

DEVELOPMENTS IN IRAQ

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GOVERNANCE

As of December 31, 2010, the United States had obligated \$5.55 billion and expended \$5.07 billion to build the capacity of Iraq's government institutions, promote democracy, and provide humanitarian assistance to Iraqi refugees and internally displaced citizens.²³⁷

Government Formation

Iraq's major political blocs reached agreement on the new government's composition in late November, bringing to an end more than eight months of intense negotiations and returning Prime Minister Nuri al-Maliki to office for a second term. In the newly expanded, 42-seat cabinet, the prime minister's State of Law Coalition controls seven seats, as does the Kurdistan Alliance. The terms of the government formation agreement also accorded 10 cabinet seats to former Prime Minister Ayad Alawi's al-Iraqiya bloc, which won two more seats in the Council of Representatives (CoR) in the March 2010 elections, and 12 seats to the predominantly Shia Iraqi National Alliance. Al-Iraqiya will also chair the new National Council for Higher Policies, an entity whose powers are still being defined by the CoR. For a detailed look at the new Iraqi government, as of January 19, see Section 1.

U.S. Programs To Promote Democracy and Develop Government Institutions

The United States continued this quarter to administer several democracy and capacity-development programs at the national, provincial, and local levels. The programs are generally administered by the Department of State (DoS) and the U.S. Agency for International Development (USAID) and

funded by the Economic Support Fund (ESF).²³⁸ For a breakdown of selected ongoing programs, see Table 4.1.

National Capacity Development

USAID reported expending more than \$32 million of the ESF this quarter to strengthen Iraq's national government through the National Capacity Development program (called *Tatweer*, Arabic for "development").²³⁹

Tatweer staff continued to work with the Iraqi Ministries of Health, Oil, Electricity, and Agriculture, as well as the Trade Bank of Iraq, the Central Organization for Standardization and Quality Control (COSQC), and al-Mustansiriya University to strengthen Iraq's government and public institutions. For instance, *Tatweer* staff held a workshop to develop training curricula in selected core health-administration areas, and a similar workshop is planned to educate trainers at the Ministry of Health (MOH) in the development of job descriptions for the ministry. In 2011, the MOH plans to use *Tatweer* training material as it begins implementing a program to train 1,000 MOH employees annually in public and health administration.²⁴⁰

Following a *Tatweer* workshop on procurement and contracts, the Trade Bank of Iraq conducted a letter-of-credit workshop at the Ministry of Oil. Elsewhere, *Tatweer* staff assisted the Ministry of Electricity (MOE) in developing tender templates related to a power-plant project in Wassit province. *Tatweer* staff also assisted the COSQC in instituting independent inspections of imported foods and other goods to enhance consumer safety. And this quarter, al-Mustansiriya became the first university to implement a post-graduate curriculum on procurement and integrated supply-chain management using *Tatweer*-developed material.²⁴¹

As part of its ongoing effort to assist the Ministry of Planning and Development Cooperation

Iraq's major political blocs reached agreement on the new government's composition in late November.

TABLE 4.1
STATUS OF U.S.-FUNDED CAPACITY-DEVELOPMENT PROGRAMS

PROGRAM	DURATION		STATUS OF FUNDS (\$ Millions)		
	START DATE	END DATE	ALLOCATED	OBLIGATED	EXPENDED
National Capacity Development (<i>Tatweer</i>)	2006	projected for 2011	309.4	309.4	296.8
Local Governance Program	2006	projected for 2011	435.5	435.5	396.3
Community Action Program	2006	projected for 2012	384.3	384.3	319.1
Democracy and Civil Society	2006	ongoing	263.3	260.6	168.6
Ministerial Capacity Development	2006	ongoing	50.0	37.7	34.5
PRT Quick Response Fund	2007	ongoing	276.0	270.7	223.0
PRT/PRDC Projects	2006	ongoing	632.1	580.4	505.5

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

(MoPDC), *Tatweer* this quarter helped finalize the objectives and indicators for monitoring implementation of Iraq's *National Development Plan (2010–2014)* (NDP). USAID reported that these indicators will be programmed as a module into the Iraq Development Management System (IDMS), which the GOI plans to use to monitor NDP projects.²⁴²

Provincial Government Development

USAID reported expending \$54 million this quarter for the Local Governance Program (LGP III), which supports Iraq's Provincial Councils (PCs) as they formulate legislation, prepare capital and operating budgets, and execute capital projects.²⁴³ LGP III officials reported that, in 2010, all Iraqi provinces met the deadlines for submissions of their budgets to the central government. This has been a continuing focus of training for the LGP program. In 2009, only one province was able to meet its deadline.²⁴⁴

This quarter, USAID reported that LGP III advisors helped PCs develop new procedural rules, legislative schedules, and documentation of meetings and resolutions. All but three provinces have begun publishing a gazette announcing official government business. LGP III advisors also encouraged PC members to conduct public hearings and create government websites to foster citizen participation, and they helped PCs create provincial development strategies aligned with the NDP.²⁴⁵

Community Development

USAID reported expending \$28 million this quarter for the Community Action Program (CAP III), which promotes citizen participation in government at the local level. The program also facilitates Marla Ruzicka Iraqi War Victims Fund projects, which benefit Iraqis who have been affected by U.S. or Coalition military operations around the country.²⁴⁶

CAP III held workshops this quarter for neighborhood and district council members and staff on topics such as citizen outreach, citizen participation, project proposal writing, media relations, and women's rights. Marla Ruzicka projects assisted Iraqis in finding medical services, jobs, and housing. CAP III advisors focused on aiding widows and children and on providing prosthetic limbs and other medical support to the injured. USAID reported that 222 Marla Ruzicka projects, valued at more than \$3.1 million, benefited over 57,000 Iraqis this quarter.²⁴⁷

Democracy and Civil Society

The DoS Bureau of Democracy, Human Rights and Labor (DRL) reported that two of its nine democracy and civil society projects were completed this quarter. The highest-value ongoing project is a \$15 million effort to aid the CoR, the Iraqi Kurdistan Parliament, and Iraqi political parties. The aim is to promote accountability and

In 2010, all Iraqi provinces met the deadlines for submissions of their budgets to the central government.

transparency by improving efficiency in passing legislation and helping elected officials respond to constituents' needs. The second-costliest ongoing effort was a \$12 million post-elections project to strengthen newly elected provincial and national leaders, political parties, academic think tanks, and democratic institutions nationwide.²⁴⁸

USAID administers three democracy and civil society programs, including a new program, called Access to Justice, that will focus on improving the access of disadvantaged and vulnerable populations to Iraq's legal system. For more on this program, see the Rule of Law subsection of this Report. The Legislative Strengthening Program provides support to the CoR to improve institutional oversight of government operations, legislative development, and constituency representation. The Elections Support Program focuses on providing long-term technical assistance to the Independent High Electoral Commission (IHEC) to support the drafting of election laws, voter registration, ballot design, and other election-related activities.²⁴⁹

Ministerial Capacity Development

This quarter, the Iraq Strategic Partnership Office (ISPO) administered four Ministerial Capacity Development projects, the largest of which was a \$5 million program to train and mentor MOE personnel in the development of a long-term plan for Iraq's national power grid (which is discussed further in the Public Services subsection of this Quarterly Report). The other projects work with the Ministries of Water Resources, Agriculture, Transportation, and Planning, as well as the office of the deputy prime minister, to provide expertise in such areas as public policy research, ground-water sampling, and tactics for water-sharing negotiations with neighboring countries.²⁵⁰ This quarter, ISPO allocated \$38 million and expended \$35 million for these programs.²⁵¹

Provincial Reconstruction

Provincial Reconstruction Teams (PRTs) use the Quick Response Fund (QRF) to support a variety of

development projects in Iraq's provinces. Projects are administered through DoS and USAID. This quarter, DoS approved 183 projects valued at \$14.1 million and expended \$450,000 for those new projects. In addition, 101 DoS-administered QRF projects valued at \$3.9 million were completed this quarter.²⁵² USAID reported no ongoing QRF projects.²⁵³

PRTs also use the Provincial Reconstruction Development Council (PRDC) to fund a variety of water and sanitation projects, school rehabilitation projects, and other reconstruction projects. This quarter, PRTs completed 16 PRDC projects valued at more than \$35.5 million; another 55 PRDC projects valued at almost \$111.9 million were ongoing at the end of the quarter.²⁵⁴

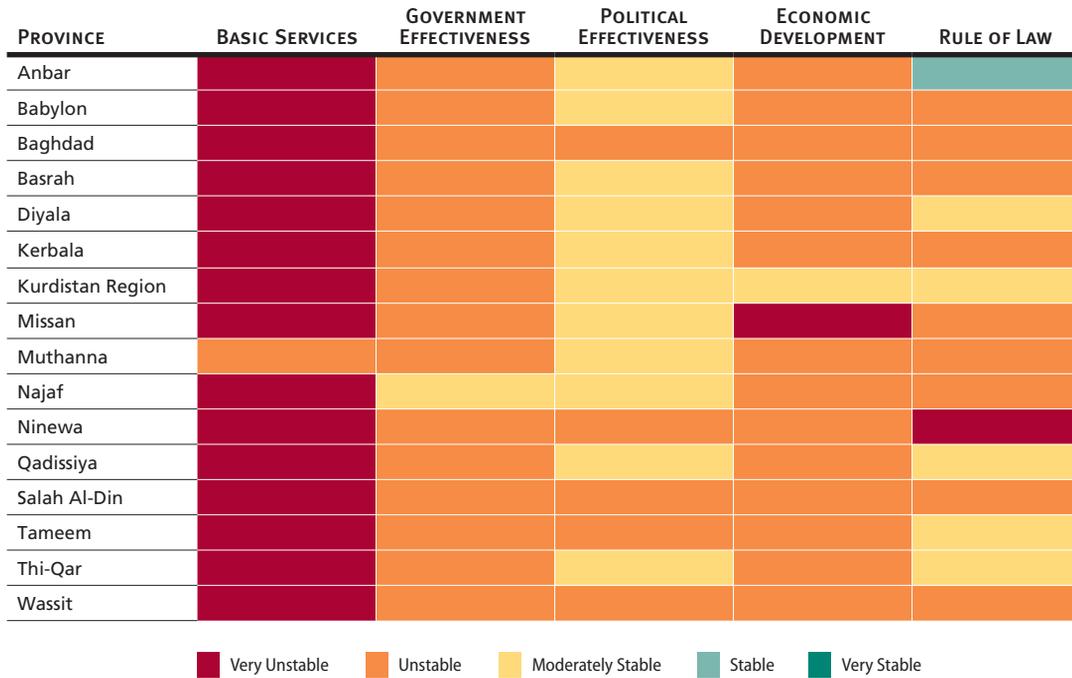
Progress toward Provincial Self-reliance

Since 2006, U.S. PRTs have reported their observations of provincial government capacity using a tool first called the Capability Maturity Model (CMM) and then the Maturity Model Quarterly Assessment (MMQA). This quarter, the Office of Provincial Affairs (OPA) began using a different model, called the Stability Development Roadmap (SDR), to provide "an analysis of public opinion which measures the likelihood of a province to experience wide-scale civil unrest" in the event of a "matchstick" incident, according to OPA's definition. Developed specifically for OPA, the SDR is intended to measure how susceptible each province is to civil unrest and instability by analyzing public opinion polling.²⁵⁵ In FY 2011, \$2.5 million was obligated for the SDR, and \$625,000 has been expended.²⁵⁶

Categories evaluated by the SDR include basic services, government effectiveness, political effectiveness, economic development, and the rule of law. Thirty-five metrics were measured to determine overall satisfaction within each category.²⁵⁷ For an overview of rankings summarized in the SDR for the period October–December 2010, see Figure 4.1.

