

SIGIR OBSERVATIONS

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SECTION

1

A NEW CHAPTER IN U.S.-IRAQI RELATIONS

As the U.S. military reduces its presence in Iraq, the nature of U.S. influence in Iraq will be transformed, with diplomatic and economic ties gradually supplanting military support. Moreover, new leadership will influence the reshaping of the U.S.-Iraq relationship. On the Iraqi side, several prominent ministers—including the Ministers of Defense and Interior—did not win seats in the March elections, but nevertheless could occupy high-ranking positions in the new government.

The coming year will also see new U.S. military and civilian leadership in Baghdad. U.S. Forces-Iraq (USF-I) Commanding General Raymond Odierno will transfer command by September 2010, once the drawdown to 50,000 troops is completed. Ambassador Christopher Hill is also scheduled to depart in 2010. These changes will coincide with three key transitions:

- **Provincial presence.** The United States currently has deployed 16 joint civilian-military reconstruction teams, known as Provincial Reconstruction Teams (PRTs). Reductions in this number are planned for the remainder of 2010 and 2011 as DoS moves toward normalizing its posture in Iraq. Ultimately, five PRTs will be transformed into Enduring Presence Posts (EPPs)—two as consulates (in Erbil and Basrah) and three temporary posts along the Arab-Kurd “fault line” in Tameem, Ninewa, and Diyala provinces.
- **Police training.** On October 1, 2011, USF-I will transfer responsibility for Iraqi police training to DoS’s Bureau of International Narcotics and Law Enforcement Affairs (INL). Currently, the USF-I training program focuses on basic policing skills and counterinsurgency operations, with more than 5,000 military personnel and 400 civilian advisors operating from more than 50 bases and training centers. As of March 25, 2010, 365 International Police Advisors (IPAs)

were working in Iraq to provide ongoing training and mentoring at the station level, in academies, and at the MOI, with a focus on basic training. Some of the IPAs will transition to the DoS-led police program, which will emphasize advanced training and management skills and be composed of about 350 advisors operating out of three bases in Baghdad, Basrah, and Erbil.¹

- **Contractor support.** As of March 31, 2010, there were approximately 102,000 DoD contractors working in Iraq, more than half of whom were providing life-support services to the U.S. military. DoD estimates that fewer than 75,000 contractors will be operating in Iraq by August 2010, with more reductions anticipated after the U.S. military’s footprint shrinks. However, as the number of DoD contractors drops, there will be a concomitant increase in the number of contractors supporting DoS. For example, the advisors who will serve as the focal point for INL’s police-training program will need to be supported by about 1,500 other contractor personnel, including a significant number of security contractors.²

FUNDING UPDATE

Since 2003, the United States, the Government of Iraq (GOI), and the international community have committed \$162.83 billion for Iraq’s reconstruction.³ Most U.S. funds have already been obligated, and the global economic situation makes further international economic support for Iraq’s reconstruction uncertain. Consequently, the primary responsibility for financing further reconstruction now lies with the GOI.

U.S. Funding

The U.S. Congress has appropriated or otherwise made available \$53.31 billion for Iraq reconstruction. Of the active funding sources, the Iraq Security Forces Fund (ISFF) has the majority of funds remaining for expenditure—\$2.0 billion. Just more

than \$1.0 billion of the Economic Support Fund (ESF) remains for expenditure.

Of the \$47.21 billion that has been made available through the four major reconstruction funds, \$44.72 billion has been obligated. Figure 1.1 displays the unexpended obligations for these funds.⁴

New Funding Requests

The Administration requested \$4.45 billion in new appropriations for Iraq reconstruction this quarter—\$1.52 billion in FY 2010 supplemental appropriations and \$2.93 billion in FY 2011 regular appropriations. It requested a total of \$3 billion for the ISFF and \$200 million for the Commander’s Emergency Response Program (CERP), which, like the ISFF, is administered by DoD. The remaining \$1.25 billion would support a variety of programs managed by DoS.⁵

CERP: Flaws Acknowledged

In his March 2010 testimony before the Senate Appropriations Subcommittee on Defense, Secretary of Defense Robert Gates reiterated the importance of adequate oversight of the CERP.⁶ Originally intended to fund urgently needed, small-scale projects, the CERP program has often suffered from inadequate oversight and has been subject to an ever-evolving set of guidelines. This quarter, the Special Inspector General for Iraq Reconstruction (SIGIR) released an audit on 46 CERP-funded projects at the Baghdad International Airport Economic Zone, with a cumulative value of \$35.5 million, finding that 24 of the projects had generally unsuccessful outcomes.

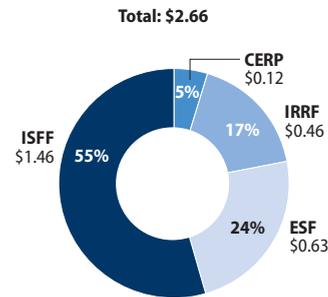
The Government of Iraq’s 2010 Budget

In February, Iraq’s Presidency Council ratified a \$72.36 billion budget for 2010. This represents a 23.5% increase from the GOI’s 2009 base budget of \$58.6 billion and is roughly equal to its budget. The 2010 budget is based on two assumptions about oil:

- **Price:** The 2010 budget assumes average price per barrel of oil of \$62.50,⁷ a 25% increase from

FIGURE 1.1

UNEXPENDED OBLIGATIONS, MAJOR U.S. FUNDS
\$ Billions



Note: Data not audited. Numbers affected by rounding. OSD does not report CERP obligation and expenditure data for project categories on a quarterly basis for all fiscal year appropriations. SIGIR pulls CERP project category data from the IRMS, which lags in reporting by one quarter. Therefore, category totals found in the Funding subsection of this Report may not match top-line values found in the four subsections on major reconstruction areas.

Sources: DoS, response to SIGIR data call, 4/5/2007; NEA-I, responses to SIGIR data call, 4/2/2010, 4/12/2010, and 4/14/2010; OSD, responses to SIGIR data calls, 4/10/2009, 10/13/2009, 4/12/2010, and 4/13/2010; U.S. Embassy-Baghdad, responses to SIGIR data calls, 7/16/2009 and 4/8/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; USACE, response to SIGIR data call, 4/1/2010; USAID, response to SIGIR data call, 4/13/2009; USDA, response to SIGIR data call, 4/2/2009.

the \$50 price assumed for the 2009 budget. As of April 9, Iraqi oil was garnering \$81.99 per barrel.⁸

- **Export levels:** The budget also anticipates that Iraq’s oil exports will average 2.15 million barrels per day (MBPD), and an increase of 7.5% from the 2.0 MBPD assumption used for the 2009 budget. During the first three months of 2010, exports averaged 1.93 MBPD.⁹

GOI revenues for 2010 are projected to total \$52.77 billion, more than 90% of which will be derived from the sale of oil. If the GOI’s revenue projection is correct, Iraq would run a deficit of \$19.59 billion in 2010.¹⁰ The \$72.36 billion budget is divided into two parts:

- **Operating Expenditures of \$52.12 billion (72%).** Salaries, benefits, and other overhead costs continue to consume the vast majority of GOI expenditures. For 2010, the ministries with the largest operating budgets are Finance, Interior, Defense, Education, and Trade. The Ministries of Planning (99% increase in its

operating budget) and Justice (80% increase) saw substantial growth in their operating budgets.¹¹

- **Capital expenditures of \$20.24 billion (28%).** The five ministries with the largest capital budgets for 2010 are Electricity, Oil, Finance, Municipalities and Public Works, and Health. The Ministry of Health’s capital budget increased by 449% from 2009, while the Ministry of Interior’s capital budget declined 73% compared with its capital budget for last year.¹²

The new budget includes an innovative provision providing \$1 to the government of a province for each barrel of oil produced in that province.¹³ Similarly, provinces with refining capacity will receive \$1 for each barrel they refine, and provinces with holy sites will receive \$20 for each foreign visitor who travels there. The practical effects of these measures on the relationship between the GOI and the provincial governments is uncertain. Provinces lacking robust hydrocarbon sectors and religious-travel destinations (for example, Anbar) potentially could perceive this program as unduly favorable to other provinces.

