



MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

As I mark my seventh anniversary as Special Inspector General for Iraq Reconstruction, I am pleased to present this 28th Quarterly Report to the United States Congress and the Secretaries of State and Defense.

The next eleven months will see a series of transitions in Iraq that will profoundly affect the nature of the continuing U.S. mission, culminating in the scheduled withdrawal of all U.S. troops by December 31, 2011. Notable transitions include:

- the closure of the last Provincial Reconstruction Teams and the transition of their reconstruction missions to consulates in Erbil and Basrah and temporary offices in Mosul and Kirkuk
- the transition of the police training mission from the military to the Department of State
- the opening of a new Office of Security Cooperation-Iraq to manage most aspects of the continuing U.S. military assistance program

The various changes occurring in Iraq in 2011 will unfold under the aegis of the new coalition government in Baghdad. Prime Minister Nuri al-Maliki finally secured a second four-year term this quarter, but did so only by allowing myriad rivals to obtain numerous positions in the new Council of Ministers.

This quarter was good for Iraq economically. The Iraqi government's aggressive efforts to attract foreign capital investment continued to bear fruit. Moreover, several international oil companies, working to develop southern Iraq's lucrative oil fields, reported better-than-expected progress, including production increases at the super-giant al-Rumaila field. Much of Iraq's oil and gas resources are located in Basrah province, Iraq's economic engine and gateway to the world. Cognizant of Basrah's importance to the future of Iraq, SIGIR officials traveled there in January to assess the state of the U.S. reconstruction effort. Our "Focus on Basrah" section details SIGIR's findings and describes conditions in what is probably Iraq's most strategically important province.

In another development, the United Nations Security Council passed three resolutions in December, lifting a series of anachronistic trade sanctions imposed when Iraq was governed by Saddam. One effect of this UN action is that the Government of Iraq (GOI) is free, if it so wishes, to pursue a peaceful nuclear energy program. It must also be vigilant in protecting its assets from creditors, now that protections of the UN will be lifted.

This quarter, SIGIR published five audits, including a review of the U.S. military's \$370 million effort to pay former insurgents to provide security services through the Sons of Iraq (SOI) program. The military financed the costly SOI initiative using funds from the Commander's Emergency Response Program (CERP). To date, almost \$3.7 billion in CERP funds have been committed to projects in Iraq, with the SOI program being the single largest outlay. The Insert to this Quarterly Report contains a comprehensive look at how CERP funds have been expended in Iraq. SIGIR's collective oversight reporting on the CERP is particularly informative, given the continued large-scale use of CERP funds in Afghanistan.

Other notable SIGIR accomplishments this quarter include:

- completing investigative work that helped result in criminal and civil penalties of \$69 million levied against the Louis Berger Group for inflating invoices relating to work it performed for USAID and the Department of Defense
- issuing a finding that a \$26 million U.S.-funded educational academy for Iraqi officials had not been formally supported by the GOI and that no provisions had been made for the academy's operation and sustainment
- determining that a discrepancy exists between the total CERP allocations that U.S. Forces-Iraq reports it received and the amount of CERP funds that the Army Budget Office reports it provided to them

In early February, I will travel to Iraq for the 29th time, meeting with senior officials from the U.S. Embassy and the GOI to discuss how the U.S. drawdown will affect the ongoing reconstruction effort. I will also confer with members of the new Iraqi government about its plans to maintain U.S.-funded projects and ameliorate the continuing pernicious influence of corruption.

Although the last troops may withdraw from Iraq in December 2011, the Department of State will still maintain a significant reconstruction presence there for years to come, requiring sustained oversight and engagement to watch over what remains of the \$58 billion U.S. reconstruction program.

A handwritten signature in black ink, appearing to read "Stuart Bowen, Jr.", with a period at the end. The signature is written in a cursive, somewhat stylized font.

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