The SDR is intended to measure how susceptible each province is to civil unrest and instability.

FIGURE 4.1
STABILITY DEVELOPMENT ROADMAP, 10/2010–12/2010



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

The perceived inadequacy of basic services is the greatest source of potential instability in Iraq.

Basic Services

According to the SDR, the perceived inadequacy of basic services—such as water, sewerage, and electricity—is the greatest source of potential instability in Iraq. All but one of the provinces received “very unstable” ratings in enough metrics to receive an overall rating of “very unstable” in the basic services category. Nine provinces received a “very unstable” rating in every basic services metric. The most important factor for the Iraqis polled was not the actual condition of basic services but the lack of visible improvement in their condition.²⁵⁸

Government and Political Effectiveness

U.S. Embassy-Baghdad combined the analysis of data for both the government and the political effectiveness categories in its report. The SDR indicated a perception of growing political infighting among Provincial Council members as well as the emergence of political blocs challenging the authority

of the governor. However, the political differences were deemed unlikely to spark significant popular upheaval. Although Iraqis gave low ratings to their national and provincial leadership, they rated the election process high, and all 18 provinces received “stable” or “very stable” ratings in a category called “peaceful reconciliation of differences.” OPA reported that while sectarian differences persist, they are much less likely to fuel an outbreak of wide-scale violence compared with years past.²⁵⁹

Economic Development

Unemployment was viewed as the most potentially destabilizing factor in the economic development category, and a lack of confidence in banks was seen as an emerging potential factor for wide-scale civil instability. Primary concerns included a lack of bank liquidity and the near collapse of al-Warka Bank, the largest private bank in Iraq. Several PRTs reported brisk trade in consumer goods

and a boom in construction. Securing land leases remained a major impediment to foreign direct investment, and water and irrigation capabilities remained a persistent challenge.²⁶⁰

Rule of Law

While the SDR found that a perception of corruption is widespread in Iraq, results varied on whether corruption could spark unrest in different provinces. In the Rule of Law category, Iraqis reported being most concerned about the conditions of prisoners in Iraqi correctional facilities. In all 18 provinces, this metric was rated as “very unstable,” indicating much pent-up public frustration that could spark unrest if a high-profile instance of prisoner mistreatment occurs.²⁶¹

Internally Displaced Persons and Refugees

The United Nations High Commissioner for Refugees (UNHCR) estimates that 1.5 million Iraqis continue to be displaced inside Iraq, and as of November 2010, it had registered 197,996 Iraqi refugees in neighboring countries. The actual number of Iraqi refugees in the region remains unknown, but may be much larger: neighboring host countries estimate that as many as 1.8 million refugees may reside in those countries.²⁶² For an overview of key movements of those displaced, see Figure 4.2.

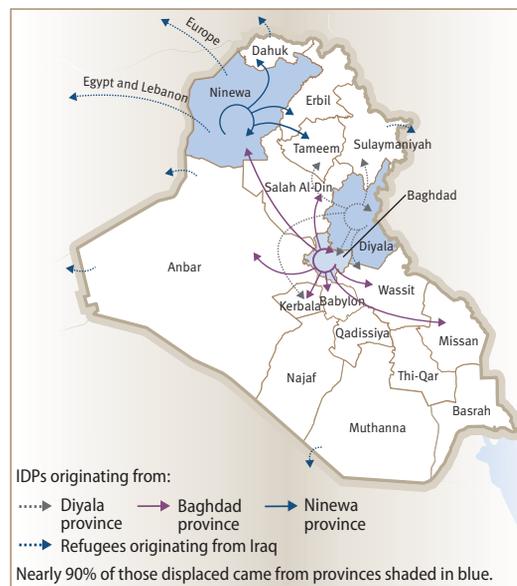
Loss of homes to squatters or violence and poor access to essential services were cited as reasons some internally displaced persons (IDPs) chose to remain displaced. However, while the majority of IDPs live in rented housing, some 500,000 of them currently live in makeshift squatter settlements or in public buildings.²⁶³ An estimated 200,000 of that total live in more than 120 such settlements throughout Baghdad.²⁶⁴ IDPs in settlements suffer from severe overcrowding and inadequate shelter, and they have limited access to water and other essential services.²⁶⁵ According to a Government



Two Iraqi women stand outside their makeshift home in a squatter settlement. (UNHCR photo)

Iraqis reported being concerned about the conditions of prisoners in Iraqi correctional facilities.

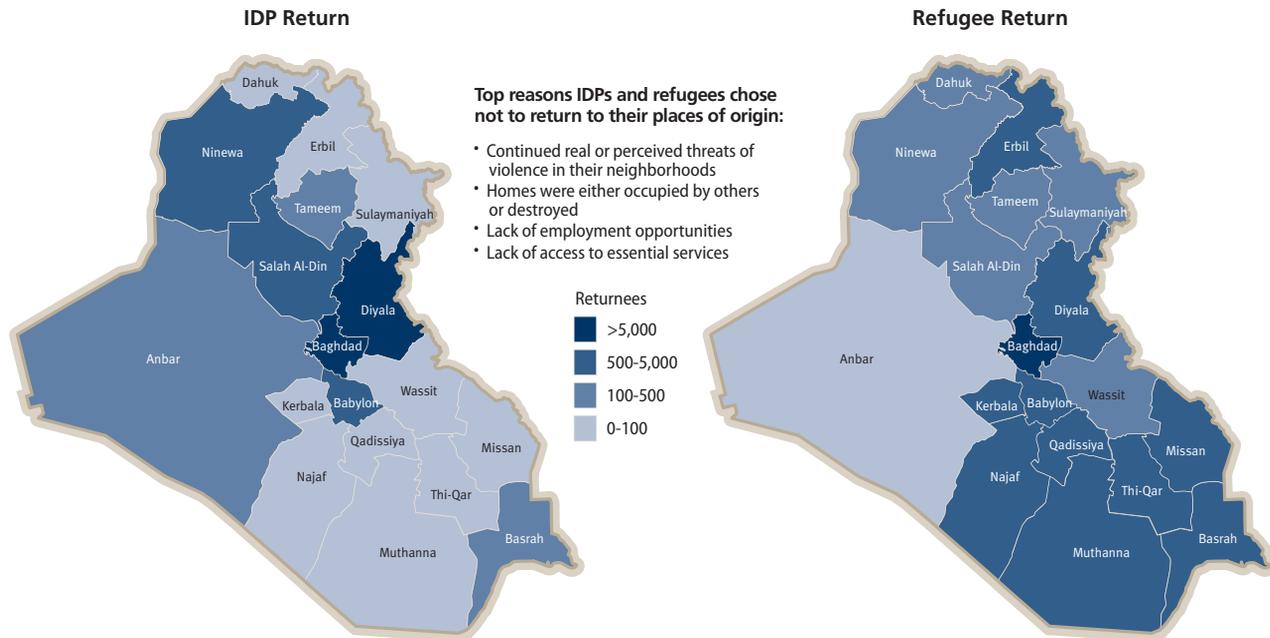
FIGURE 4.2
KEY MOVEMENTS OF DISPLACED IRAQIS,
2006–9/2008



Source: GAO Report GAO-11-124, “Displaced Iraqis: Integrated International Strategy Needed to Reintegrate Iraq’s Internally Displaced and Returning Refugees,” 12/2/2010, p. 7.

Accountability Office (GAO) report released this quarter, USAID and UNHCR officials noted that integration into the communities of refuge remains an option for those who fear reprisals from members of opposing religious sects in their homes

FIGURE 4.3
IDP AND REFUGEE RETURN, BY PROVINCE, 10/2009–9/2010



Source: UNHCR, "Monthly Statistical Update on Return—September 2010," 9/2010.

The number of those displaced still far exceeds the number of people returned.

of origin. Other factors, including demographic shifts and the length of time spent in their places of displacement, may also convince IDPs to stay in host communities.²⁶⁶

While tens of thousands have returned to their places of origin, the flow of the displaced to their homes—measured at 9,500 to 15,000 per month before Iraq's March 2010 elections—has slowed to about 7,500 per month.²⁶⁷ The number of those displaced still far exceeds the number of people returned.

The majority of returnees have been going back to Baghdad and Diyala provinces.²⁶⁸ According to Government of Iraq (GOI) data, more IDPs than refugees have returned home: From January to November 2010, about 22% of the 112,250 returnees were refugees; the rest were IDPs.²⁶⁹ Many who have returned lament their decision: A UNHCR survey of 2,353 Iraqis who had gone back to two Baghdad neighborhoods found that 61% of them

regretted going home, and 60% cited security concerns as the reason.²⁷⁰ For an overview of IDP and refugee returns to places of origin, see Figure 4.3.

U.S. Support for Refugees and IDPs

In FY 2010, DoS provided more than \$310 million in humanitarian assistance to Iraqi refugees, IDPs, and conflict victims. Inside Iraq, this included a \$7.1 million contribution to the World Food Program, \$17 million to the International Organization for Migration (IOM), and \$29.3 million to other international organizations. It also included a \$204.5 million contribution to UNHCR's regional Iraq appeal.²⁷¹ USAID also funds programs to support IDPs and refugees, reporting \$20 million provided in FY 2010 to support IDPs through its CAP III program and implementing partners.²⁷²

DoS Bureau of Democracy, Human Rights, and Labor

DRL funds a program provided by the Heartland Alliance to provide psychosocial and mental health services to IDPs in the Qalawa Camp in Sulaymaniyah province. U.S. Embassy-Baghdad reported that 65% of those who receive help from Heartland are torture survivors, and the remaining 35% include victims of war trauma, gender violence, and human trafficking. The Heartland Alliance also works with IDPs in Baktiari Camp in Diyala province to provide medical and mental health services.²⁷³ For information on other activities conducted by the Heartland Alliance, see the Rule of Law subsection in this Quarterly Report.