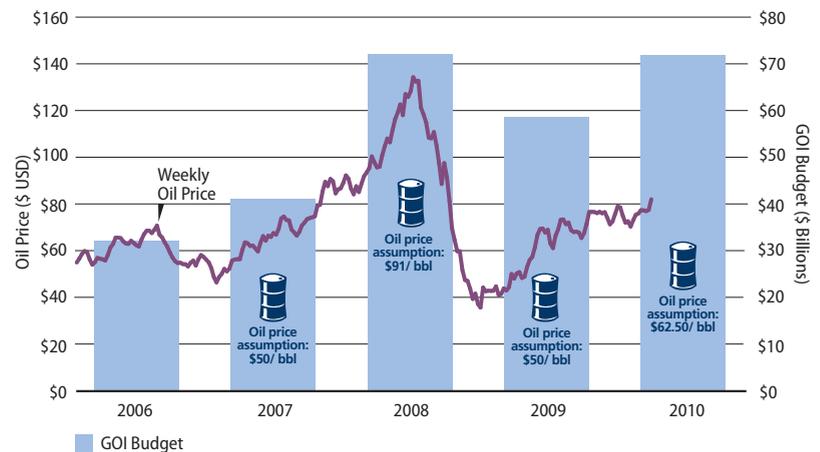
Figure 1.2 plots the size of Iraq’s post-war budgets against the price of oil.

New International Funding

In late February, the International Monetary Fund (IMF) announced a two-year, \$3.6 billion Stand-By Arrangement (SBA) for Iraq to assist the GOI with its short-term balance-of-payments deficit. The IMF conditioned the SBA on the GOI implementing an array of reforms aimed at increasing transparency in its banking laws, oil sector, public welfare programs, and public financial management systems.¹⁴

In March, the GOI signed an agreement with the World Bank for two \$250 million loans. According to Iraq’s Minister of Finance, this \$500 million loan package will be used to help finance the 2010 fiscal deficit.¹⁵

FIGURE 1.2
WEEKLY OIL PRICE, GOI BUDGET, AND OIL PRICE ASSUMPTIONS, 2006–2010



Note: Oil prices reflect the average weekly price of Kirkuk crude oil.

Sources: EIA, “Weekly Kirkuk Netback Price at U.S. Gulf,” tonto.eia.doe.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WEPCKIRK&f=w, accessed 4/15/2010; “GOI Budget” (as approved by TNA and written into law December 2005); U.S. Treasury, responses to SIGIR data calls, 1/4/2008 and 4/9/2009; GOI, Cabinet of Ministers, www.cabinet.iq, accessed 10/14/2009; GOI, CoR, “Federal Public Budget Law for the Fiscal Year 2010,” 1/27/2010, Article 2 and Annex Schedule B; GOI, Presidential Council, “Federal Public Budget Law for the Fiscal Year 2010,” 2/10/2010; IMF, Report No. 10/72, *Iraq: Staff Report for the 2009 Article IV Consultation and Request for Stand-By Arrangement*, 3/16/2010.

ELECTIONS

About 11.5 million Iraqi citizens turned out to vote in March’s parliamentary elections.¹⁶ The first national parliamentary election, held in January 2005, chose a transitional assembly to write Iraq’s first, post-Saddam constitution. The constitution was approved via referendum on October 15, 2005, with a pronounced lack of support from Sunni Arabs. Two months later, on December 15, 2005, Iraqi voters again went to the polls, this time electing 275 members of the Council of Representatives (CoR) to four-year terms. In April 2006, after five months of negotiations, the newly elected CoR selected Nouri al-Maliki as Prime Minister.

New Rules for 2010 Elections

The Election Law adopted in December 2009 expanded the CoR by 50 seats, allocating 310 seats proportionately by population in each province,

TABLE 1.1
SIX MAJOR LISTS THAT CONTESTED THE CoR ELECTIONS

NAME	KEY FIGURE(S)	DESCRIPTION
Al-Iraqiya	Ayad Allawi, Tareq al-Hashimi, Rafi al-Eissawi	Secular in orientation, but Shia-led. Strongly supported by Sunni voters.
State of Law Coalition	Nouri al-Maliki, Hussein al-Shahristani, Jaffar al-Sadr	Shia-led, with several Sunni backers. Law and order emphasis.
Iraqi National Alliance	Omar al-Hakim, Muqtada al-Sadr, Adel Abdul al-Mahdi	Overwhelmingly Shia. Strongly backed in several southern provinces.
Kurdistan Coalition	Massoud Barzani, Jalal Talabani	Combination of the two dominant Kurdish parties.
Change List (Goran)	Nawshirwan Mustafa	Recently established Kurdish opposition movement.
Iraq Unity Alliance	Jawad al-Bolani, Sheik Abu Risha	Mixed Sunni-Shia list with support from some tribal Sunnis.

Sources: SIGIR analysis of open sources as well as official Arabic documents and studies.



A Kirkuk woman casts her ballot in the March 2010 parliamentary elections. (UN photo)



Nouri al-Maliki



Ayad Allawi

with Baghdad receiving the most—70 (21% of the total). Unlike the previous CoR election in 2005, voters in the 2010 election were allowed to vote both for a list and—if they so chose—an individual candidate in the March balloting, as opposed to voting just for a list.¹⁷ The Election Law also set aside 82 seats for women—25% of all seats. In comparison, 16% of the representatives in the U.S. Congress are women.

Contestants

Six major lists—two of which were predominantly Kurdish and held little appeal to Arab voters—vied for votes in the March balloting. Prime Minister al-Maliki led the State of Law Coalition (SoL), which was opposed by former Prime Minister Ayad Allawi’s Iraqi National Movement (also known as al-Iraqiya), many of al-Maliki’s former allies in the Iraqi National Alliance (INA), and Interior Minister Jawad al-Bolani’s Unity Alliance of Iraq. Table 1.1 summarizes the major coalitions that contested the March elections.

Outcome

Under the watchful oversight of international and domestic observers, Ayad Allawi’s al-Iraqiya bloc won a plurality of both the raw vote and the awarded seats, edging out al-Maliki’s SoL bloc by a 59,042 vote margin (1%) and coming away with a two-seat advantage in the CoR. Allawi’s list fared well in the provinces with large Sunni populations, winning a majority of seats in five provinces—Anbar, Ninewa, Diyala, Salah Al-Din, and Tameem. The SoL won a majority of seats in nine provinces, including Baghdad, while the Shia Iraqi National List won the most seats in Missan and Thi-Qar provinces. The Kurdistan Coalition continued its electoral dominance of the three provinces that make up the Kurdistan Region (Dahuk, Erbil, and Sulaymaniyah), but the new Kurdish opposition party Change List (Goran) broke through, capturing eight seats. Table 1.2 displays the results from March’s elections in greater detail.¹⁸

