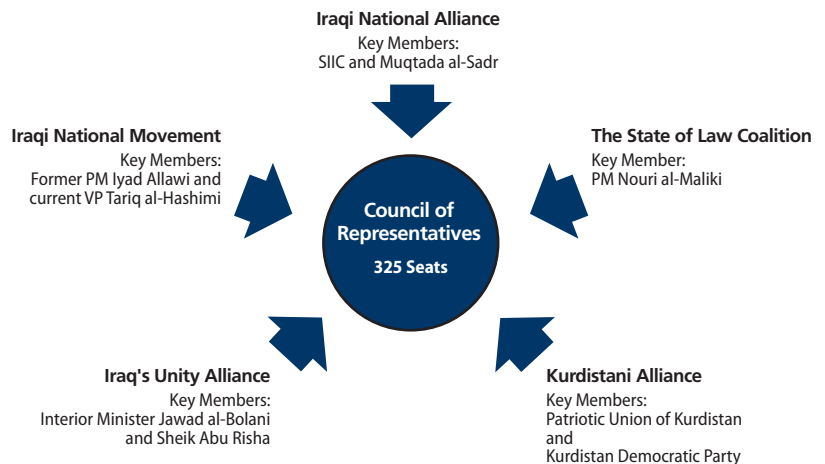
## Elections: Fears of Fraud

The possibility that fraud could taint the electoral process has become a concern. Although Iraq’s previous elections have been relatively free of fraud, Afghanistan’s August 2009 presidential election exemplifies how fraudulent elections can imperil fragile governments. To safeguard the integrity of the vote, it is imperative that international and Iraqi election monitors be widely deployed in sufficient numbers to major polling places to guard the integrity of ballot boxes.

## Iraq Names New Deputy Prime Minister

On January 11, 2010, the Council of Representatives approved Rowsch Shaways as one of Iraq’s two deputy prime ministers. Shaways, a Kurd, replaces Barham Salih, who vacated the post to become Prime Minister of the Kurdistan Regional Government in October 2009. The other Deputy Prime Minister post is held by Rafi al-Eissawi, a Sunni Arab. Shaways is a member of Massoud Barzani’s Kurdistan Democratic Party, and Salih is a member of the Patriotic Union of Kurdistan.

FIGURE 1.4  
MAJOR CONTENDERS IN 2010 PARLIAMENTARY ELECTIONS



Source: GOI, Independent High Electoral Commission, "Approved Final Political Blocs for the March 7, 2010 Elections," [www.ihec.iq](http://www.ihec.iq), accessed 12/20/2009.

# ENERGY DEVELOPMENTS

## Oil Production and Exports Drop

Iraq’s crude oil production averaged 2.42 MBPD this quarter, a 3% decrease from last quarter. Exports were also down, falling 4% (from 1.99 MBPD to 1.91 MBPD).<sup>12</sup> Seasonal factors, including rough seas, often depress exports during the winter months. This quarter, the Iraqi Drilling Company also announced plans to drill 180 oil wells in 2010, with plans for more than 250 wells per year from 2011 onward.<sup>13</sup>

## Successful Second Round of Bidding for Service Contracts

On December 11–12, 2009, the Ministry of Oil conducted its second round of bidding for oil service contracts. A total of 44 companies pre-qualified, and 17 bids were submitted. Ultimately, the ministry accepted bids on 7 fields. The proceedings were



managed in a transparent manner, with companies placing their bids in a clear box before GOI officials and media representatives. A consortium of Russia's Lukoil and Norway's Statoil won the contract for the largest field, West Qurna, Phase 2 (12.9 billion barrels of proved reserves), while Royal Dutch Shell and Malaysia's Petronas submitted the winning bid for the second largest field, Majnoon (12.6 billion barrels of proved reserves). As of January 6, 2010, Iraq's Council of Ministers (CoM) had ratified four of the seven projects, and ratification of the other three is expected presently.<sup>14</sup>