DoS Bureau of Population, Refugees, and Migration

The Bureau of Population, Refugees, and Migration (PRM) funds programs to support voluntary returns and reintegration of IDPs by helping them to find housing, employment, and access to public services. PRM refugee coordinators work with Iraqi leaders to help them allocate land to refugees and IDPs and to provide support to both displaced groups through the IOM and the UN World Food Program (WFP). IOM focuses on socioeconomic reintegration needs of returnees and their host communities using in-kind grants and assistance to businesses. WFP runs a cash-for-work program that aims to rehabilitate community infrastructure and provide immediate employment for nearly 12,000 of the most vulnerable households in Diyala and Baghdad provinces. PRM has not obligated new funds for FY 2011 for activities in Iraq; instead key partners, including UNHCR, IOM, and WFP, are using funds obligated at the end of FY 2010 to implement programming.²⁷⁴

USAID/OFDA

As of December 31, 2010, USAID's Office of Foreign Disaster Assistance (OFDA) had obligated more than \$425.54 million and expended \$405.40 million to provide emergency support to

improve the living conditions of IDPs, refugees, and other vulnerable populations in Iraq.²⁷⁵ OFDA also coordinates with international organizations, NGOs, and UN agencies to help displaced people return to their areas of origin, integrate into the area of displacement, or resettle to a third location. OFDA also supports Return Assistance Centers (RACs) in Iraq to facilitate the safe and voluntary return of IDPs and refugees. OFDA grantees continued this quarter to construct and rehabilitate shelters in 12 of Iraq's 18 provinces. In FY 2010, OFDA provided more than \$45 million in humanitarian assistance to vulnerable populations in Iraq, including IDPs.²⁷⁶ This quarter, OFDA obligated an additional \$4.3 million to the IOM.²⁷⁷

GOI Support for Refugees and IDPs

According to a GAO report released this quarter, the GOI does not appear committed to addressing displacement issues or to working with Jordan and Syria to repatriate Iraqi refugees residing in those countries.²⁷⁸ However, U.S. Embassy-Baghdad reported that U.S. officials were urging the GOI to increase its commitment to aiding the displaced and to working with neighboring countries to assist Iraqi refugees.²⁷⁹ IOM officials report that many Sunni refugees will choose not to return home until greater progress is made toward national reconciliation between Iraq's religious and ethnic groups.²⁸⁰ In a 2008 survey, Sunnis accounted for 56% of the approximately 311,000 refugees residing in neighboring countries and registered with UNHCR. Within Iraq, the situation is reversed: Shia accounted for the majority of 1.3 million internally displaced in a February 2010 assessment done by the IOM.²⁸¹ For a breakdown of Iraq's IDPs and refugees by religious affiliation, see Figure 4.4.

U.S. Embassy-Baghdad's Refugee Coordinators continue to engage with the GOI's Implementation and Follow-up Committee for National Reconciliation to urge it and the Ministry of Displacement

Many Sunni refugees will choose not to return home until greater progress is made toward national reconciliation.

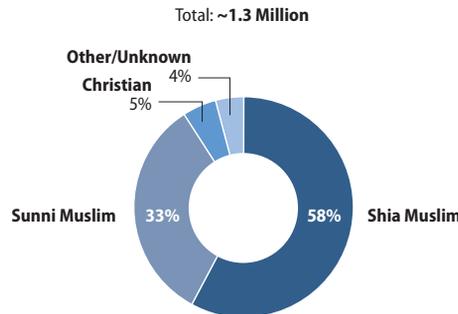
TABLE 4.2
MoDM AND TOTAL GOI BUDGET AND EXPENDITURES, 2008–2010
 \$ Millions

ACCOUNT	2008		2009		2010	
	BUDGET	EXPENDITURES	BUDGET	EXPENDITURES	BUDGET	
Operating	Compensation	---	---	4.90	4.40	7.10
	Goods and Services	---	---	3.30	1.70	3.40
	Social Benefits	---	---	40.70	52.20	170.90
	Subtotal	227.60	283.40	49.00	58.30	181.40
Investment	2.50	1.90	6.70	0.50	13.70	
Total MoDM	230.10	185.20	55.60	58.80	195.20	
Total GOI	72,181.40	56,064.30	58,615.10	36,882.70	72,332.00	

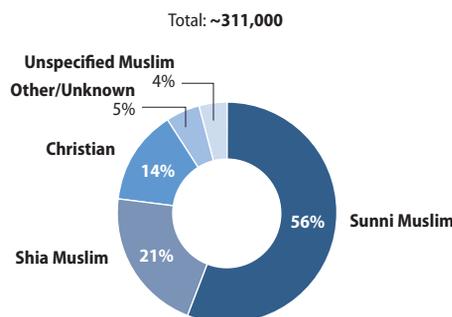
Source: GAO Report GAO 11-124, “Displaced Iraqis: Integrated International Strategy Needed to Reintegrate Iraq’s Internally Displaced and Returning Refugees,” 12/2/2010, p. 35.

FIGURE 4.4
RELIGIOUS AFFILIATION OF IDPS AND REFUGEES

Religious Affiliation of IDPs in Iraq, as of 2/2010



Religious Affiliation of Registered Refugees, at the End of 2008



Note: 221,983 IDP families were assessed.

Source: GAO Report GAO-11-124, “Displaced Iraqis: Integrated International Strategy Needed to Reintegrate Iraq’s Internally Displaced and Returning Refugees,” 12/2/2010, pp. 9–10.

and Migration (MoDM) to aid IDPs who want to remain in the Baghdad area.²⁸²

Iraq’s 2010 budget included \$195.2 million allocated to the MoDM out of a total budget of \$72.3 billion—a significant increase in budget allocation for the MoDM over 2009, but less than was allocated in 2008.²⁸³ For an overview of the GOI budget for IDPs and refugees, see Table 4.2.

Diyala Initiative

U.S. Embassy-Baghdad reported this quarter that the Diyala Initiative, created by a GOI executive order in July 2009 to assist in the return and reintegration of IDPs and refugees, had not resulted in a significant increase in the return of IDPs to Diyala province. As of this quarter, the project was still in the “early phase” of implementation, and preliminary plans were still underway to expand the initiative to Baghdad.²⁸⁴ The biggest challenge remains lack of employment in the agricultural sector due to war-damaged irrigation infrastructure and the effects of a multi-year drought.²⁸⁵ After successfully aiding 500 returnee households in Diyala, the program is preparing to expand to reach 11,682 households in Diyala and Baghdad provinces.²⁸⁶ The GOI reported that more than 14,800 families had returned to Diyala following implementation of the initiative and a reduction in violence in the province.²⁸⁷

The biggest challenge remains lack of employment in the agricultural sector due to war-damaged irrigation infrastructure and the effects of a multi-year drought.

International Support for Refugees and IDPs

A GAO report on displaced Iraqis issued in December 2010 criticized the international community for failing to create a coordinated approach to reintegrating displaced Iraqis, faulting both the U.S. government and the UNHCR for neglecting to make public their respective strategies.²⁸⁸ The report lays much of the blame for the lack of integrated plans on limitations placed on the MoDM by the GOI, but notes that the lack of a focused international strategy has, in GAO's view, hindered efforts to assess the needs of IDPs and refugees. Specifically, the report cites three issues of concern:²⁸⁹

- The numerous assistance centers and mobile units operated by various entities that aim to assist returnees are potentially inefficient. There are many agencies working to find shelter, jobs, and essential services for IDPs and refugees, but there is no consistent way to measure their success against international goals for reintegration.
- The goals and outcomes of U.S. diplomatic efforts and material assistance provided through implementing partners were classified or considered sensitive information and were not made publicly available.
- The GOI is not sufficiently committed to encouraging returns and reintegration, according to international organizations and U.S. officials. The MoDM issued a national policy on displacement but lacks the authority to lead ministerial efforts, resulting in bureaucratic challenges faced by returnees trying to recover property or receive government stipends.

The report suggests that a more effective approach would be to integrate policies and programs into one overarching, Iraqi-led strategy that includes clearly defined and agreed-upon goals. DoS responded to the report by noting that many factors had influenced U.S. aid to IDPs and refugees, including security conditions in Iraq, which impeded mobility and made monitoring programs difficult. DoS also noted that the U.S. government did not proactively encourage Iraqis to go back to their places of origin, but rather supported voluntary returns and reintegration. DoS also noted that it had consistently urged the GOI to increase its involvement in IDP and refugee issues. USAID, in its response to the report, concurred with GAO recommendations, noting that it had worked with PRM and others on an unclassified version of the U.S. IDP and refugee strategy.²⁹⁰

The lack of a focused international strategy has, in GAO's view, hindered efforts to assess the needs of IDPs and refugees.

Refugee Resettlement in the United States

More than 58,800 Iraqi refugees and Special Immigrant Visa (SIV) holders resettled in the United States between October 1, 2007, and December 31, 2010, including 54,551 refugees and at least 4,263 SIVs (DoS only tracks SIV holders who resettle through PRM). The majority of refugees have been resettled in California, Texas, Michigan, Illinois, and Arizona, while the majority of SIVs have settled in Texas, California, Virginia, Washington, and Tennessee.²⁹¹ ♦

SECURITY

As of December 31, 2010, approximately 49,700 U.S. troops were deployed in Iraq.²⁹² Under Operation New Dawn, which began on August 31, 2010, the mission of U.S. Forces-Iraq (USF-I) is to advise, train, assist, and equip the Iraqi Security Forces (ISF). At the request of the GOI, USF-I may conduct partnered counterterrorism operations and provide other security support. USF-I also protects civilians working with the UN and the U.S. Mission-Iraq to build civil capacity throughout the provinces.²⁹³

On January 15, 2011, at least one Iraqi soldier gunned down two U.S. soldiers at a training center in Iraq. A third U.S. soldier was killed in a separate incident the same day—the deadliest for U.S. forces since July 2010.²⁹⁴

Recent Levels of Violence

USF-I has reported a continuing risk of violence from a number of known terrorist groups around Iraq. Al-Qaeda in Iraq (AQI) remains a dangerous threat, but USF-I reported that the group’s capabilities have been degraded as a result of U.S. and Iraqi targeting of its operations.²⁹⁵



The Iraqi Air Force launches a Hellfire missile from an AC-208 Cessna Combat Caravan during a training mission near Baghdad on November 8, 2010. (USF-I photo)

In 2010, as the number of U.S. troops fell by half from 2009 levels, the number of security incidents fell by more than 20%.²⁹⁶ As of December 31, 2010, the overall level of violence in Iraq was about 90% lower than the peak seen in 2007. Last year, the average number of daily security incidents nationwide was less than 25—making 2010 the least violent year since U.S. operations began in 2003 (see Figure 4.5).²⁹⁷ However, Iraq remains the scene of indiscriminate mass-casualty attacks and frequent targeted attacks on government officials, security personnel, and religious minorities. On November 2, AQI launched the largest mass-casualty attack of the quarter, detonating 16 bombs that killed 70 people and injured at least 250 more in Baghdad.²⁹⁸ For an update on security indicators, see Figure 4.6.