TABLE 1.2
COUNCIL OF REPRESENTATIVES ELECTION RESULTS, BY BLOC, 2010

PERCENTAGE OF SEATS WON IN PROVINCE	BLOC NAME (LEADER OF BLOC)	SEATS WON	PARTY NAME (LEADER OF PARTY)	SEATS WON BY PARTY		
				SEATS WON BY PARTY	% TOTAL SEATS	% OF WOMEN PER BLOC
	al-Iraqiya (Allawi)	91	Other Political Entities within Bloc	33	10.2%	25
			Iraqi National List (Ayad Allawi)	31	9.5%	
			Renewal List (Tariq al-Hashimi)	20	6.2%	
			Iraqi National Gathering (Salih al-Mutlaq)	5	1.5%	
			Compensatory Seats	2	0.6%	
	State of Law Coalition (al-Maliki)	89	Islamic Dawa Party (Nouri al-Maliki)	35	10.8%	23
			Other Political Entities within Bloc	31	9.5%	
			Islamic Dawa Party/Iraq Organization (Jaffar al-Sadr)	20	6.2%	
			Independent (Hussein al-Shahristani)	1	0.3%	
			Compensatory Seats	2	0.6%	
	Iraqi National Alliance (al-Hakim)	70	Iraqi National Conference (al-Sadr)	39	12.0%	19
			Islamic Supreme Council of Iraq (Omar al-Hakim)	20	6.2%	
			Fadhila (Hashim Ali)	7	2.2%	
			National Congress (Chalabi)	1	0.3%	
			Reform Movement (al-Ja'afari)	1	0.3%	
			Compensatory Seats	2	0.6%	
	Kurdistan Coalition (Barzani)	43	Patriotic Union of Kurdistan (Jalal Talabani)	23	7.1%	12
			Democratic Party of Kurdistan (Massoud Barzani)	19	5.8%	
			Compensatory Seats	1	0.3%	
	Change List (Mustafa)	8	Change List (Nawshirwan Mustafa)	7	2.2%	2
			New Iraq (Mohamed Hussein)	1	0.3%	
	Tawafug al-Iraqi (Tawffek)	6	Independent Tribes (Omar Hamad)	4	1.2%	0
			Iraqi Islamic Party (Ossama Tawffek)	2	0.6%	
	Iraq's Unity Alliance (Abu Risha)	4	Iraqi Constitutional Party (Hazem Dweij)	3	0.9%	0
			Iraqi Awakening Conference (Ahmad Bazeak)	1	0.3%	
			Iraqi Republican Gathering (Jawad al-Bolani)	0	0.0%	
	KIU/KIG	6	Kurdistan Islamic Union (Ossama Ali)	4	1.2%	0
			Kurdistan Islamic Gathering (Aziz Nazer)	2	0.6%	
	Minorities	8	Christian, Sabian, Shabaki, Yazidi	8	2.4%	1

0–10% 10–20% 20–30% 30–40% 40–50% 50–60% 60–70% 70–80% 80–90% 90–100%

Note: Results current as of 4/21/2010.

Source: GOI, IHEC, 3/28/2010.

TABLE 1.3
KEY POLITICAL FIGURES WHO DID NOT WIN ENOUGH VOTES TO SECURE A SEAT IN PARLIAMENT

NAME	COALITION	SIGNIFICANT POSITIONS CURRENTLY OR FORMERLY HELD
Ali al-Lami	INA	Head of the De-Ba'athification Committee
Sharif Ali Bin Hussein	INA	Heir to the last King of Iraq, Faisal II
Mouwafaq al-Rubaie	INA	National Security Advisor, CoR Member
Abd al-Qadir al-Ubaydi	SoL	Minister of Defense
Ali Allaq	SoL	Secretary General of the Council of Ministers
Wijdan Mikha'ail	SoL	Minister of Human Rights
Abd al-Samad Rahman	SoL	Minister of Displacement and Migration
Amir Abd al-Jabbar	SoL	Minister of Transportation
Mahmoud al-Mashhadani	Iraq's Unity Alliance (IUA)	Former Speaker of the CoR
Jawad al-Bolani	IUA	Minister of Interior

Sources: SIGIR analysis of open sources as well as official Arabic documents and studies.

Incumbents Fair Poorly

Continuing the anti-incumbent trend seen in the provincial elections of January 2009, Iraqi voters largely opted to send new faces to represent them in the next CoR. More than half of the 275 members of the last parliament sought re-election in the March 7 elections, but only 62 were successful.¹⁹ As a result, about 81% of the seats in the new CoR will be filled by newcomers. The failure of incumbents to perform better may be ascribed, in part, to the new open-list voting rules, which allowed citizens to select specific candidates in addition to voting for a particular list. No incumbents won re-election in Najaf, Dahuk, Erbil, and Muthanna provinces, and several high-ranking figures in the current government did not garner enough votes to win a place in the CoR. Table 1.3 lists some of the prominent figures who were unsuccessful in their attempt to win a place in new parliament.

TABLE 1.4
RESULTS OF SADRIST TREND'S NON-BINDING REFERENDUM ON PRIME MINISTERIAL PREFERENCE

CANDIDATE	PARTY	% OF VOTE
Ibrahim al-Ja'afari	INA	24
Jaffar al-Sadr	SoL	23
Qusai al-Shahil	INA	17
Nouri al-Maliki	SoL	10
Ayad Allawi	Al-Iraqiya	9

Sources: SIGIR analysis of open sources as well as official Arabic documents and studies.

IHEC Announces Manual Recount for Baghdad Province

On April 19, 2010, Iraq's Independent High Electoral Commission (IHEC) ordered a manual recount of the more than 2.5 million ballots cast in Baghdad province, potentially affecting the winners of many of Baghdad's 70 seats. The recount may take several weeks to conduct.

Muqtada al-Sadr Supporters Hold Non-binding, Post-election Referendum on Prime Minister Preference

On April 2-3, 2010, the Sadrist Trend, which won 39 seats in the March election, conducted a non-binding referendum on the question of who would be the next prime minister. More than 1.4 million Iraqis participated in the balloting. Former Prime Minister Ibrahim al-Ja'afari of the INA finished first, with 24% of the vote.²⁰ Table 1.4 shows the top five vote-getters.

TRANSITION PLANS

Beginning in July 2009, the GOI began to implement a three-pronged transition strategy to effect a smooth transfer of power from the current government to the next. While the strategy is Iraqi-designed and -led, it draws on U.S. and international resources to help set priorities for the new government.

- **Intra-GOI process.** Last year, the Council of Ministers Secretariat established the Transition Working Group (TWG). The TWG comprises representatives from every GOI ministry and coordinates overall transition planning. The individual ministries, however, drive the process by drafting Ministry Handover Reports detailing the state of their current operations, key near-term issues and concerns, and priorities for the future. As of early March, all but two ministries (Finance and Interior) had completed these reports.
- **U.S. involvement.** U.S. Embassy-Baghdad and USF-I are supporting the GOI's transition planning primarily through assessing the operations of such ministries as Oil, Electricity, Agriculture, and Water Resources. These assessments identify important goals that must be met to ensure continued provision of services to the Iraqi people. Moreover, these assessments highlight areas where the United States could offer assistance to the new government during its initial months in power.
- **International assistance.** The Embassy and USF-I are also working with the World Bank and the United Nations to prepare a comprehensive briefing book for the new GOI. This book will evaluate key sectors of the Iraqi economy and infrastructure, providing the next GOI with policy recommendations and suggestions concerning where the international community could be of assistance.

For more on the steps involved in forming the next government, see the Governance subsection in this Report.

GOVERNANCE

Council of Representatives Passes New Laws

The CoR engaged in a flurry of legislative activity in the waning days of its last session. In January alone, the CoR passed 20 new laws, the most significant of which were the following:²¹

- 2010 budget
- 35% tax on foreign oil companies operating in Iraq
- dissolution of the Ministry of Municipalities and Public Works (whose functions will largely devolve to the provincial governments)
- dissolution of the social affairs department in the Ministry of Labor and Social Affairs (henceforth to be known as the Ministry of Labor)
- Non-Governmental Organizations law

It will fall to the new CoR to pass the package of hydrocarbon laws that has been stalled for more than three years.

Referendum on the U.S.-Iraq Security Agreement Appears Unlikely

The March 7 parliamentary elections came and went without a national referendum on the U.S.-Iraq Security Agreement (SA), the pact that has governed the bilateral relationship between the two states since January 1, 2009. In an effort to win support for the SA from his political opponents in the CoR, Prime Minister al-Maliki had agreed to conduct a referendum on the SA, with a “no” vote requiring all U.S. military forces to leave Iraq within one year. The referendum was initially scheduled to be held no later than July 30, 2009, but was pushed back to coincide with the CoR elections, then scheduled for January 2010. The vote, however, never took place, and currently no date is set for the referendum.

National Census Scheduled for Autumn

Iraq plans to conduct a national census this fall. The oft-postponed headcount will be the first covering all

18 provinces since 1987 (a 1997 census excluded the Kurdistan Region). The census takers will ask questions about ethnicity and education, but currently do not intend to question citizens about their religion.

The Ministry of Planning is overseeing preparations for the census. Current plans call for thousands of teachers and other GOI employees to fan out across the country and physically count the number of residents in each household. The census will determine, among other things, the percentage of population who are Kurdish.