### Oil: Serious Challenges Remain

Iraq's Minister of Oil asserted that the new contracts will eventually add more than 7 MBPD at peak production over the next six years,<sup>15</sup> but myriad obstacles stand in the way, including:

- **Aging infrastructure.** Anticipated production increases cannot be accommodated by the existing pipeline and export infrastructure. In particular, as Iraq exports the majority of its oil from southern port facilities at Umm Qasr, the moribund state of these terminals negatively affects the GOI's export capacity. The new oil contracts will bring with them significant new infrastructure investment.
- **Corruption.** Iraq currently loses substantial amounts of oil (and oil revenue) to smuggling each year.<sup>16</sup> Absent serious, sustained efforts on the part of the GOI to prevent these losses and confront corruption, it is likely that the new fields will be similarly exploited.
- **Human capital.** Multinational oil companies working in Iraq will have to train Iraqi employees in modern extractive techniques. Moreover, Iraqi oil workers have repeatedly expressed concern for their jobs, and labor unrest remains a possibility. Their concerns were highlighted by the naming of a Shia official to head Iraq's North Oil Company in early January 2010. Employees in the Sunni-majority city of Kirkuk immediately protested his appointment.

- **Legal uncertainty.** Many multinational oil companies, especially those in risk-averse Western countries, will avoid the Iraqi fields until a predictable legal regime is in place that provides safeguards for oil contracts. The passage of the Hydrocarbons Laws would provide such safeguards and thus have a positive effect on Iraq's oil sector.
- **Organization of Petroleum Exporting Countries (OPEC).** If Iraq increases significantly its export of oil, it could come into conflict with other OPEC nations. Although Iraq is currently excluded from OPEC's quota regime, any prospective surge in its exports could induce OPEC action. However, these difficulties could not arise for several years.
- **Violence.** This quarter, the pipeline through which Iraq exports oil to the port of Ceyhan in Turkey was bombed, interrupting service for almost a week. According to the Ministry of Oil, this reduced oil exports in October 2009 by 4%.<sup>17</sup>

Notwithstanding these challenges, the U.S. government has provided substantial assistance to entities involved in rehabilitating more than 80 wells in the south since 2007. Reportedly, this effort cost more than \$90 million.<sup>18</sup>

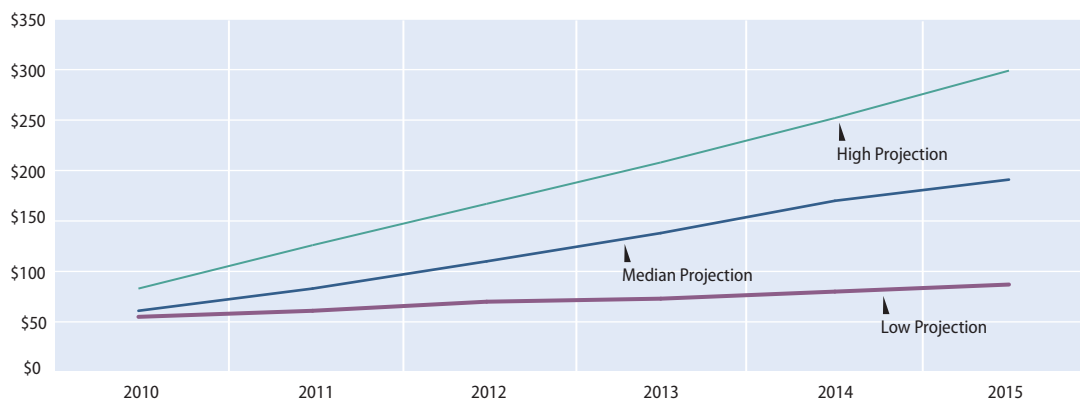
### Iraq's Potential Oil Revenue

Estimates of how much revenue Iraq will derive from the new contracts will depend on a multitude of factors, foremost among them the global price of oil and production levels. Countless factors affect the price of oil, from weather to wars, and future production will depend on an array of variables. With these caveats in mind, Figure 1.5 presents three potential scenarios concerning Iraqi oil revenue between 2010 and 2015.