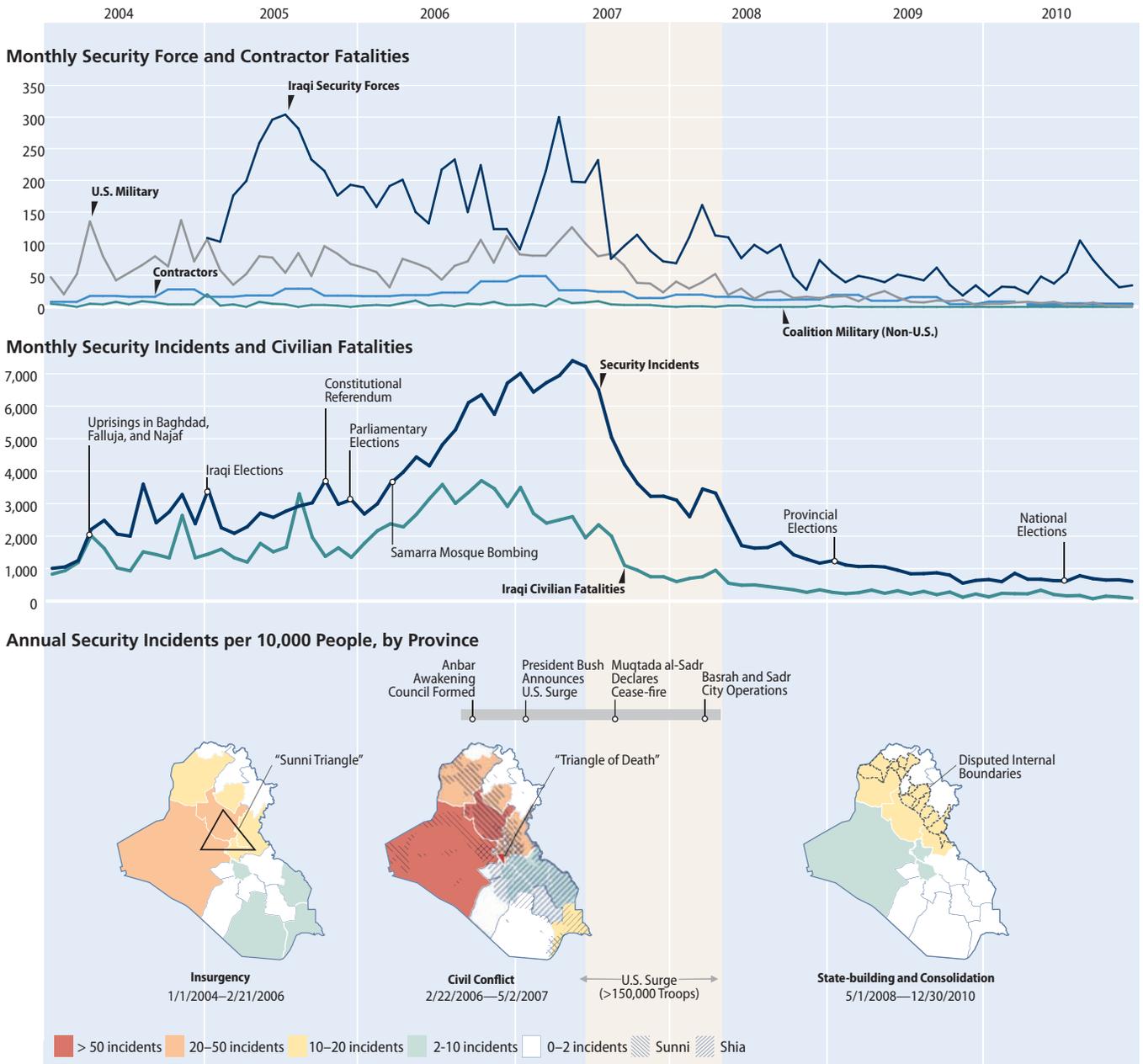
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FIGURE 4.5
AVERAGE SECURITY INCIDENTS PER DAY, BY QUARTER, 1/2004–12/2010



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

FIGURE 4.6
SECURITY INCIDENTS AND FATALITIES IN IRAQ, 1/2004–12/2010



Note: Data not audited. Numbers affected by rounding. "U.S. Surge" denotes period when at least 150,000 U.S. troops were in Iraq. ISF fatality data for deaths that occurred before 1/4/2005 is not available.

Sources: DoD, *Measuring Stability and Security in Iraq*, 2/2006–9/2009; DoL, responses to SIGIR data calls, 11/25/2009, 1/5/2010, 4/12/2010, 7/7/2010, 10/7/2010, and 1/14/2011; Brookings Institution, *Iraq Index*, 12/30/2010, pp. 12 and 14; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 4/2009, 10/2009, and 1/2010; GOI, response to SIGIR data call, 12/21/2009; USF-I, response to SIGIR data call, 1/4/2011.

Revised Security Incident Data

SIGIR has relied on U.S. military authorities (in U.S. Central Command (CENTCOM), USF-I, and the predecessor Multi-National Force entities) for the security incident data presented in SIGIR’s Quarterly Reports. In February 2010, because SIGIR did not have a historically complete set of data at the time, CENTCOM provided SIGIR with a complete set covering security incidents from January 2004 through December 2008. This data set came from Multi-National Corps-Iraq (MNC-I), and it was consistent with previous data provided by MNC-I on security incidents through the first half of 2009.

In preparation for its April 2010 Quarterly Report, SIGIR received another set of data from USF-I that covered the period from April 1, 2009, through March 26, 2010. On the surface, this more recent data set seemed inconsistent with the older set because it showed markedly more incidents in the April–June 2009 period. SIGIR questioned the accuracy of the data and was told that it was all that could be provided. The “monthly incident” line in Figure 2.11 of

the April 2010 SIGIR Quarterly Report reflects the discontinuity of the data and makes clear that the data came from two different sources. Supplemented with updates from USF-I, SIGIR displayed the same historical data in its July and October 2010 Quarterly Reports.

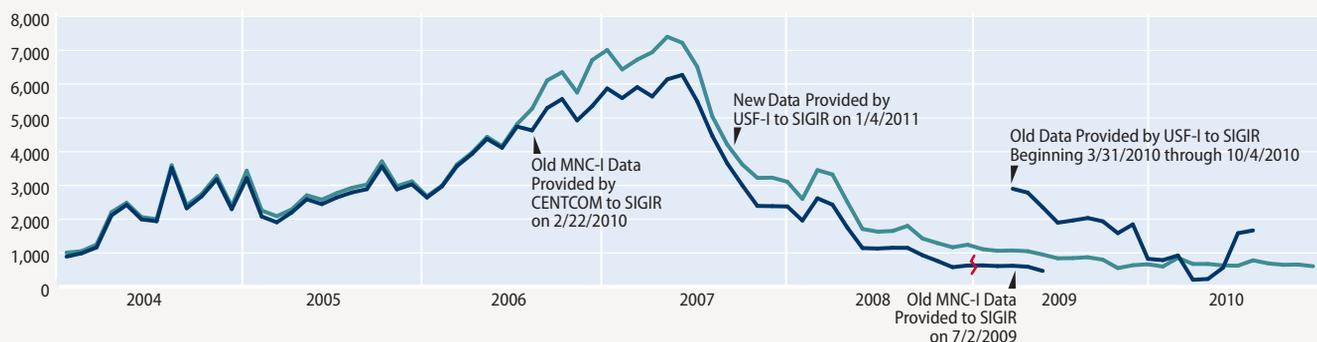
On November 30, 2010, USF-I contacted SIGIR and challenged the accuracy of the security incidents data displayed in SIGIR’s October 2010 Quarterly Report. After reviewing the underlying data, USF-I acknowledged that SIGIR’s graphs faithfully mirrored the data that USF-I had provided to SIGIR—but that the data was incorrect. USF-I informed SIGIR that it had “unknowingly provided an incorrect data file in September 2010 when responding to the quarterly data call.”²⁹⁹ According to USF-I, the faulty data reflected “raw incidents (pre-analysis) across multiple categories, the majority of which did not meet the refined post-analysis criteria required of recordable security incidents.”³⁰⁰

SIGIR received revised data from USF-I on January 4, 2011. Figure 4.7 compares the old “incorrect” data with the new

“correct” data. USF-I has acknowledged that, “while the graph depicts the data submitted, it is not representative of the formally recorded monthly security data.”³⁰¹ The new data set shows more security incidents than previously reported for the period from mid-2006 to mid-2007. According to USF-I, that difference is explained by inclusion of information provided by the host nation that has been reported in the Department of Defense (DoD) Combined Information Data Network Exchange (CIDNE) since August 2006. The new data also deviates significantly from the old data set starting in April 2009. From April 2009 through August 2010, the revised data shows a 50% reduction in total security incidents relative to the data previously provided by USF-I. If the new data is accurate, then all the security incident data that SIGIR received from USF-I in 2010—not just the data received in September—had inaccuracies.

All security incident figures in this January 2011 Quarterly Report use the new, corrected data that USF-I provided on January 4, 2011.

FIGURE 4.7
COMPARISON OF OLD AND REVISED MONTHLY SECURITY INCIDENT DATA, 2004–2010



Sources: MNC-I, response to SIGIR data call, 7/2/2009; CENTCOM, response to SIGIR data call, 2/22/2010; USF-I, responses to SIGIR data calls, 3/31/2010, 4/1/2010, 7/1/2010, 10/4/2010, and 1/4/2011.