Iraq Names First Ambassador to Kuwait since 1990 Invasion

This quarter, Iraq named Mohammad Hussein Bahr al-Ulum as its first ambassador to Kuwait since 1990. Ulum is the son of a prominent cleric and the brother of a former Minister of Oil. In late 2008, Kuwait named its first post-war ambassador to Iraq; he had previously served as the emirate's army chief of staff.

SECURITY

Notwithstanding a series of March 7 attacks that killed at least 38 Iraqis and wounded more than 100, the much-feared raft of Election Day attacks largely failed to materialize; and the overall number of attacks nationwide remained at low levels not seen since 2003. Early signs, however, suggest that the post-election transition period may be marked by an increase in violence, as extremists seek to take advantage of political uncertainty and undermine the state.²²

Post-election Violence

March was the deadliest month for Iraqi civilians in 2010. The violence continued in early April. In the first week alone, insurgent attacks killed more than 100 Iraqis in a series of bombings and mass murders in and around Baghdad. Major post-election attacks targeted:



Al-Faw Palace on Baghdad's Victory Base Complex. Camp Victory is home to USF-I's headquarters and one of the largest remaining U.S. bases in Iraq. (U.S. Army photo)

- **Political leaders.** On March 28, several bombs exploded near the house of one of Ayad Allawi's allies in Anbar province, killing 6 people and wounding 15 others.
- **Sunni Awakening members.** On April 2, insurgents dressed as Iraqi police and U.S. soldiers executed 24 Iraqis in a predominantly Sunni neighborhood outside of Baghdad that had witnessed similar atrocities last quarter. Many of the dead were members of the Sunni Awakening movement, which turned against al-Qaeda in Iraq in 2006–2007 and allied with Coalition forces as part of the Sons of Iraq (SOI) program.
- **Foreign Embassies and Consulates.** On April 4, at least 40 people were killed and more than 220 wounded, when near-simultaneous suicide bombers struck near the diplomatic missions of Iran, Germany, and Egypt. The Spanish Embassy was also damaged in these attacks.
- **Apartment buildings.** On April 6, a series of bombs destroyed seven apartment buildings in mainly Shia neighborhoods in Baghdad, killing at least 35 people. USF-I refers to these as house-borne improvised explosive device, or HBIEDs.
- **Shia Mosques.** On April 23, Baghdad was hit by a series of bombings, which targeted four Shia mosques and an outdoor market in different areas of the violence-swept capital city. Dozens of people were killed, and more than 180 were injured.



A UH-60 Black Hawk hovers above the ancient Ziggurat of Ur near Nassiriya. The Ziggurat, constructed in 2100 BCE by Sumerian King Ur-Nammu, is preserved by the Iraqi Ministry of Antiquities. (USF-I photo)

Rule of Law Institutions Attacked

On January 26, 2010, a car bomb destroyed an MOI-run forensics laboratory and evidence-holding facility in Baghdad. At least 22 people—including about 18 police officers—were killed and approximately 90 others wounded in the bombing. This attack came one day after the bombing of three hotels favored by foreigners and wealthy Iraqis.

Judge Mohammad Abdel Ghaffur was murdered in Baghdad on February 24, 2010. Judge Ghaffur's docket comprised primarily of antiterrorism cases. Reports indicate that his assailants hid the bomb that killed him in his garden. Since March 2003, at least 39 Iraqi judges have been killed, but Ghaffur's killing was the first since the summer of 2008.²³

“Potentially Devastating Blows” to al-Qaeda in Iraq

On April 18, a combined Iraqi Security Forces (ISF)/USF-I raid killed the two top leaders of al-Qaeda in Iraq (AQI), Abu Omar al-Baghdadi and Abu Ayub al-Masri. They were killed in a shootout near Saddam Hussein's hometown of Tikrit in an operation described by Vice President Joseph Biden as having dealt a potentially devastating blow to AQI. One U.S. soldier died in the action.

U.S. Troop Withdrawals Continue on Schedule

As of March 2010, USF-I had fewer than 100,000 troops on the ground in Iraq,²⁴ down from about

175,000 at the peak of the surge in September 2007. Consistent with the plan articulated by the President last year, USF-I force levels will be down to approximately 50,000 troops by the end of August. This transitional force will be organized into six Advise and Assist Brigades whose primary missions will be supporting the PRTs, assisting the United Nations and other nongovernmental organizations, and training the ISF.²⁵ These brigades are scheduled to withdraw from Iraq by December 31, 2011.

U.S. Military Conducting One of Largest Redeployments Since WWII

As of March 2010, the U.S. military had ceased operations at 155 bases since the SA went into effect on January 1, 2009; about 280 bases remain operational. The shrinking of the U.S. footprint in Iraq combined with a surge of 30,000 troops to Afghanistan has resulted in the U.S. military conducting its largest movement of personnel and equipment since World War II. Managed by the Third Army, this process will involve withdrawing about 2.8 million pieces of equipment from Iraq, including 41,000 vehicles or trailers. The Third Army's commanding general described the operation as 35% complete as of April 2, 2010.²⁶

Iraqi Security Forces

According to one of Iraq's vice presidents, about 1 out of every 30 Iraqi citizens is a member of a military or police organization. As the ISF approaches its intended end strength of about 680,000, however, enhancing its skills will become more important than increasing its size. This quarter, the RAND Corporation published a study assessing the ability of the ISF to secure Iraq after the departure of U.S. forces at the end of 2011. RAND concluded that:²⁷

- The overall quality of the ISF is uneven. Certain units (the Special Operations Force) are highly trained, but other ISF elements (such as the Facility Protection Service) are ill-trained and under-equipped.
- The Iraqi Army comprises divisions made up of people from one geographic area as well as

divisions that draw from people throughout Iraq. The former have often proven reluctant to engage in domestic security operations and are generally less effective than the units that are national in character.

- In the near term, the Iraqi Air Force will not be a significant factor in securing the country.
- The Iraqi Navy, though small, should be capable of defending the port of Umm Qasr and the adjacent oil terminals by 2012.

Sons of Iraq

Instrumental in turning the tide against al-Qaeda in Iraq during 2007–2008, the SOI program grew out of the Sunni Awakening Movement. Formerly paid with U.S. CERP funds, the GOI has been responsible for paying, managing, and integrating the largely Sunni SOI contingents into the ISF and Iraqi government since April 2009.

The GOI considers the transition to employment within a GOI ministry to have occurred when an SOI member is offered a job. However, because many SOI possess rudimentary educational credentials (in Baghdad, 81% of SOI members had only elementary or middle-school educations), they are often ill-suited for many government positions. Consequently, the GOI may only be able to offer them janitorial or maintenance jobs. If the SOI member turns down the low-level job offer, the GOI still deems its end of the bargain to have been fulfilled.

To date, of the approximately 94,000 SOI, about 9,000 have been transitioned to the ISF, and more than 30,000 others have been hired by non-security ministries.²⁸

USF-I Transfers Detainee Facility to the GOI

On March 15, 2010, USF-I turned over the Camp Taji detention facility to the Iraqi Correctional Service, which is part of the Ministry of Justice. In conjunction with the handover of this multi-million-dollar facility, USF-I also transferred approximately 3,000 detainees to Iraqi control. The transfer of Camp Taji to the GOI continues a process begun



An Iraqi Air Force plane launches a surveillance patrol from Kirkuk Regional Air Base in support of the recent parliamentary elections. This operation marked the first time the Iraqi Air Force led an all-Iraqi effort in intelligence, surveillance, and reconnaissance flights. (USF-I photo)

in earnest last fall, when the U.S. military, in accordance with the terms of the SA, handed over the detainee facility at Camp Bucca in southern Iraq to the GOI. Camp Cropper, located near the Baghdad International Airport, is the only remaining U.S.-administered detention facility. Current USF-I plans call for transferring Camp Cropper to the GOI on July 15, 2010. As of March 31, 2010, less than 3,500 detainees remained in U.S. custody.²⁹

ECONOMY

The Central Bank of Iraq estimated that real gross domestic product (GDP) growth slowed to 4.3% in 2009, down from 10.3% in 2008.³⁰ Falling oil prices, Iraq's underdeveloped private sector, and the global economic downturn all contributed to 2009's slower GDP growth rate.