### Electricity Output Drops

This quarter, output from Iraq's power plants averaged about 5,285 megawatts (MW), or 126,843 megawatt-hours (MWh) per day, a decrease of almost 500 MW from the previous quarter. The

**FIGURE 1.5**  
**PROJECTIONS OF POTENTIAL IRAQI OIL EXPORT REVENUES**  
 \$ Billions



**Note:** This graphic represents but three of countless possible scenarios. Oil export quantity and price are treated as independent variables. The low projection assumes a slow increase in oil export volume and stable oil prices. The median projection assumes a moderate increase in oil export volume and increased oil prices. The high projection assumes a rapid increase in oil export volume and increased oil prices.

**Sources:** IMF, "Iraq: Second Review Under the Stand-By Arrangement and Financing Assurances Review," 12/3/2008, p. 19; GOI, Ministry of Oil, Petroleum Contracts and Licensing Directorate, various press reports and press releases, 12/2009; OECD, International Energy Agency, *World Energy Outlook 2009*, 11/2009; CME Group, "Daily Settlements for Light Sweet Crude Oil Futures," 12/29/2009, [www.cmegroup.com/trading/energy/crude-oil](http://www.cmegroup.com/trading/energy/crude-oil), accessed 12/30/2009; SIGIR analysis of open source and official documents.

effects of this 8% drop were mitigated by a sharper drop in demand, customary during the temperate autumn weather.<sup>19</sup> For more on Iraq's electricity situation, see Section 3.

than 400 foreign firms. The four countries with the most firms represented were Iran, Turkey, France, and Brazil.

## ECONOMY

### Efforts To Expand International Trade and Investment

With a weak industrial base centered on inefficient state-owned enterprises, Iraq has turned to international investors in an effort to diversify its oil-dependent command economy. To that end, Iraq held or attended several international trade conferences this quarter with hopes of attracting new investors.

On October 18–21, 2009, Prime Minister al-Maliki attended the U.S.-Iraq Business Conference in Washington, D.C. In early November, Baghdad hosted its first international trade fair in more than six years. Attendees included more

### Improving the Port of Umm Qasr

Iraq's coastline is just 35 miles long, and the deep-water facilities at Umm Qasr, its only port, represent Iraq's sole direct economic link to the world's seas. Umm Qasr, built in 1958, needs modernization. Until recently, Shia militia controlled the area, which inhibited reconstruction efforts.

But this quarter, Iraq made measured progress in bringing the port into compliance with the International Ship and Port Facility Security (ISPS) Code, a comprehensive international security regime. Obtaining ISPS certification would enhance Umm Qasr's appeal to the global maritime community and could improve Iraq's trade links to the rest of the world, primarily by lowering insurance rates. According to USF-I, the ISPS certification process for the port is about eight months from completion.<sup>20</sup>

## ANTICORRUPTION

GOI officials continued to proclaim their commitment to fighting public corruption this quarter, as politicians of all stripes employed anticorruption rhetoric as part of their electoral campaigns. But, as has been the case for more than six years, solutions and results prove elusive.

### Higher Judicial Council Establishes a New Anticorruption Body

On January 3, 2010, Chief Justice Medhat issued an order establishing a new anticorruption panel. Initially staffed by three judges and led by the Chief Justice in conjunction with the Public Prosecutor, this body is charged with receiving complaints of administrative or financial corruption and investigating them to determine whether they are “legally genuine.” At the moment, the precise scope of this panel’s jurisdiction remains uncertain, as are its relationships with the two U.S.-created anticorruption entities: the COI and the Ministry Inspectors General.<sup>21</sup>

### Commission on Integrity

In December 2009, the COI announced fraud convictions of three former senior Trade Ministry officials on corruption charges. They received terms of two years or less. The former Minister of Trade remains free on bail. In another matter, the former Deputy Minister of Transportation was sentenced to eight years for soliciting a bribe from a security contractor.<sup>22</sup> Overall, for 2009, the COI reported the issuance of 972 arrest warrants on corruption-related allegations in 2009, resulting in 285 convictions,<sup>23</sup> albeit mostly of low-ranking policemen.