Attacks on Minority Christians

The GOI reported that, on October 31, 2010, an estimated 50 members of Our Lady of Salvation Church in Baghdad were killed, and approximately 75 injured, after a front-group for AQI attacked the church and held worshippers hostage for several hours. The attackers detonated suicide vests and responded with gunfire as Iraqi Police (IP) stormed the building, resulting in numerous hostages and seven police officers being killed. Five of the attackers were reportedly killed, and eight were captured.³⁰² Ten days later, early morning bomb and mortar attacks on homes of Christians in Baghdad left at least 3 people dead and 26 wounded. Subsequently, Iraq's Immigration and Displacement Directorate in Dahuk province announced that it had received more than 80 Christian families who fled Baghdad and Mosul.³⁰³

Landmine Removal

On October 25, 2010, Iraq called for international assistance to clear an estimated 20 million landmines throughout the country. The UN has reported that Iraq is heavily contaminated with explosive remnants of war, landmines, and other unexploded ordnance.³⁰⁴ During 1991–2008, approximately 8,000 Iraqis, among them 2,000 children, were estimated to have been killed or maimed by mines and cluster bombs, according to UN figures.³⁰⁵ The United Nations Assistance Mission for Iraq (UNAMI) has noted that landmines affect 1.6 million Iraqis and that 90% of the mines are located in agricultural lands. Prime Minister al-Maliki emphasized that the problem is compounded by a lack of mapping of mined areas, and he has requested assistance from the international community.³⁰⁶

Iraqi Security Forces

As of December 31, 2010, nearly 800,000 security force personnel were serving in the Ministry of Defense (MOD), Ministry of Interior (MOI), and



GOI and church officials survey the damage after the October 31, 2010, attack on Our Lady of Salvation Church in Baghdad. (Ankawa photo)

the Iraqi National Counter-Terrorism Force.³⁰⁷ For a breakdown, by ministry, see Table 4.3.

USF-I's Iraq Training and Advisory Mission (ITAM) reported this quarter that development of the Iraqi Joint Operations Command is underway to support the transfer of internal security responsibility to components of the IP.³⁰⁸ USF-I also reported that progress has been made in the integration of GOI and Kurdistan Regional Government (KRG) forces serving under the MOD.³⁰⁹ U.S. funding for a portion of the program to integrate GOI and KRG forces came to an end in December 2010.³¹⁰

Iraq called for international assistance to clear an estimated 20 million landmines throughout the country.

TABLE 4.3
IRAQI SECURITY FORCES, AS OF 12/31/2010

SERVICE	ASSIGNED PERSONNEL	
Ministry of Defense^a	Iraqi Army (IA)	206,000
	Training and Support	47,000
	Air Force	5,000
	Navy	3,500
	Total MOD	261,500
Ministry of Interior^a	Iraqi Police	303,000
	Iraqi Federal Police	45,000
	Border Enforcement	60,000
	Oil Police	30,000
	Facilities Protection Service (FPS)	96,000
Total MOI	534,000	
Counter-Terrorism Forces	4,120	
Total	799,620	

Note: Numbers affected by rounding.

^a Assigned numbers illustrate payroll data; they do not reflect present-for-duty totals.

Source: GOI, MOI IG, response to SIGIR data call, 1/15/2011.

Notwithstanding these advances, USF-I has reported that “the U.S. faces the choice of making additional investments to fill essential gaps in ISF capabilities or accept the risk that they will fall short of being able to fully secure Iraq from internal and external threats by the time U.S. forces depart in accordance with the Security Agreement.”³¹¹ In addition to logistics capacity shortfalls raised by the DoD Office of Inspector General (DoD OIG) this quarter, ITAM reported that corruption within the ISF has hindered development and led to the inefficient allocation of human and fiscal resources, as well as the absence of a requirements-driven planning process for the maintenance of security infrastructure and equipment.³¹²

Status of the MOD

USF-I reports that the ISF is now regarded as counterinsurgency (COIN) capable, and the qualified Iraqi trainers necessary for sustaining the Iraqi Army (IA) COIN force are in place.³¹³ ITAM reported that more than 191,000 IA personnel have been fielded in 13 light infantry divisions and 1 mechanized division. More than 54,800 IA soldiers graduated from initial and specialized training programs during 2010,³¹⁴ and training in mechanized and specialized equipment schools continues on a schedule that is coordinated with the IA’s equipment modernization program.³¹⁵

The MOD conducts IA training at 20 locations, which provide for a range of individual, leader, and collective training courses. Current training is focused on preparing the IA for stability operations and external defense. The “train-the-trainer” concept has now transitioned from USF-I to the MOD, and the fielding of division-level Iraqi trainers is said to be almost complete.³¹⁶

Status of the MOI

According to DoD assessments, both MOI and MOD security forces are behind in the attainment of Minimum Essential Capability (MEC)—the standard that indicates “Iraqi security ministries, institutions, and forces can provide internal



SIGIR’s Deputy Inspector General meets with General Mohamad, Commander of Basrah’s ISF, on January 13, 2011.

security and possess foundational capabilities to defend against external threats.”³¹⁷ Among the various MOI forces, only the Federal Police (FP) and Oil Police are currently assessed to be operationally capable. The IP, Department of Border Enforcement (DBE), and Port of Entry services are assessed as having a basic capability and improving technical skills. All MOI security forces, however, are expected to have gaps in funding, command and control, and logistical infrastructure through the time USF-I withdraws in December 2011.³¹⁸

As of December 31, 2010, more than 708,600 personnel had been trained through MOI centers, mainly in these three components:³¹⁹

- 459,268 IP personnel
- 104,834 FP personnel
- 65,541 DBE personnel

MOI training is conducted at 36 active training centers; U.S. civilian police advisors (CPAs) support 28 of them.³²⁰ The current training focus—in addition to the significant one-time task of training and integrating the Facilities Protection Service (FPS) (discussed below)—is to have a professionally trained, sufficiently staffed police force that is capable of defeating insurgencies, creating an environment of internal security, and enforcing the rule of law.³²¹ ITAM reported that it is presently analyzing how many more advisors will be necessary to support the 273 CPAs currently working in Iraq, and how they will be recruited and deployed.³²²

According to DoD assessments, both MOI and MOD security forces are behind in the attainment of Minimum Essential Capability.

Status of Facilities Protection Service Transition

The plan for transitioning FPS personnel to the IP service has slowly evolved since 2008.³²³ In November, the Minister of Interior announced that he had approved MOI funding to train approximately 76,000 FPS as police officers in 2011.³²⁴ Under the transition agreement, all FPS contractors are to become Iraqi Police in late January or early February 2011. This change of status will resolve the pay imbalances that have existed with FPS personnel at the Ministry of Industry and the Baghdad Municipality (Amanat).³²⁵

Currently, the FPS comprises approximately 91,650 personnel. Of these, about 17,330 are full-time FPS police, and about 74,320 are MOI contractors. Historically, contractors have earned half as much as the full-time FPS personnel while facing the same hardships and dangers. Additionally, contractors are not provided with MOI identification cards, which authorize them to be armed. In the past, some MOI contractors have had their weapons confiscated by Coalition forces and IP officers because they lacked this identification. These problems are expected to be resolved when the contractors become IP officers early in 2011.³²⁶

Twelve MOI training academies will be used throughout Iraq to conduct the FPS training. The plan calls for 11 training cycles, spanning several months, with 6,700 contractors to be trained in each four-week cycle. This will take approximately 18 months to accomplish. The curriculum will incorporate elements of both the basic recruit training and the FPS curriculum.³²⁷

ITAM reported that expenditure of \$10 million of the Iraq Security Forces Fund (ISFF) for the construction of an FPS training facility is now in question because “inadequate progress” had been made on the project.³²⁸

Police Canine Program

An example of recent specialized training programs is the Police Canine Program. On November 7, 2010, the Iraqi Police Canine Program and Canine Handlers School certified 26 explosive-detection



U.S. military canine and handler assigned as part of an explosive-detection team in Baghdad. (USF-I photo)

dog handlers, 14 veterinarian assistants, and 3 veterinarian doctors at the Baghdad Police College. Certification as explosive-detection dog handlers required police personnel to complete a 45-day program with Iraqi master canine trainers. The November 2010 graduation was the fourth group of canine handlers to complete the course, which has fielded a total of 164 explosive-detection teams. Graduates will return to their provinces, where they will work as explosive-detection teams and serve at security checkpoints.³²⁹

Sons of Iraq

There has been no change to the number of Sons of Iraq (SOI) personnel who have transitioned into either the ISF or non-security ministries since last quarter. Since October 2008, 8,748 SOI members have been hired into the ISF, and more than 30,000 have been hired into non-security ministries.³³⁰

USF-I does not have information about the number of SOI enrolled in vocational or educational training programs. To the extent that such programs exist, they are managed by the GOI.³³¹

Historically, contractors have earned half as much as the full-time FPS personnel while facing the same hardships and dangers.

As of November 2010, 387 SOI had been killed in 663 attacks. Attacks on the SOI appear to have been more targeted in 2010.

Payment of SOI Salaries

The GOI provided more than \$270 million to pay SOI salaries in 2009 and committed an equal amount for 2010 salaries.³³² According to USF-I, the draft 2011 budget includes funding to increase SOI salaries to \$300 per month for all members nationwide. Current salaries vary by province between \$130 and \$300 per month. The Ministry of Finance reported that the same amount was included in its 2011 budget proposal for the CoR.³³³

Complaints about the program continue to be reported. However, the GOI's Office of Disarmament, Demobilization, and Reintegration (DDR) has reported improvements in paying SOI members:³³⁴

- August payments fell behind schedule and were paid out together with the September pay disbursement.
- In some areas, October salary payments, due by November 14, were not completed by the end of November.
- In Anbar and Tameem, payments fell significantly behind schedule, and both October and November payments were made simultaneously.
- November payments in five of the nine provinces where SOI operate were completed on time. The remaining provinces were finished by December 18.
- December salaries were not due until January 14, 2011. However, the GOI accelerated pay schedules. SOI in some provinces were paid for December at the same time November pay was distributed. All were paid by the end of December, two weeks ahead of the January due date.

TABLE 4.4
SOI SALARY PAYMENTS MADE ON TIME, SINCE 5/2010

PROVINCE	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Anbar			X		X		X	X
Babylon					X	X	X	X
Baghdad					X			X
Diyala			X		X			X
Tameem					X		X	X
Ninewa	X		X		X	X		X
Qadissiya					X	X	X	X
Salah Al-Din			X		X	X		X
Wassit					X	X	X	X

Note: Payments are considered to be on time if made by the 14th day of the next month.

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

TABLE 4.5
SOI ATTACKS AND MEMBERS KILLED IN ACTION, 10/2008–11/2010

TIME PERIOD	NUMBER OF ATTACKS	TOTAL KILLED
Oct–Dec 2008	119	78
Jan–Mar 2009	137	40
Apr–Jun 2009	112	56
Jul–Sep 2009	71	32
Oct–Dec 2009	52	40
Jan–Mar 2010	28	11
Apr–Jun 2010	69	34
Jul–Sep 2010	41	79
Oct–Nov 2010	34	17
Total	663	387

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

Table 4.4 summarizes GOI payment performance since May 2010, when a streamlined pay process was established.