Oil Exports Reach Record Levels in February

In February, Iraq's oil exports reached 2.05 million barrels per day (MBPD)—the highest monthly average since the 2003 invasion—before dipping in March to 1.84 MBPD because of bad weather and rough seas. Overall, exports averaged 1.93 MBPD for the quarter (a 5% increase from the first quarter of 2009), while production averaged 2.38 MBPD (a 4% increase).³¹

Oil-Field Development

This quarter, the GOI finalized the last of the oil service contracts it awarded to foreign firms in last year's two auctions.³² The Ministry of Oil also reached an agreement with Chinese firms to develop three fields in Missan province, estimated to contain about 2.6 billion barrels of crude oil. However, the GOI terminated discussions with a Japanese consortium regarding the development of a field in Nassiriya and declared that it would develop the field without foreign assistance.³³

In mid-February, more than 20 Ministry of Oil officials visited Houston, Texas, to meet with representatives from U.S. engineering and oil services firms. Although only two major U.S. oil companies were awarded contracts during the 2009 bidding, U.S. firms will likely be contracted to support the operations of other multinationals.

This quarter, the Ministry of Oil announced its intention to form Iraq's fourth state-owned oil company, the Midland Oil Company. It will be responsible for developing the oil and gas fields in the central provinces of Anbar, Babylon, Diyala, Qadissiya, Kerbala, Wassit, and Baghdad. The Ministry of Oil also intends to eventually place the Iraqi Oil Exploration company under the management of the Midland Oil Company, on par with the state-owned North, South, and Missan Oil Companies.³⁴

Development Fund for Iraq to End in 2010

In April, the UN Secretary General reported to the Security Council that the GOI's plan for assuming control of the Development Fund for Iraq (DFI) was feasible and that the DFI would likely be disestablished by the end of the year. The DFI was created in 2003 to serve as a repository for Iraqi oil revenue.

New Oil-pricing Index

Beginning in April, Iraqi oil exports to the United States will use the Argus Sour Crude Index (ASCI) as their price benchmark, shifting away from the West Texas Intermediate (WTI) benchmark that Iraq previously utilized. The ASCI price is based on a volume-weighted average of deals done for three

grades of U.S. Gulf of Mexico medium sour crude and is regarded as more responsive to global price fluctuations than WTI because the latter is heavily influenced by conditions at a single hub in Oklahoma. Iraq's changeover to ASCI follows similar moves by Saudi Arabia and Kuwait.

Natural Gas

On March 7, 2010, the GOI extended for six more months the negotiations period for the South Gas Utilization Project, a proposed joint venture between the Ministry of Oil and Royal Dutch Shell. The goal of the 25-year, multi-billion-dollar project would be the more efficient exploitation of Iraq's natural gas reserves—the tenth largest in the world. In mid-April, the Ministry of Oil announced plans to hold another round of bidding for three natural gas fields. The Director General of the ministry's Petroleum Contracts and Licensing Directorate stated that 15 companies will be invited to submit bids.

Electricity Production Rises

This quarter, output from Iraq's power plants averaged about 5,635 megawatts (MW), an increase of 7% from last quarter's levels and a 14% increase from one year ago. This quarter's rise in electricity production was largely due to higher water levels in Iraq's rivers, which contributed to increased hydroelectric power generation. The 624 MW output from Iraq's hydroelectric plants over the past three months was the highest quarterly average in more than two years.³⁵ For more on Iraq's electricity situation, see Section 2.

Foreign Investors Commit to Modernizing Iraq's Maritime Infrastructure

In April 2010, the Minister of Transportation announced that an Italian consortium will begin work this spring on what could be the largest port complex in Iraq when completed. Located near al-Faw at the mouth of the Gulf, this planned 100-dock port would be able to handle 99 million tons of cargo per year. The new facility would be

linked to Turkey and Europe by a new rail line. Initial estimates place the cost of this project at about \$4.6 billion.

Ministry of Planning Completes 5-year Plan

This quarter, the GOI's Ministry of Planning finalized its development plan for 2010–2014. The plan focuses on modernizing the hydrocarbon and electricity sectors and includes more than 2,700 projects valued at over \$180 billion. The plan awaits formal approval from the new government.

WTO Accession Talks Proceeding Slowly

An Assistant U.S. Trade Representative traveled to Baghdad this quarter to confer with GOI officials about Iraq's prospects for joining the World Trade Organization (WTO). In September 2004, Iraq applied for membership in the WTO. More than six years later, Iraq's application remains stalled and accession talks have been described by U.S. Embassy officials as proceeding slowly. For Iraq to become eligible to join the WTO, the new CoR will have to reform the country's trade and intellectual property laws, bringing them into line with the WTO's membership requirements.

ANTICORRUPTION AND THE RULE OF LAW

GOI Unveils Anticorruption Strategy

On March 24, 2010, the GOI's Joint Anti-Corruption Council released the Iraq National Anti-Corruption Strategy (NACS) for 2010–2014. This 144-page document was drafted in response to Iraq's accession to the UN Convention against Corruption (UNCAC) in 2007. The strategy emphasizes preventing and deterring corruption through administrative reforms and enhancing governmental transparency. The UN and U.S. Embassy-Baghdad's Anti-Corruption Coordination Office (ACCO) provided support to the GOI in

drafting this strategy, and the final version reflects the objectives set forth in the UNCAC.

The bulk of the NACS is devoted to enumerating 201 "negative phenomena" that contribute to public corruption.³⁶ After describing the adverse affects of each of these phenomena, the NACS spells out an action plan for solving—or, at least ameliorating—the problem and charges one or more institutions with implementing the various aspects of the plan within a specific timeframe. Table 1.5 provides ten examples of the negative phenomena described in the NACS and the GOI's proposed solutions.

UNITED NATIONS ASSISTANCE TO THE GOI

This quarter, the Inspector General met with the Governance Team Leader of the United Nations Development Project (UNDP) in Iraq to discuss the UN's role in the March 7 elections as well as its ongoing assistance to the GOI's anticorruption agencies. UNDP officials commented that the GOI's Inspector General (IG) system—established by the CPA in 2004—has become firmly rooted in the ministries and matured significantly since its creation. However, they cautioned that potential crimes discovered by the IGs are often not investigated or prosecuted, suggesting that new laws are necessary to clarify the roles and responsibilities of Iraq's three primary anticorruption bodies: the IGs, the Commission on Integrity (COI), and the Board of Supreme Audit (BSA). Such laws were introduced in the last parliament, but never passed.

GOI Anticorruption Institutions

For 2010, Iraq's budget allocates \$92.4 million to Iraq's two independent anticorruption agencies: the BSA (\$59.3 million) and the COI (\$33.1 million).³⁷

Significant activities reported by the GOI's anticorruption institutions this quarter included:

TABLE 1.5
IRAQ NATIONAL ANTI-CORRUPTION STRATEGY, 2010–2014: EXAMPLES OF CORRUPTION AND PROPOSED ACTIONS

NEGATIVE PHENOMENON	RISK	ACTION PLAN	PLAN TIME FRAME	IMPLEMENTING BODY
Lack of transparency in political parties' funding (no. 6)	Using state money to finance parties, or obtaining funding from other sources that could pressure and influence decision-making	Setting up a system for political financing that depends on: <ul style="list-style-type: none"> • registering party members • limiting contributions or donations parties and candidates can receive • submitting financial disclosures • defining penalties for non-compliance • prohibiting the use of state money and public property for campaigning 	One year	CoR, MOF, IHEC, BSA
Conflict of Interests in awarding contracts (no. 16)	Unfair competition	Monitoring the tendering process in all ministries and provinces and applying relevant codes of conduct; setting up regulations and standards to avoid conflicts of interest	Ongoing	CoR, MoPDC, all ministries, Provincial Councils, COI
Long period between awarding and signing contracts (no. 19)	Spread of financial and administrative corruption through collusion with suppliers	Setting up and keeping schedules	Ongoing	Internal Audit Directorate, IGs
Poor field supervision on worksites and no checking to ensure delivered project's specifications match contract terms (no. 28)	Substandard implementation of jobs; waste of public money; corruption	Appointing an adequate number of supervisors to check project implementation and compliance with specifications; adhering to prescribed procedures in receiving completed projects and verifying their compliance with specifications listed in the feasibility study	Ongoing	competent authorities in all ministries, directorates, and provinces
Forgery of high school certificates and certificates from outside Iraq for high schools and postgraduate studies (no. 38)	Admitting unqualified students; awarding certificates to ineligible students	Verifying documents via advanced mechanisms and techniques; canceling all temporarily assessed certificates	Ongoing	MoHE, MOE, Ministry of Foreign Affairs
Corruption in prison administration (no. 88)	Prison guards and officials have the opportunity to exploit inmates; bribes to get some privileges; damaging implementation of the criminal justice management policy	Observing the international norms to identify prison space and capacity and resolving cases; separating sentenced inmates and those under trial; improving detention procedures and inmate treatment	Ongoing	MOI, MOJ, MoHR, COI
Manipulation of the ration and fuel card systems (no. 103)	Administrative and financial corruption	Designing controls, measures, and instructions to regulate work in the following fields: <ul style="list-style-type: none"> • receiving the ration card • receiving the fuel card • deleting deceased family members from the ration card system 	Ongoing	not specified
Poor performance of health institutions with regard to offering services to citizens; offering services in exchange for bribes (no. 120)	Poor public health; waste of public money	Preparing a general health-care plan that guarantees providing human resources and material needs and intensifying field visits to health institutions to ensure optimal job performance	Not specified	MOH IG, Civil Society Organizations (CSOs)
Slowdown in transport and marketing of oil and gas products due to spread of corruption (no. 139)	Poor performance; waste of public money and energies; illicit enrichment at the expense of public money and the people; higher prices for oil products; decrease in production capacities of factories and production units that depend on oil and gas, in both the public and private sectors	The relevant companies and directorates should intensify efforts to develop transport mechanisms and market oil and gas products according to a yearly plan prepared for this purpose (and those who do follow the plan should be punished); publicizing the mechanisms of transport and marketing in newspapers in application of the pleasure principle; coordinating with ministries and directorates that use oil and gas products to estimate actual need and prepare a mutually agreed-upon timetable	Ongoing	Ministry of Oil, MOI's Economic Security Directorate, local administrations, CSOs, directorates and ministries that make use of oil products, media
Existence of made-up names on the payroll (no. 158)	Waste of public money	Preparing tight internal-control procedures by automating the personnel and salaries system; separation of concerns (preparing, paying, checking); continually matching records between the various parties involved	Ongoing	all concerned parties in the ministries and directorates

- COI announced that investigative judges had issued warrants for the arrest of 1,038 GOI personnel on charges of corruption. Judges ordered another 752 public employees to appear before the COI and account for their actions.
- On April 1, 2010, the Commissioner of the COI stated that approximately 90 GOI officials have been suspended from office because of their failure to file required financial disclosure forms. The suspended office holders include judges, 50 provincial council members, and six ambassadors.
- The BSA completed its review of the GOI's 2007 financial transactions.
- The BSA also uncovered irregularities in the Salah Al-Din provincial council's handling of public funds.

One persistent obstacle to combating corruption remains: Article 136(b) of Iraq's Criminal Procedure Code. This provision effectively allows ministers to immunize their subordinates from prosecution. Twice suspended, but never formally

The International Community Deepens Its Involvement in Iraq Reconstruction

On March 9, 2010, the Inspector General met with the UN's Special Representative for the Secretary General (SRSG), Ad Melkert. Their talks focused on how the UN's role will grow and evolve as U.S. troops gradually reduce their presence in Iraq. Special Representative Melkert's comments focused on four areas:

Post-election Politics. The SRSG cautioned that parliamentary coalition governments are not formed "overnight," and commented that the international community should not be overly concerned if several months pass before a new coalition assumes power and forms a government in Iraq. Melkert went on to differentiate between the current state of affairs and the governance gap that occurred between the December 2005 elections and the ultimate seating of the al-Maliki government in the spring of 2006, remarking that the security situation has markedly improved in the interim.



The Inspector General confers with Ad Melkert, the head of the UN Assistance Mission in Iraq, at UNAMI's Baghdad headquarters.

Transition. The United Nations Assistance Mission for Iraq (UNAMI) has been cooperating with the U.S. government and the GOI to ensure that the transition between the ministers now serving and their replacements, if any, will be as smooth as possible. The SRSG remarked favorably on the UN and World Bank's efforts to prepare ministry-specific briefing books for the next government, detailing the areas of concern and outlining suggested courses of action.

UNAMI. UNAMI was established by the UN Security Council in 2003 to assist Iraq in establishing democracy, safeguarding human rights, and

promoting the rule of law. In his meeting with the Inspector General, the SRSG stated that he was reviewing the size and scope of UNAMI's presence in Iraq for 2011 and 2012, stating that there are no current plans to change UNAMI's mandate.

U.S. Role in Iraq's Future. The SRSG emphasized the increasing importance of the UN now that the United States is withdrawing. He stated that the UN will play an ever more vital role in Iraq as the GOI moves away from an almost exclusive focus on security matters and addresses more closely other pressing needs, such as improving education.

Reconstruction, Development, and International Investment in the Kurdistan Region

In late January 2010, senior SIGIR officials spent several days in the Kurdistan Region meeting with U.S. reconstruction advisors and high-ranking officials in the KRG, including the KRG's Prime Minister and Minister of Planning, and the Governor of Erbil province. Many of the same topics and concerns recurred. For example:

Governance. Since taking office in late September 2009, the government of Prime Minister Barham Salih has concentrated on three main priorities: (1) overcoming the impasse with the GOI on the KRG's ability to contract with international oil firms; (2) bringing a greater degree of transparency to the KRG's budget process; and (3) trimming the number of KRG ministries from 43 to 19. The Prime Minister reported progress on all three fronts, noting that the oil issue will be definitively resolved only when the new CoR takes office.

Economic Development. The Governor of Erbil reported that about 70% (\$13 billion) of the investment flowing into the province was from Iraqi citizens. Turkish and Lebanese businesses are also prevalent in the Kurdistan Region, and KRG leaders anticipate that the opening of the new Erbil International Airport this year will attract additional investment from abroad. In an effort to entice international investment, the KRG provides free land to multinational corporations, including



SIGIR staff members visit with KRG Prime Minister Barham Salih.

Mercedes, General Motors, and Toyota. Kurdish officials commented that the biggest challenge they face is developing their electricity infrastructure to support continued economic growth.

U.S. Assistance. KRG officials repeatedly expressed regret that U.S. assistance to the Kurdistan Region since 2003 was not proportional to the percentage (approximately 17%) of Iraq's population residing in the region. U.S. advisors stationed in Erbil estimated that the United States has spent about \$1.1 billion in the Kurdistan Region to date, noting that the KRG received disproportionately fewer resources because of the perception that the region's three provinces are peaceful and reasonably prosperous.

Anticorruption. Outdated governmental record-keeping practices and an underdeveloped information technology (IT) infrastructure create vulnerabilities that can be exploited by corrupt actors. To mitigate this problem, the KRG has established an IT Department to work with all of the ministries to implement

modern budgeting and accounting systems. Moreover, the IT Department is instituting a computerized identification (ID) card program for all of the KRG's more than 600,000 employees. KRG personnel will have to present their ID card in order to receive a paycheck, thereby reducing the chances that one person could be drawing paychecks from two or more ministries, a practice that is currently all too common.

Education. The KRG is in the midst of modernizing and privatizing its higher education system. There are 7 publicly funded universities in the Kurdistan Region and 10 private colleges. The KRG's Ministry of Education manages the public universities, and hopes to privatize them within the next three years. Under the ministry's plan, each university would be run by an independent board of trustees, thereby decentralizing the higher education system, with the ultimate goal of reducing the number of Kurdish students who study abroad because of insufficient educational opportunities at home.

repealed, Article 136(b) continues to hinder the effective prosecution of corruption cases against GOI officials.