This quarter, the COI also issued a 177-page report on its activities during 2008. According to the COI report, judges issued 630 arrest warrants based on corruption charges in 2008, but only

six of them were for individuals at or above the rank of Director General (roughly equivalent to a senior manager in the U.S. federal government). This constitutes less than 1% of all warrants issued during 2008.<sup>24</sup>

According to the COI report, the three ministries receiving the most arrest warrants in 2008 were:<sup>25</sup>

- Ministry of Interior—206 warrants; 26 reported “condemnation decisions,” where defendants were fined or sentenced to a term of imprisonment
- Ministry of Municipalities and Public Works—103 warrants; 14 reported condemnation decisions
- Ministry of Oil—52 warrants; 1 reported condemnation decision, issued against the manager of a gas station

For these three ministries in 2008, 11% of warrants issued resulted in actual sentences being rendered against specific individuals. For more on anticorruption activities this quarter, see Section 3.

## INTERNATIONAL DEVELOPMENTS

### European Union To Expand Ties

This quarter, Iraq and the European Union (EU) finalized a Partnership and Cooperation Agreement (PCA), signaling an eagerness on the part of the 27-nation EU to deepen its relationship with Iraq. This wide-ranging accord sets the parameters for cooperation between Iraq and the EU on trade, anti-terrorism, human rights, and investment. The EU’s member states must still ratify the PCA before it can officially enter into force.<sup>26</sup>

### United Nations Development Assistance

In November 2009, the United Nations announced that it had agreed with the GOI on an action plan for Iraq’s first UN Development Assistance

Framework (UNDAF). The UN will concentrate its efforts on governance, human rights, and economic growth. The UNDAF will support Iraq's five-year National Development Plan, which anticipates more than \$200 billion worth of investments in services, economic stimuli, and environmental protection. UN operations will be financed by UN agencies and international donors, with co-financing from the GOI.<sup>27</sup>

## SIGIR OVERSIGHT

### Audits

Since 2004, SIGIR has published 160 audit reports. This quarter's most significant report assessed oversight of DynCorp police training contracts by DoS's Bureau of International Narcotics and Law Enforcement Affairs (INL). SIGIR found that INL continues to exhibit weak oversight of the DynCorp task orders for support of the Iraqi police training program. INL lacks sufficient resources and controls to adequately manage the task orders with DynCorp. As a result, more than \$2.5 billion in U.S. funds were vulnerable to waste and fraud.

As responsibility for the police training program moves from DoD to DoS in 2011, and DoS continues to oversee contracts costing the U.S. taxpayers hundreds of millions of dollars, SIGIR believes that it will be critical for DoS to have in place adequate management controls of those contracts to ensure that U.S. funds are effectively and efficiently spent. SIGIR plans to complete a review of DoD management of the police training program later this year.

In an analysis independent and distinct from the above described audit, SIGIR determined that DynCorp revenues for the five-year period ending in March 2009 totaled more than \$11.2 billion.<sup>28</sup> The \$2.5 billion in funds identified by SIGIR as vulnerable to fraud, waste, and abuse therefore constitute a material portion (22.3%) of DynCorp's corporate revenue over the contract period. Moreover, excluding DynCorp's indefinite participation in LOGCAP

IV, its Government Services Unit manages the firm's largest contracts. The firm's contracts with DoS for civilian-police training and INL amount to 56.4% of all of its government services contracts.<sup>29</sup>

SIGIR's four other audits this quarter assessed:

- **Department of State Democracy Grants to the International Republican Institute (IRI) and National Democratic Institute (NDI).** This report discusses the cost, impact, and oversight of approximately \$114 million in grants expenditures of these organizations to foster democracy in Iraq. SIGIR found that, of the grants that were reviewed, only 41% of the money was spent on direct program costs. IRI, for example, spent more than 50% of its funds on security. Additionally, DoS has not required IRI and NDI to provide evidence of the impact of their work, as required in the grant agreements, so it is difficult to tell what outcomes were realized as a result of this U.S. investment.
- **Three Contracts Awarded to Wamar International for the Purchase, Delivery, and Maintenance of Armored Vehicles for the ISF and Inspection and Repair of Turbine Generators.** SIGIR found that Wamar successfully completed the three projects valued at about \$93.2 million. The first project, funded by a contract in 2004, was competitively awarded to Wamar to purchase and deliver armored vehicles. The other two contracts awarded to Wamar to inspect and repair six turbine generators were generally successful, even though the work cost more and took longer to complete than planned. SIGIR also concluded that the Joint Contracting Command for Iraq and Afghanistan (JCC-I/A) and the U.S. Army Corps of Engineers Gulf Region Division (GRD) actively carried out their oversight responsibilities. However, some management and contract problems affected costs and schedules.
- **DoS Contract to Study the Iraq Reconstruction Management System (IRMS).** DoS awarded a \$5 million contract to Enterprise Information

Systems to develop this new system for delivery in October 2010. This letter report details SIGIR's concerns about the wisdom of spending \$5 million now to create a follow-on system for the IRMS, which has been used to track Iraq reconstruction projects since 2004. SIGIR is concerned that the follow-on system will not be developed in time to achieve meaningful results, and that replacing the IRMS a year from now would not be a cost-beneficial way to track the small amount of remaining U.S.-funded reconstruction projects. In addition, the U.S. agencies SIGIR surveyed stated that they would not use the system.

- **Interim Report on SIGIR's Forensic Audit Activities.** Under Public Law 108-106, as amended, SIGIR is required to perform a final forensic audit of the more than \$50 billion in U.S. funds appropriated for the reconstruction of Iraq. SIGIR's forensic auditors have reviewed about 73,000 transactions valued at approximately \$28 billion. As a result of this work, SIGIR has identified almost \$340 million in transactions that require additional analysis to determine whether they were fraudulent or improper. To date, SIGIR's forensic efforts have led to the opening of 27 criminal investigations involving 36 subjects.

### MNSTC-I Awards Contract Extension to AECOM

In April 2009, SIGIR issued an audit on one of the largest ISFF-funded DoD contracts, the Global Maintenance and Supply Services in Iraq (GMASS) contract. This contract was awarded to AECOM Government Services (AECOM) and supported MNSTC-I's program to assist the Iraqi Army in developing a self-sufficient maintenance capability.

MNSTC-I was planning to let the contract expire at the end of December 2009. SIGIR recommended that MNSTC-I negotiate an agreement with the Iraqi Ministry of Defense for transitioning maintenance responsibilities to the Iraqi Army. Ideally, the agreement should have identified each party's role and responsibilities, as well as a

timeline for transition. However, MNSTC-I turned over some of the maintenance functions to the Iraqi Army without negotiating an agreement and awarded a new task order to AECOM under the GMASS contract to extend other maintenance services to the Iraqi Army through May 2010.

### SIGIR Passes Peer Review

Earlier this year, SIGIR's Audits Directorate underwent a comprehensive peer review as mandated by the Council of Inspectors General for Integrity and Efficiency (CIGIE). Peer reviews are mandated every three years for Inspector General Offices to evaluate whether an IG is in compliance with Government Auditing Standards. On November 20, 2009, the Inspector General of the National Science Foundation, who performed the review for CIGIE, issued a letter informing SIGIR that it had achieved a rating of "pass with no deficiencies," the highest grade possible.

### Investigations

SIGIR Investigations continues to actively pursue allegations of fraud, waste, and abuse in Iraq with 113 open investigations. As a result of SIGIR investigations, two defendants are pending indictment, seven defendants are awaiting trial, and an additional four defendants are awaiting sentencing.