Attacks on SOI

SOI members have assumed considerable personal risk during the course of the program, and the danger continues even after the high-profile period of the surge. As of November 2010, 387 SOI had been killed in 663 attacks. Attacks on the SOI appear to have been more targeted in 2010. Although the number of total attacks in 2009 was 116% higher than in 2010, the number of SOI killed in 2010 was just 16% below the reported number of SOI killed in 2009. Moreover, this comparison does not include those killed during the month of December 2010.³³⁵ For the number of SOI killed and their associated attacks, see Table 4.5.

SIGIR Audit of Sons of Iraq Program

SIGIR released an audit this quarter of the SOI program. MNC-I spent approximately \$370 million of FY 2007–FY 2009 CERP funds on the program. SIGIR auditors found that insufficient quantifiable program data, coupled with the inability to segregate possible SOI effects from other factors,

precluded SIGIR from drawing conclusions about the program's contribution to the reduction in violence in Iraq. MNF-I officials and commanders who spoke with SIGIR stated that they believe SOI was an important factor in reducing violence and provided a number of anecdotal examples in support of their opinions. Overall, SIGIR found the MNF-I exercised weak financial controls over its cash payments to the SOI. SIGIR found that payments were often made to an SOI leader rather than to individual SOI members. Since assuming full control of the SOI program in April 2009, the GOI has faced difficulties in managing the program and integrating SOI members into Iraqi ministries. The GOI promised to employ 95,120 SOI members, but has provided offers to only 39,224. Additionally, it has not offered any jobs since November 2009.

Security Sector Assistance Plans for 2011

USF-I continues to sustain, equip, and train ISF personnel of the MOD and MOI with the stated goal of ensuring that they achieve at least MEC standards.³³⁶ In November, a DoD OIG review warned that “the looming deadline of December 2011 allows little time to develop a viable logistics and industrial capability that can attain and sustain minimum materiel readiness levels for the ISF.” The report warns that failure to do so “could result in a downward spiral of operational readiness that would put Iraq’s security and stability at risk.”³³⁷ Moreover, DoD has reported that essential capabilities may not be in place before transfer of responsibility for police training to the DoS’s Bureau of International Narcotics and Law Enforcement Affairs (INL). In August, DoD reported that there will be enduring gaps in police capability—not covered by the INL police-training mission—“if the Iraqi Police do not achieve MEC prior to INL assuming the mission independently.”³³⁸

Weaknesses Identified in MOD and MOI Logistics Capability

According to USF-I, the IA’s logistics and sustainment capability is one area that appears likely to fall short of the MEC standard when U.S. forces redeploy in December 2011.³³⁹ Although the commands and bases to support logistics and sustainment are largely in place, maintaining ISFF-funded equipment and infrastructure and managing the resources to carry out the MOD’s mission have remained a problem.³⁴⁰ Recent DoD OIG observations of notable shortfalls of MOD’s logistics system include:³⁴¹

- warehouse management at the Joint Repair Parts Command at Taji
- the availability of critical repair parts
- the MOD fuel supply system incentives to repair vehicles
- the Joint Base Workshop at Taji National Depot
- logistics support of IA Divisions
- the Iraqi Asset Management Program and on-hand inventory of repair parts at medium-size workshops

Recent DoD OIG observations of notable shortfalls of MOI’s logistics system include:³⁴²

- repair parts for the MOI and IP vehicle fleet
- the FP Sustainment Brigade
- medical supplies at the FP Medical Battalion
- munitions safety at the FP Headquarters Storage Facility

FY 2010 and FY 2011 Funding for U.S. Security Programs

As of December 31, 2010, nearly \$437 million (44%) of the \$1.0 billion in FY 2010 supplemental appropriations to the ISFF were still available for obligation to new projects; these funds expire on September 30, 2011. More than \$713 million (71%) remained unexpended.³⁴³ The FY 2010 ISFF spend plan includes MOD sustainment projects, modernization of supply-chain management, and training-center life support for the Foreign Military Sales (FMS)-equipped Iraqi 9th Mechanized

DoD has reported that essential capabilities may not be in place before transfer of responsibility for police training to INL.

Division. Most ISFF funding for the MOI is committed to training as USF-I prepares to transfer responsibility for the police-training program to INL in October 2011.³⁴⁴ For details of the transition, see Section 3 of this Quarterly Report.

FY 2011 assistance to the Iraqi security sector is uncertain because the Congress has not yet completed its consideration of the Administration's FY 2011 appropriations request of \$2.0 billion for the ISFF and \$315 million for the International Narcotics Control and Law Enforcement (INCLE). Instead, to fund FY 2011 government operations, the Congress has passed four continuing appropriations acts, the most recent of which (P.L. 111-322) provided funding through March 4, 2011. The law provided:³⁴⁵

- approximately \$386 million to the ISFF, slightly less than the amount for a corresponding period that was provided in FY 2010 and significantly less than what was requested for FY 2011
- approximately \$296 million to the INCLE, the same amount of funding for the corresponding period provided in FY 2010 but significantly more than what was requested for FY 2011

According to USF-I, an FY 2011 ISFF spend plan is not available and will not be developed until the final funding amounts have been determined. But USF-I has reported that the United States “faces the choice of making additional investments to fill essential gaps in ISF capabilities or accept the risk that they will fall short of being able to fully secure Iraq from internal and external threats” by the scheduled withdrawal of U.S. forces in December 2011. The spend plan built around the Administration's \$2.0 billion FY 2011 appropriations request allocated more than 80% of anticipated funding for MOD activities, including \$849 million for sustainment and \$619 million for equipment.³⁴⁶ The FY 2011 National Defense Authorization Act (P.L. 111-383), which the President signed into law on January 7, 2011, authorizes up to \$1.5 billion in FY 2011 appropriations for the ISFF.³⁴⁷ It is not clear whether USF-I will allocate similar priority to MOD sustainment and

equipment if the Congress ultimately appropriates less than was requested.

INL was unable to provide SIGIR with a spend plan for its FY 2011 funds on the grounds that appropriations have not yet been finalized. INL requested approximately \$315 million, \$295 million (94%) of which was planned to cover the expenses of INL's Police Development Program (PDP) for approximately three months.³⁴⁸ For more details on INL's planned PDP, see Section 3.

Foreign Military Sales

The modernization of the ISF is facilitated through the Foreign Military Sales program. Currently, the GOI has committed to 355 FMS agreements to acquire defense articles and services that the U.S. government proposes to sell. As of December 31, 2010, 72% of the \$8.3 billion FMS program had been committed by the GOI. Of the \$1.97 billion in equipment and projects already delivered or in the process of being delivered, the GOI had funded 63.9%.³⁴⁹ Examples of activity this quarter include:

- As of December 31, 2010, 63 of the 140 M1A1 tanks were delivered to Iraq at an estimated cost of \$3.6 million per tank.³⁵⁰ The last shipment is expected to arrive in Iraq in August 2011.³⁵¹
- Eight M88A2 Recovery Vehicles were produced and delivered to Iraq, with an estimated value of \$29.6 million.³⁵²
- Operator and maintainer training for the M1A1s and M88A2s, under the New Equipment Training program, have been placed on contract and are scheduled to begin February 1, 2011. Included is training for two regiments (70 tank crews) through December 31, 2011. Tank maintainer training is currently scheduled through February 28, 2012. The total cost of this training package is estimated at \$34.2 million.³⁵³
- A one-year contract to provide support for contractor logistics (\$35 million, estimated) is scheduled to begin on February 1, 2011.³⁵⁴

USF-I has reported that the United States “faces the choice of making additional investments to fill essential gaps in ISF capabilities or accept the risk that they will fall short of being able to fully secure Iraq from internal and external threats.”

- The Iraqi Army Aviation Directorate accepted delivery of two new Mi-171E helicopters. This delivery, coordinated with the USF-I's Iraq Security Assistance Mission, increased the directorate's total inventory of these Russian-made aircraft to eight. The helicopters will be used to conduct counter-terrorism, airlift, intelligence, surveillance, reconnaissance, and other missions.³⁵⁵

U.S.-funded Construction Projects

The U.S. Army Corps of Engineers (USACE) reports that it completed 33 security-related construction projects, with a combined value of \$62.4 million, this quarter. Four of the projects used a total of \$1.7 million in INCLE funds, and three of these INCLE projects were for security upgrades at courthouses.³⁵⁶

The other 29 completed projects were funded with \$60.8 million from the ISFF and included three at Camp Taji in Baghdad. On November 2, 2010, USACE's Gulf Region District (GRD) completed construction of two identical storage facilities at the Camp Taji Joint Repair Parts Command. The facilities, which were built using \$6.3 million of the ISFF, will serve as the main storage location for IA vehicle repair parts.³⁵⁷ SIGIR audited earlier phases of the Taji project, including the GOI commitment of resources to staff and sustain complex logistics processes at the facilities.³⁵⁸

As of December 31, 2010, USACE had 82 ongoing security construction projects with a combined value of \$295.4 million. Almost all of the funding comes from the ISFF. The largest is a \$46.1 million project to build a National Police Sustainment Brigade Complex in Baghdad.³⁵⁹

GRD is also converting a former Iraqi military headquarters in Baghdad into the new Iraqi International Academy (IIA). The academy is designed to provide executive- and senior-level GOI leaders with classes and workshops in strategic dialogue, professional development, and English language.



The Depot Distribution Central Operation storage facilities at Camp Taji, completed on November 2, 2010. (USACE photo)



GRD is renovating a former Iraqi military headquarters site and turning it into the future Iraqi International Academy. (USACE photo)

The \$13.4 million ISFF-funded construction project is scheduled to be completed in summer 2011. USACE is renovating 10 buildings and constructing two new buildings on the campus.³⁶⁰

This quarter, SIGIR released a report addressing the extent to which the GOI was prepared to maintain and operate the IIA after construction is completed. SIGIR found that the GOI has not made any commitment to fund the operation of the IIA after its planned opening and that the U.S. military did not adequately address sustainment needs with the GOI in its project-planning deliberations. Additionally, DoD plans to furnish and equip the facility at an estimated additional cost of \$12 million. SIGIR recommends that the U.S. CENTCOM Commander direct the USF-I Commander to take no further action to purchase furniture and equipment for the IIA, and inform the GOI that it is the GOI's responsibility to do so.³⁶¹ ♦

SIGIR found that the GOI has not made any commitment to fund the operation of the IIA after its planned opening and that the U.S. military did not adequately address sustainment needs.