Iraq Becomes EITI Candidate Country

In February 2010, the International Board of the Extractive Industries Transparency Initiative (EITI) announced that Iraq formally became an EITI “candidate country.” EITI is a coalition of governments, corporations, and civil society groups that sets global standards for transparency and accountability in the oil, gas, and mining sectors. Now, Iraq has two years to implement a wide array of financial reporting policies and programs aimed at reducing corruption and increasing accountability. If successful, EITI will then deem Iraq to be in compliance. To date, there are about 30 EITI candidate countries, but only two that have been judged “compliant” (Azerbaijan and Liberia).³⁸

SIGIR OVERSIGHT

In the course of more than six years of oversight of the Iraq reconstruction effort, SIGIR has issued 336 audit and inspection reports, resulting in more than \$800 million saved, recovered, or put to better use. In addition, SIGIR’s investigative work has led to 25 convictions and more than \$69 million in court-ordered restitution payments, forfeitures, and fines. This quarter, SIGIR published 12 audits and inspections. The Baghdad International Airport (BIAP) economic zone audit and the al-Qaim electrical substation inspection uncovered a combined \$23 million worth of U.S.-funded projects or material either being wasted or in imminent danger of being wasted.

Audits

To date, SIGIR has issued 166 audits. As described further in Section 3, SIGIR’s six audits this quarter reviewed:

- **The Commercial Economic Zone at the Baghdad International Airport.** Over the past four years, Multi-National Corps-Iraq (MNC-I) has spent about \$35.5 million in CERP funds on 46 separate projects to develop a commercial economic zone at BIAP. The purpose of these projects is to generate revenue and establish BIAP as the gateway to Iraq for international investors. MNC-I’s ambitious goals, however, have only been partially achieved. The \$19.3 million expended on 22 projects has generated generally good results, but about \$16.1 million spent on 24 other projects has largely led to unsuccessful outcomes. Without prompt action, these funds are at risk of being wasted. SIGIR found that the projects were unsuccessful for reasons that included including poor planning and a lack of coordination with the GOI and U.S. civilian agencies; SIGIR noted that DoD has taken some efforts to improve the management of the ongoing BIAP projects.
- **Primary Healthcare Centers (PHCs).** This report addresses the cost, oversight, and outcome of a \$16.5 million contract with Stanley Baker Hill (SBH) to identify and repair PHCs, assess the conditions of PHCs, conduct an operations and maintenance program for one year, and improve the Ministry of Health’s (MOH) capability to operate and maintain these facilities. SIGIR found mixed outcomes. SBH assessed the outcome of 109 PHC projects and corrected construction and equipment deficiencies at 17. Moreover, SBH did not establish a maintenance program, did not provide transparency over the status of the facilities or provide information to pinpoint potential operational and sustainability issues. SIGIR concluded that nearly \$4 million spent on this contract appears to have been wasted. The MOH has now assumed responsibility for the operation and repair of these facilities and all further U.S. oversight will transition to the U.S. Embassy, absent a clear understanding of what was accomplished under this contract.

- **Projects to Develop the Iraqi Special Operations Forces (SOF).** This interim report reviews two contracts totaling \$19.3 million to provide the Iraqi SOF with a counter terrorism communications network, intelligence database, and training on the use and maintenance of both systems. SIGIR is concerned that \$1 million in equipment is either not being used or is missing. In addition, SIGIR determined that relatively few of the sites planned to be included in the network were actually connected to it, the contract requirements were inadequately delineated, and many contract documents were missing.
- **Reconstruction Projects Financed by the Development Fund for Iraq.** This letter report addresses the effectiveness of the process established by U.S. agencies with the GOI Ministry of Finance to facilitate payment for reconstruction contracts funded through the DFI. About \$32.3 million in DFI invoices remains unpaid, including \$24.4 million owed to 11 U.S. contractors, more than two years after the invoices were submitted to the GOI. Unless these issues are addressed, contractors will continue to go unpaid.
- **Iraq Security Forces Fund (ISFF) Obligations.** Since 2005, Congress has appropriated \$18.04 billion to DoD for the ISFF for training and equipping the ISF. This report found that \$16.7 billion (93%) of these funds had been obligated as of December 31, 2009. Of the funds obligated, \$15.1 billion (90%) had been liquidated. The report also examines the remaining funds available under ISFF that USF-I will use to support ongoing programs to support the Iraqi Police and Army.
- **SIGIR's Forensic Audit Initiatives.** This third interim report updates SIGIR's forensic audit activities since January 2010. SIGIR has continued its joint-audit/investigative initiative, focusing on programs that provide easy access to cash and have weak internal controls. From this work, SIGIR opened an additional 13 criminal investigations, bringing the total number of new cases generated by the forensic audit program to 45, involving



The United Nations and KRG are working together to refurbish the Erbil Citadel, one of the world's oldest continually inhabited sites. (UN Educational, Scientific and Cultural Organization photo)

60 individual subjects. This report also includes information on possible duplicative payments and payments to fictitious contractors made using funds drawn from the IRRF and the ISFF.

This quarter, DoD continued to take steps to address the deficiencies identified in SIGIR's audit reports. Most notably, on March 2, 2010, General Peter Chiarelli, Vice Chief of Staff of the U.S. Army, issued a memo establishing new standards for the selection and training of contracting officer's representatives (CORs), who are responsible for contractor oversight. Among the reforms are improved pre-deployment selection and training and better access to training and support materials for deployed CORs. In addition, commanders will be required to nominate personnel with experience in the type of contract support needed and consider their effectiveness as CORs when preparing performance evaluations.³⁹

Investigations

To date, the work of SIGIR's Investigations Directorate has resulted in 28 arrests, 39 indictments, 30 convictions, and more than \$69.6 million in fines, forfeitures, recoveries, and restitution payments. This quarter, SIGIR's work led to several significant indictments and plea agreements, including:

- An ongoing joint investigation by SIGIR, British investigators, and the Defense Criminal

Investigative Service led to the arrest of a two British citizens. The investigation involves an \$8.48 million contract awarded by the Coalition Provisional Authority to provide armored vehicles to Iraq's Ministry of the Interior (MOI). It is alleged that the contractor personnel provided false documentation in order to receive full payment for the contract and failed to deliver any vehicles to the MOI.

- In January, a U.S. Army major was arrested on charges of bulk cash smuggling and making false statements to a federal agency. According to the indictment, the major smuggled more than \$100,000 in currency, concealed in a shipping package, into the United States from Iraq. He also allegedly failed to declare on his tax returns that he imported the money.
- On January 27, 2010, Theresa Russell, a former staff sergeant in the U.S. Army, pled guilty to a one-count criminal information charging her with money laundering arising from a scheme involving the fraudulent awarding and administration of U.S. government contracts in Iraq. Her sentencing is scheduled for May 21, 2010.
- In February, former DoD contractor Terry Hall pled guilty to conspiring to pay more than \$3 million in bribes to U.S. Army contracting officials stationed at Camp Arifjan, Kuwait. Hall owned and operated several companies that provided goods and services to the Department of Defense. The case against Hall arose out of a wide-ranging investigation of corruption at the Camp Arifjan contracting office. To date, eight individuals, including Hall, have pled guilty for their roles in the bribery scheme.
- On February 26, 2010, the Department of Justice (DOJ) filed a criminal information charging a former U.S. Army lieutenant colonel with three counts of accepting illegal gratuities involving the award of a one-year, \$8.2 million warehouse contract in Iraq.
- That same day, DOJ filed a criminal information charging a U.S. Army captain with one count of accepting a gratuity involving a DoD

contract at Camp Arifjan. The information was filed as a result of the captain's alleged acceptance of \$15,000 in cash from a government contractor for preparing a contract performance survey and recommending an overall rating of excellent.

- In early March, a captain in the United States Marine Corps was charged with conspiring with his wife to skim approximately \$1.75 million from government contracts awarded under the Iraqi First Program while he was acting as a COR in Iraq. Moreover, because they allegedly failed to report any of these illegal payments on their tax return for 2008, they substantially understated their income to the Internal Revenue Service. During the course of this investigation, government agents also seized from the couple two properties in California, two automobiles, and approximately \$40,000 in cash.