Other significant events arising from SIGIR cases this quarter included:

- Major John Cockerham, his wife, his sister, and his niece, were all sentenced in U.S. District Court for their participation in a bribery and money-laundering scheme related to bribes paid for contracts awarded in support of the Iraq war. The jail sentences ranged from 1 to more than 17 years, and the court-ordered restitution totaled more than \$19 million.
- The final defendant in the Bloom-Stein case was sentenced to three-and-one-half years in prison. The Bloom-Stein matter is the largest fraud as yet uncovered in Iraq.



- A criminal information was filed charging a U.S. Army staff sergeant with money laundering as part of a larger bribery investigation.
- A former DoD contracting officer was sentenced to nine years in prison for failing to report more than \$2.4 million in income.
- A U.S. Army captain pled guilty in U.S. District Court to the theft of approximately \$690,000 in CERP funds.
- A former U.S. Army colonel was sentenced to five years in prison for his role in a bribery conspiracy in Hilla, Iraq.
- A retired U.S. Army major was sentenced to more than four years in prison for his role in a bribery scheme involving DoD contracts.
- The husband of a former U.S. Army officer was sentenced for laundering stolen money from Iraq.
- A Coalition-partner citizen was arrested for money laundering.
- A U.S. Army major was arrested after being indicted and charged with bulk cash smuggling and making false statements.

SIGIR recently added several experienced federal prosecutors to its Investigations Directorate. These prosecutors will only work on SIGIR-related criminal matters, operating in close coordination with their colleagues at the Department of Justice.

## Inspections

This quarter, SIGIR's Inspections Directorate issued five reports. To date, SIGIR has published 164 project assessments. This quarter's reports evaluated:

- **Renovation of Baghdad's Tomb of the Unknown Soldier.** The purpose of this \$1.7 million CERP contract was to renovate a renowned monument in downtown Baghdad. SIGIR found Multi-National Corps-Iraq's project file was incomplete, lacking basic documentation, quality assurance reports, and project photographs. SIGIR noted plumbing and landscaping work may not have been performed by the contractor, and there appeared to be a lack of documentation for the number of uniforms and ceremonial weapons provided to the Iraqi Military Honor Unit. SIGIR also discovered that the statement of work lacked the detail necessary to determine the value of the work performed. Nevertheless, SIGIR concluded that the Tomb had been significantly improved by the renovation project.
- **Abu Ghraib Dairy.** The overall objective of this \$3.4 million Iraq Freedom Fund project was to rebuild the Abu Ghraib Dairy production capability by constructing a facility that would house equipment to reconstitute powdered milk. While visiting the site, SIGIR observed several construction deficiencies. SIGIR immediately brought these concerns to the attention of Task Force for Business and Stability Operations, which promptly engaged the services of GRD to provide oversight of the contractor's corrective actions. Many of the problems with this project might have been averted had a standard construction contract been used, rather than a cooperative agreement that did not provide the contractor with specific requirements. In addition, SIGIR has concerns about whether milk-line equipment, purchased by the former regime in 2002, will be operational after sitting idle in a warehouse for more than seven years.
- **Rabeaa Point-of-Entry Screening Facility.** The goal of this \$3.1 ISFF-funded contract was to build a new screening facility and associated buildings at a point of entry along the Syrian border. SIGIR uncovered a number of construction problems and brought these to the attention to GRD's Mosul Area Office, which stated that corrective action would be taken.
- **Hammam Al Alil Division Training Center (Construction of Small-Arms Ranges and Training Facilities).** The purpose of this \$3.5 million ISFF contract was to construct a training center for the Iraqi Army. The overall quality of design and construction was good; however, the contract required the construction and installation of overhead baffles to contain

bullets that overshot the berm at the terminal end of the range. The baffles were removed because of poor construction. As a result, SIGIR recommended that a study be conducted to determine the danger zone for the range and the findings be provided to the Hammam Al Alil Training Center.

- **Hammam Al Alil Regional Training Center (Renovations and Upgrades to Existing Facilities).** The objective of this \$5 million ISFF contract was to repair the barracks and roads at an Iraqi Army training center. SIGIR found that the project components were adequately designed and that project results were consistent with the original objectives.