RULE OF LAW

As of December 31, 2010, the United States had obligated \$1.97 billion and expended \$1.67 billion to improve the rule of law, including the observance of human rights, in Iraq.³⁶² According to U.S. Embassy-Baghdad, programs to improve the justice system—which focus on increasing judicial security, processing criminal cases more efficiently, and improving oversight and capacity of detention facilities—remain a central component of the U.S. effort to achieve a unified, democratic, and federal Iraq that is at peace with its neighbors and an ally of the United States.³⁶³

This quarter, the Office of the Rule of Law Coordinator (RoLC), along with the PRTs and INL, continued to work with various ministries, including the MOI and Higher Judicial Council (HJC), to improve security conditions for judges and speed the issuance of weapons cards to judges and their protective security details. With the help of representatives from the Department of Justice's International Criminal Investigative Training Assistance Program (ICITAP) and USF-I, RoLC also continued to embed training teams in Ministry of Justice (MOJ) detention facilities and make regular visits to MOI detention facilities to assess conditions and mentor staff members.³⁶⁴

On November 3–4, 2010, RoLC held a Provincial Rule of Law Conference at U.S. Embassy-Baghdad. Approximately 100 military and civilian officers met to exchange lessons learned and assess how best to consolidate progress as the military draws down its presence in Iraq. The conference previewed U.S. and international engagements with the GOI's judicial institutions that are planned to take place after the scheduled departure of U.S. troops in December 2011.³⁶⁵

This quarter, USAID awarded a new contract for a program called Access to Justice, paving the way for work with Iraqi partners to develop a curriculum aimed at:³⁶⁶

- improving government processes and procedures to provide vulnerable populations better access to government services and legal remedies
- enhancing the public knowledge of citizens' responsibilities, rights, and remedies under Iraqi law
- increasing the competence and availability of legal professionals and civil-society partners to assist vulnerable and disadvantaged Iraqis

Iraqi Justice System

Iraqi Court System

This quarter, RoLC and INL continued to assist the GOI in modernizing its judicial system, including assisting in securing its court facilities and modernizing its administrative practices.³⁶⁷ Notwithstanding this assistance, some criminal courts continue to be overburdened by pre-trial detainees. For example, between July 1 and September 30, 2010, the HJC reported that Karkh Central First Investigative Criminal Court completed only 950 of the 3,677 cases it received, amounting to a case completion rate of 26% and leaving a total backlog of 2,727 cases at the investigative stage. During the same period, however, the HJC reported that the al-Anbar Investigative Criminal Court completed nearly 90% of the cases before it. RoLC also reported that the Federal Appellate Court reduced the number of old cases on its docket in 2010. Although a distinct variance in case completion rates among Iraqi investigative courts remains, RoLC reported that the average completion rate for investigative courts throughout Iraq has consistently improved and is currently at approximately 75%.³⁶⁸

The Rusafa Court, located near the Rusafa Detention Center in Baghdad, continues to complete counterterrorism caseload. U.S. military judge advocates general in the U.S.-Iraqi Law and Order Task Force (LAOTF) have been working with the judiciary to

Some criminal courts continue to be overburdened by pre-trial detainees.

find more efficient ways of conducting initial investigative hearings and to speed cases to trial. The HJC reported that judges at the Rusafa Court heard approximately 1,488 cases and completed 748 cases between July 1 and September 30, 2010.³⁶⁹

INL Judicial Reform Initiatives

In September 2010, INL awarded grants for court-administration capacity building to the National Center for State Courts and for data management to the Institute for International Law and Human Rights. Additionally, INL has signed a letter agreement with the United Nations Development Programme (UNDP) to help strengthen the core administrative functions of the HJC at the national and provincial levels through 2012.³⁷⁰

INL reported that its FY 2011 program funds will support recently initiated programs that provide technical experts to advise on legal reform, courthouse security, and other administrative and managerial issues. INL also plans to continue funding for its rule-of-law advisors serving at the U.S. Embassy and in the PRTs.³⁷¹

HJC Update

In a meeting with SIGIR this quarter, Chief Justice Medhat al-Mahmoud provided an update of HJC accomplishments and noted that several challenges still face the HJC.³⁷²

- **The HJC has created investigative offices for all the judges.** Medhat said that as Iraq gets back to “normalcy,” the country should observe the laws dictating that investigations be under the purview of the independent judiciary—not the police. However, because of the shortage of investigative judges, the police have been filling the void (and in critical circumstances, the military has also been assisting in what Medhat termed “hot areas”). The HJC has started to build up the investigative capacity of the various courts to begin taking up more of the caseload. Medhat said that the number of investigative judges would be increasing and that they will receive training in forensics and other technical issues.



SIGIR's Deputy IG meets with Basrah's Chief Justice Hekmat, in Basrah, Iraq, on January 13, 2011.

- **Medhat's biggest concern continues to be security for the judges.** In January, two judges were attacked, and one died. There are currently 5,230 security personnel providing coverage for all of the courts and Iraq's 1,260 judges. The Council of Ministers (CoM) rejected the HJC's 2011 budget request to fund 4,000 additional security personnel, and the HJC is still without armored vehicles or weapons.
- **The GOI law mandating retirement at age 63 is a serious problem.** According to Medhat, there is a legislative proposal to have judges remain in place until the age of 70, which would allow Iraq to retain its most experienced personnel and assist in clearing a substantial backlog of cases. Until that measure is passed, he must submit requests on a judge-by-judge basis to the President of Iraq to get exemptions that would allow regular judges to serve until the age of 65 and members of the Court of Cassation to serve until 68.

In January, two judges were attacked, and one died.

Anticorruption

U.S. Support for Iraq's Anticorruption Institutions

Since 2003, U.S. officials have provided substantial assistance to Iraq's primary anticorruption agencies—the Commission of Integrity (COI), the ministry inspectors general (IGs), and the Board of Supreme Audit. Within the Embassy's INL office, the Anti-Corruption Coordination Office (ACCO)

oversees U.S. anticorruption initiatives in Iraq. It reports that GOI progress toward achieving its anticorruption goals has been slow and that security concerns, legal uncertainties, and underdeveloped institutional capacities continue to hamper the GOI’s anticorruption efforts.³⁷³

ICITAP advisors have been providing investigative training to COI personnel since 2004 through funding provided by INL and an interagency agreement between DoS and the U.S. Department of Justice.³⁷⁴ At the program’s peak in 2007, approximately 15 ICITAP advisors were dedicated to this mission.³⁷⁵ As of January 2011, three ICITAP advisors were assigned to the COI to conduct activities in three areas until the program’s scheduled conclusion on June 30, 2011.³⁷⁶

- building the managerial capacity of COI managers and supervisors through active mentoring
- enabling the COI to develop and fully implement a comprehensive, sustainable national training strategy
- enhancing the current operational proficiency of the COI

With support from the U.S. Embassy’s Military Information Support Team (MIST), ICITAP and ACCO also assisted the COI in providing 30,000 anticorruption magazines for distribution to Iraqi school children this quarter.³⁷⁷

National Anticorruption Strategy

This quarter, the Ministries of Agriculture, Education, and Culture, as well as the CoM, conducted workshops aimed at implementing provisions of the *National Anti-Corruption Strategy for 2010–2014* (NACS), which the GOI released in March 2010. As of the end of 2010, the majority of the GOI’s ministries had complied with NACS requirements to complete and submit their individual anticorruption plans to the COI for review.³⁷⁸

COI Investigations

Upon completion of an investigation, Iraqi law requires the COI to refer its findings to an



One of 30,000 children’s anticorruption magazines released by the COI in December 2010 for use in educating Iraqi school children.

investigative judge for adjudication. As of September 30, the COI had referred more than 2,000 defendants to the courts in 2010, involving allegations of corruption totaling approximately \$380 million. The MOD had the largest number of employees referred to investigative judges, followed by the MOI and the Ministry of Municipalities and Public Works.³⁷⁹

The COI also reported that its investigative work had led to 481 convictions between January 1 and September 30, 2010, including convictions of 50 GOI officials holding the rank of director general or above. Of those convicted, 39% were found guilty of forgery (usually of educational certificates), 26% for damaging government property, and 20% for embezzlement.³⁸⁰

COI Leadership Questions

Under Iraqi law, the office of COI Commissioner has full authority to direct and control all COI operations,³⁸¹ and the Commissioner is potentially involved in every corruption investigation in Iraq. The office’s current occupant, Judge Raheem al-Ugaili, was appointed by Prime Minister al-Maliki

The Ministry of Defense had the largest number of employees referred to investigative judges.

in December 2007. However, he has never been confirmed by the CoR and, as such, serves only in an interim capacity and is subject to replacement at the prime minister's discretion.³⁸² Because of its actual—and latent—authority, the position of COI Commissioner will be an important appointment for the new government.

Financial Disclosure

Under Coalition Provisional Authority Order 55, which continues to govern COI activities, all mid- to high-ranking GOI employees must file annual disclosure forms with the COI.³⁸³ On December 5, 2010, the COI reported that 76% of the members of the former (pre-March 7 elections) CoR had filed the appropriate financial disclosure forms. Other notable financial disclosure results for 2010 included:³⁸⁴

- 100% response rate for 34 of the 56 agencies employing affected personnel
- 100% response rate for the CoM
- 92% response rate for the 24 heads of independent (non-ministerial) agencies
- 56% (10 of 18) response rate for provincial governors
- 18% response rate for the more than 3,400 affected personnel at the MOI

Inspectors General

This quarter, Iraq's IGs continued to examine allegations of corruption within their ministries. SIGIR reported in October that an investigation into the MOI's purchase of ineffective bomb detectors from a British company was quashed by the invocation of Article 136(b) of the Iraqi Criminal Procedure Code, which allows for a minister to halt judicial inquiries into the activities of personnel working in that ministry. This quarter, the MOI IG announced his intention to conduct a joint investigation with British authorities into the circumstances surrounding the acquisition of these devices. According to the MOI IG, 75% of the value of the contract went to kickbacks received by GOI officials.³⁸⁵



SIGIR's Inspector General meets with officials from the new Iraqi Academy for Fighting Corruption on November 8, 2010.

In another significant investigation, the IG for the MOE announced that his office had seized a number of fuel tankers delivering diesel fuel to MOE power stations in southern Baghdad. The tanker trucks were seized on the grounds that they contained only one-third the amount of fuel required by the contract and the fuel contained in them did not meet specifications. The MOE IG reported suspicions that a crime may have been committed, and an investigation into the origins of this alleged plot is currently underway.³⁸⁶

IG personnel also continue to be targets for violence. In early December, a member of the Ministry of Housing's IG office was killed north of Baghdad by an unknown gunman who reportedly used a silenced weapon.³⁸⁷

Other Significant Investigative Matters

In late August 2010, two shipping containers packed with a total of 8,080 laptop computers owned by the U.S. government were improperly declared “abandoned” by Iraqi port officials in southern Iraq and auctioned shortly thereafter. When U.S. Embassy-Baghdad learned that the laptops had been sold, it requested their immediate return, and with the aid of Prime Minister al-Maliki, 4,020 laptops were returned to U.S. government custody. But according to RoLC, 4,060 laptops remain missing.