Section 3 discusses SIGIR's recent investigative accomplishments in greater detail.

Inspections

This quarter, SIGIR's Inspections Directorate published six reports. Since 2005, SIGIR has issued 170 reports. This quarter's reports evaluated:

- **Al Qaim Electrical Mobile Substation.** The objective of this \$10 million ESF project was to install six trailer-mounted 33/11-kilovolt mobile substation units to various locations throughout Anbar province. The contract was awarded in April 2007, but, due to the non-responsiveness of the contractor, was subsequently terminated for default in December 2008 after \$6.5 million was spent. At the time of the termination, the contractor had delivered four of the six contract-required mobile substations, as well as five trailers, to a Ministry of Electricity (MOE) outdoor warehouse facility and installed one trailer at a project site in Haditha. In November 2009, SIGIR inspected the MOE's outdoor facility, identifying four mobile substations that had been sitting idle in the desert for at least seven

months. SIGIR recommended that the Iraq Transition Assistance Office (ITAO) work with GOI officials and Anbar political leaders in an effort to utilize the mobile substations.

- **Basrah Modern Slaughterhouse.** This \$5.6 million ESF project for the construction of a slaughterhouse in southern Iraq suffers from a lack of planning, and the results to date have not been consistent with the original contractual requirements. As an initial matter, SIGIR learned that the contract itself and its Statement of Work were poorly drafted and confusing, leading four U.S. Army Corps of Engineers (USACE) Gulf Region South district officials to admit they did not understand the requirements. Moreover, SIGIR inspectors also concluded that the slaughterhouse will require a significant supply of electricity and potable water, as well as a reliable means of disposing of waste products—none of which had been identified in the 19 months since the contract was awarded. SIGIR recommended that USACE work with the contractor to ensure that the project is adequately designed and capable of operating effectively, review the contract file to ensure compliance with the Federal Acquisition Regulation, and obtain equitable price adjustments for all de-scoped or modified work.
- **Al Hadi Permanent Police Station.** This \$1.2 million, ISFF-funded contract was for the design and construction of a police compound near Basrah. Although the project was less than one-third complete when SIGIR's inspectors performed an on-site assessment in September 2009, SIGIR found that the contractor's quality control and the U.S. government's quality control programs were effective. If construction and oversight continue in this manner, the project results should comport with the contract's requirements.
- **Haditha Dam Perimeter Security.** SIGIR's inspection of this critical infrastructure security project identified several key deficiencies, primarily involving flaws in the perimeter fence surrounding the dam site. SIGIR concluded that this \$1 million ESF project was inadequately

constructed and alerted the Gulf Region Central (GRC) Al Asad Resident Office of the problems with this project. After reviewing GRC's proposed corrective actions, SIGIR determined that GRC's plan should remedy the deficiencies uncovered by SIGIR's inspections team.

- **Humer Kwer Health Center.** The objective of this \$500,000 ESF contract was to build a new health center in Sulaymaniyah in the Kurdistan Region. In May 2009, USACE Gulf Region North district turned over the Humer Kwer Health Center to the Ministry of Health, whereupon it began operations, serving 60,000 residents from the surrounding area. SIGIR inspectors visited the facility in August 2009 and discovered some relatively minor issues, including a leaking fuel tank and a pressurized gas cylinder accessible to the public. Notwithstanding these problems, SIGIR concluded that the project was adequately constructed and operating as intended.
- **Thi Qar Bee Farm.** The purpose of this \$255,000, ESF-funded project was twofold: (1) construct a new honey-processing facility; and (2) provide training and materials (including beehives) to local farmers. SIGIR inspected the Thi Qar Bee Farm project in October 2009, finding that project results should be consistent with original objectives when honey-processing operations commence.

See Section 3 for more information on these project assessments.

After five years of work, and more than 200 site visits to projects located in all 18 of Iraq's provinces, SIGIR's Inspections Directorate will be winding down. The more than two cumulative decades of in-country experience accumulated by SIGIR's inspectors, however, will not be lost, as most of the Inspections Directorate's personnel will be transitioning to SIGIR's new Evaluations Directorate.

Evaluations

In February, SIGIR established its Evaluations Directorate. Building on more than six years of

audits and investigations, and staffed by personnel with more than 20 years combined experience on the ground in Iraq, SIGIR Evaluations will assess the practical effects of U.S.-funded reconstruction programs. SIGIR intends to publish seven evaluation reports over the next 18 months, the first of which will be released in mid-2010.

Reforming Stabilization and Reconstruction Operations

On February 22, 2010, SIGIR presented its fifth and final Lessons Learned report to the Commission on Wartime Contracting in Iraq and Afghanistan. *Applying Iraq's Hard Lessons to the Reform of Stabilization and Reconstruction Operations* proposes the creation of an integrated agency to plan for and manage stabilization and reconstruction operations (SROs). This new agency—the U.S. Office for Contingency Operations (USOCO)—would bring under one umbrella all elements of the U.S. government's response to SROs. Drawing on existing resources present within DoD, DoS, the U.S. Agency for International Development, and other federal agencies, USOCO would be responsible for managing all aspects of SROs, including deciding what programs and projects are funded. As the Iraq experience has amply demonstrated, the U.S. government has difficulty in integrating all elements of national power in its response to SROs. USOCO could solve this problem, save taxpayers money, and more effectively advance the national interests of the United States.

HUMAN TOLL

Intermittent rocket and mortar fire landed within the International Zone (IZ) this quarter, but no U.S. casualties were reported there. In response to post-election violence, the GOI instituted a city-wide midnight-to-6:00-a.m. curfew in Baghdad that also applies to movements within the IZ, demonstrating both the seriousness of the security

situation and the extent to which the GOI is now asserting its sovereignty over all of Iraq.

U.S. Civilians

DoS reported that six U.S. civilians died in Iraq this quarter, one from wounds suffered in an indirect fire attack. Since March 2003, at least 302 U.S. civilians have died in Iraq.⁴⁰

Contractors

In the first quarter of 2010, 25 deaths were reported to the Department of Labor (DoL), and 740 injuries were reported to the DOL as causing more than 3 days of lost work. As of March 31, 2010, the number of deaths reported in Iraq is 1,471 since the DOL began compiling this data in March 2003.⁴¹

On January 23, militants abducted Issa Salomi, an Iraqi-American contractor working for the Department of Defense. He was subsequently released unharmed in March. The circumstances of his kidnapping remain under investigation.

Journalists

No journalists were confirmed killed this quarter, but the head of the Iraqi Journalists' Syndicate, Muaid al-Lami, narrowly escaped assassination on March 21, 2010, when four gunman opened fire on his car.⁴² On April 14, a reporter for al-Baghdadia television station lost both of his legs when a bomb planted inside his car exploded. At least 140 journalists and more than 50 other media personnel have been killed in Iraq over the past seven years.

In November 2009, the Iraqi Communications and Media Commission (CMC) drafted new media rules, imposing strict requirements on all journalists operating or seeking to operate in Iraq. The rules mandate that all media outlets operating in Iraq be licensed and all individual journalists be accredited by the CMC. Moreover, the rules contain a provision banning "incitement to violence," a term the Committee to Project Journalists describes as "broad and unspecified."⁴³ Reportedly, these rules were being enforced prior to the March 7 elections.

One-fourth of Iraqi Citizens Live in Poverty

This quarter, the director of the GOI's Central Organization for Statistics and Information Technology, or COSIT, announced that approximately seven million Iraqis live below the poverty line, which, for a single adult, is approximately \$60 per month. According to the World Food Programme (WFP), those living in rural areas are nearly twice as likely to be poor as those living in urban areas.⁴⁴

Hoping to ameliorate this problem, the WFP approved a \$234 million plan in February to support the GOI's poverty reduction efforts. The WFP's objectives are twofold: (1) improve access to food and primary health care for the most vulnerable members of Iraqi society; and (2) support school-based meal programs in the most impoverished areas of Iraq. Food will be purchased internationally, shipped through Jordan, Syria, or Turkey, and distributed in conjunction with the GOI.⁴⁵ ♦