### Ministry of Finance Pays Iraqi Contractors Two Days after Issuance of SIGIR Report

In response to concerns expressed by former Ambassador to Iraq Ryan Crocker, SIGIR assessed the Falluja Waste Water Treatment project in 2008, finding that the Ministry of Finance persistently failed to pay the Iraqi contractor responsible for a crucial portion of the project. The contract in question was funded by the Development Fund for Iraq (DFI). This quarter, as part of SIGIR's ongoing audit of DFI expenditures, the Federal Reserve Bank of New York provided DFI transactional information showing that on October 29, 2008—two days after issuance of SIGIR's report—the Iraqi Ministry of Finance paid the contractor in full, more than \$1.3 million.

## HUMAN TOLL

Notwithstanding several bombings just outside the International Zone, relatively few incidents of indirect fire were reported this quarter in this area, formerly known as “the Green Zone.” However, U.S. diplomatic security officials have imposed tighter restrictions on personnel movements inside the International Zone in response to pre-election violence throughout greater Baghdad.

### U.S. Civilians

DoS reported that two U.S. civilians died in Iraq this quarter (violence was not the reported cause of death). At least 296 U.S. civilians have died in Iraq since March 2003.<sup>30</sup>

### Contractors

For the quarter ending December 31, 2009, the Department of Labor (DoL) received reports of 13 new deaths of civilian contractors working in Iraq. DoL also received reports that 669 civilian contractors suffered injuries requiring them to miss at least four days of work. Since September 2001, the DoL has received reports of 1,459 deaths of civilian contractors.<sup>31</sup>

British information technology consultant Peter Moore, one of the longest-held Western hostages in Iraq, was released to Iraqi authorities on December 30, 2009. Moore was kidnapped while working at a Ministry of Finance building in Baghdad in 2007.



British hostage Peter Moore was released in December 2009 after approximately 2 years in captivity. (British Foreign Office)

Four members of his personal security detail were also captured that day—three are confirmed dead, and the other is believed to have perished.

On December 31, 2009, a judge of the United States District Court for the District of Columbia dismissed all criminal charges against five Blackwater Worldwide guards who were accused of killing 17 Iraqis in the 2007 Nisoor Square incident. The judge found that the prosecution had failed to prove that it made no impermissible use of the defendants' compelled statements, or that such use was harmless. He also found that the prosecution had improperly failed to disclose exculpatory evidence to the grand jury that indicted the defendants. Prosecutors were entitled to appeal the judge's ruling.<sup>32</sup>

Less than a week later, attorneys for several Iraqis allegedly killed and injured by Blackwater (now known as Xe) contractors, including some from the Nisoor Square incident, requested that their civil cases against the firm be dismissed because the parties had reached a settlement.

## Journalists

A cameraman for a Baghdad-based satellite television station was the only journalist slain in Iraq this quarter. He was killed in late October when a bomb exploded in front of his house in the restive city of Kirkuk. A correspondent with Cairo-based

Al-Baghdadia television was also wounded in this assault. In 2009, a total of 4 journalists were killed in Iraq, down sharply from the 32 killed there two years ago.<sup>33</sup>

Since 2003, Iraq's media outlets have operated in an atmosphere of unprecedented journalistic freedom from government censorship. This may be changing. The October 25, 2009, bombings of the Ministry of Justice and the Baghdad Provincial Council prompted a spate of negative media coverage of the performance of GOI officials. Shortly thereafter, the Ministry of Communications imposed a \$5,000 license fee on all broadcast media outlets operating in Iraq.<sup>34</sup>

## Displaced Persons

On November 3, 2009, the International Organization for Migration (IOM) reported on internally displaced persons (IDPs) in Iraq. Approximately 53% of post-2006 IDPs who were interviewed wanted to return to their homes, while another 45% expressed a desire to settle permanently at their current place of refuge or relocate to a third location. Of those assessed persons who have returned home, 43% cited improved security as the main factor in their decision, while 33% cited the difficult conditions they suffered while displaced. These difficulties included high rents, poor shelter, and a lack of basic services.<sup>35</sup> ♦