To facilitate the COI's ongoing investigation into this matter, on November 17, 2010, the Embassy permitted five U.S. personnel who had contact with Iraqi port officials before the auction

Because of its actual—and latent—authority, the position of COI Commissioner will be an important appointment for the new government.

date to submit written witness statements to the COI. However, the COI investigator cautioned that he was still waiting for port officials to approve the investigation, as corruption cases may be halted by cabinet ministers pursuant to article 136(b) of the Iraqi Criminal Procedure Code.³⁸⁸

U.S. and GOI officials also reported several important developments in other anticorruption matters this quarter:

- The CoM began the process of forming an inter-ministerial committee to investigate diploma and certificate fraud in the GOI. The Ministry of Higher Education and Scientific Research reported that it has uncovered more than 7,000 forged diplomas, although it did not make clear to what extent these fraudulent diplomas were being used by Iraqis to obtain government employment.³⁸⁹
- The Deputy Governor of Baghdad province reported approximately 29,000 cases of apparent public-benefits fraud. When called on to produce proof of their eligibility to receive public benefits, only 750 of the 29,000 could do so.³⁹⁰
- Najaf’s Provincial Council referred a case concerning alleged corruption in the construction of two sewage projects implemented by the Ministry of Municipalities and Public Works, valued at about \$86 million.³⁹¹
- Police units in charge of securing Iraq’s oil facilities seized six tanker trucks used to smuggle oil in the southern part of the county.³⁹²
- The COI began work on 350 cases involving allegations of Diyala officials receiving double government salaries.³⁹³

When called on to produce proof of their eligibility to receive public benefits, only 750 of the 29,000 could do so.

Opening of Anticorruption Academy

After more than five years of delays, the Iraqi Academy for Fighting Corruption opened in Baghdad on December 9, 2010. The primary mission of the Academy is to train GOI employees and Iraqi journalists in anticorruption best practices. The COI Commissioner, under the auspices of the CoM, is responsible for administering the new Academy.³⁹⁴

The Academy receives technical assistance and support in designing and implementing its

curriculum from the UN-sponsored International Anti-Corruption Academy (IACA), based in Austria. As of mid-December 2010, more than 50 countries, including Iraq, have formally agreed to partner with the IACA.³⁹⁵

- standardized anticorruption training and research support
- country-specific training and research support
- interdisciplinary academic degree programs (beginning mid-2011)
- platforms for dialogue and networking (such as alumni gatherings, special events, and anticorruption conferences)
- anticorruption think-tank activities

Anti-money-laundering Initiatives

Since 2005, U.S. Embassy officials have helped the GOI establish modern anti-money-laundering protocols that conform with internationally accepted standards. The Financial Attaché—in conjunction with personnel from the Internal Revenue Service’s Criminal Investigations Division—has led these efforts, which focus on developing the capacity of the Central Bank of Iraq (CBI) to deter, detect, and prevent money laundering. In July 2010, the U.S. Department of the Treasury began working with the CBI to help stand up its Money Laundering Reporting Office, a process that is ongoing.³⁹⁶

Human Rights

Safeguarding Religious Minorities

As evidenced by the attack on the Sayidat al-Najat (Our Lady of Salvation) Syriac Catholic Church in Baghdad on October 31, insurgents continue to target religious minorities, causing many of them to flee their homes for refuge elsewhere. This quarter, U.S. Embassy-Baghdad reported that it has established a new working group, led by Assistant Chief of Mission for Transition Assistance Peter Bodde, focused on minority rights. Other Embassy officials met separately with the head

of the Christian Endowment regarding how that agency could increase its assistance to the Christian community, and with the Deputy Minister of Displacement and Migration regarding services to displaced Christians.³⁹⁷

DoS also reported that its Bureau of Democracy, Human Rights, and Labor (DRL) plans to fund the Iraq Foundation's Interfaith Cooperation Project. This 15-month effort aims to deepen public knowledge and promote dialogue about Iraq's diverse religious heritage and to enhance religious freedom, interfaith cooperation, trust, and mutual respect among faith communities.³⁹⁸

Combating Violence against Women

This quarter, DoS reported that the Heartland Alliance—a non-governmental organization (NGO) that receives support from DRL to assist survivors of torture—continued to provide legal, social, medical, and mental health services to adult and juvenile victims of gender-based violence and their dependants. These services are provided through local implementing partners with support and involvement by Heartland Alliance staff.³⁹⁹

Gender-based anti-violence protection programs take place in Baghdad, Kirkuk, Basrah, Sulaymaniyah, Erbil, and Dahuk. Legal representation and social support is also provided to gender-based violence victims who want to file criminal charges against perpetrators and who want to file cases in the Personal Status Courts. Most cases filed in the Personal Status Courts throughout Iraq are requests for divorce based on claims of domestic violence; along with related cases for alimony and child custody. Lawyers provide legal consultation, assessment of cases, and full representation to individuals, while social workers mediate with families to support reintegration. Women and girls are screened in detention centers or police stations in all of Iraq's provinces; and Heartland Alliance provides physicians in all locations but Baghdad, as well as shelters for residents in the Kurdistan Region.⁴⁰⁰

Heartland Alliance has been documenting institutionalized violence against women and girls and announced that it will soon release its report on the experiences of women and girls in the criminal justice system and Personal Status Courts. The report is expected to include recommendations for legal and policy reforms aimed at improving women's access to Iraq's judicial system.⁴⁰¹

Heartland Alliance also provides legal and social services for the victims of sex trafficking in the Kurdistan Region, Baghdad, and Basrah. Most legal services include criminal defense representation for women and girls charged with prostitution. Heartland Alliance and its partner conduct training and deliver presentations to law enforcement officials, service providers, and the general public to raise awareness and encourage increased prosecution of traffickers. Recently, Heartland Alliance and Johns Hopkins University's Protection Program held their first workshop to support the KRG in drafting anti-trafficking legislation. According to RoLC, the university was instrumental in working with the local government officials in Baghdad to draft similar legislation.⁴⁰²

Assisting War Widows

DoS's Office of Global Women's Issues (S/GWI), in conjunction with DRL, continues to assist Iraqi women through the Iraqi Women's Democracy Initiative and the recently launched Secretary's Widows Program. Under the new program, DRL and S/GWI work with NGO partners to provide direct support and training to Iraqi widows, female heads of household, and other vulnerable women in Iraq in the areas of human rights, literacy, entrepreneurship, and vocational skills. The aim is to enable disadvantaged Iraqi widows to acquire the skill sets needed to become economically self-sufficient, increase their independence, diversify their means of livelihood, and contribute to the economic development of Iraq.⁴⁰³ ♦

The Interfaith Cooperation Project aims to deepen public knowledge and promote dialogue about Iraq's diverse religious heritage.

ECONOMY

“We can’t just jump from the Soviet model to the free market. There are many steps in between.”

With a government in place, oil-led private investment strengthening,⁴⁰⁴ and the International Monetary Fund (IMF) projecting sharp growth,⁴⁰⁵ there is reason to be cautiously optimistic about Iraq’s economic prospects for 2011. However, corruption remains high, business conditions are difficult,⁴⁰⁶ and the ability of the new government to tackle sensitive issues affecting the economy is largely untested. Basrah Investment Commission Chairman Haider Fadhel put the challenge in perspective when he told SIGIR, “We can’t just jump from the Soviet model to the free market. There are many steps in between.”⁴⁰⁷

Key Economic Trends and Developments

The Iraqi economy remains heavily dependent on its oil sector and will remain so for the foreseeable future. With uncertainty surrounding global energy markets, Iraq’s economic performance is

more vulnerable to fluctuations of global oil price and demand than any other oil-exporting nation in the Middle East or North Africa.⁴⁰⁸ The extent of this exposure is shown in Figure 4.8.

This quarter, the GOI received \$13.22 billion in oil export receipts, \$1.96 million more than last quarter. Total receipts for 2010 were \$48.83 billion—an increase of \$11.81 billion over 2009, and \$920 million more than the \$47.91 billion projected in the GOI’s 2010 budget. This oil income represents nearly 90% of all government revenue, two-thirds of the GOI’s 2010 federal budget, and 58% of Iraq’s gross domestic product (GDP).⁴⁰⁹ (Services, manufacturing, and agriculture all contribute to the remaining third.)

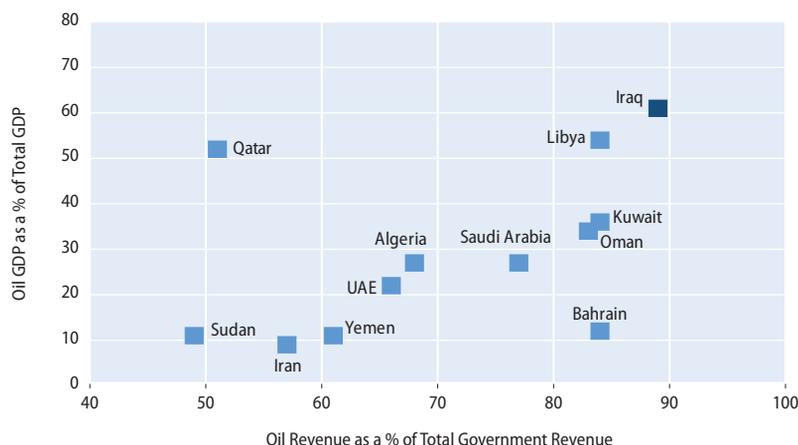
For a detailed look at the linkage of oil price, GOI receipts, and Iraq’s GDP, see Figure 4.9.

Inflation

After declining through much of the first half of 2010 and holding steady during the third quarter, Iraq’s year-on-year core inflation rate rose to more than 3% during the final quarter. As of November, the latest monthly year-on-year figure available, core inflation was 3.07%—more than a full percentage point above the 1.9% recorded for much of the previous quarter.⁴¹⁰ Overall inflation was marginally lower at 3.05%.⁴¹¹ The increase still leaves Iraq’s inflation rate below the average projected for other countries in the region for 2010.⁴¹² Iraq’s inflation is expected to rise to around 5% in 2011 as global commodity prices recover and poor harvests drive up the cost of food.⁴¹³ The increase is in line with projected global price increases of around 5% for non-oil commodities, food, and industrial raw materials.⁴¹⁴

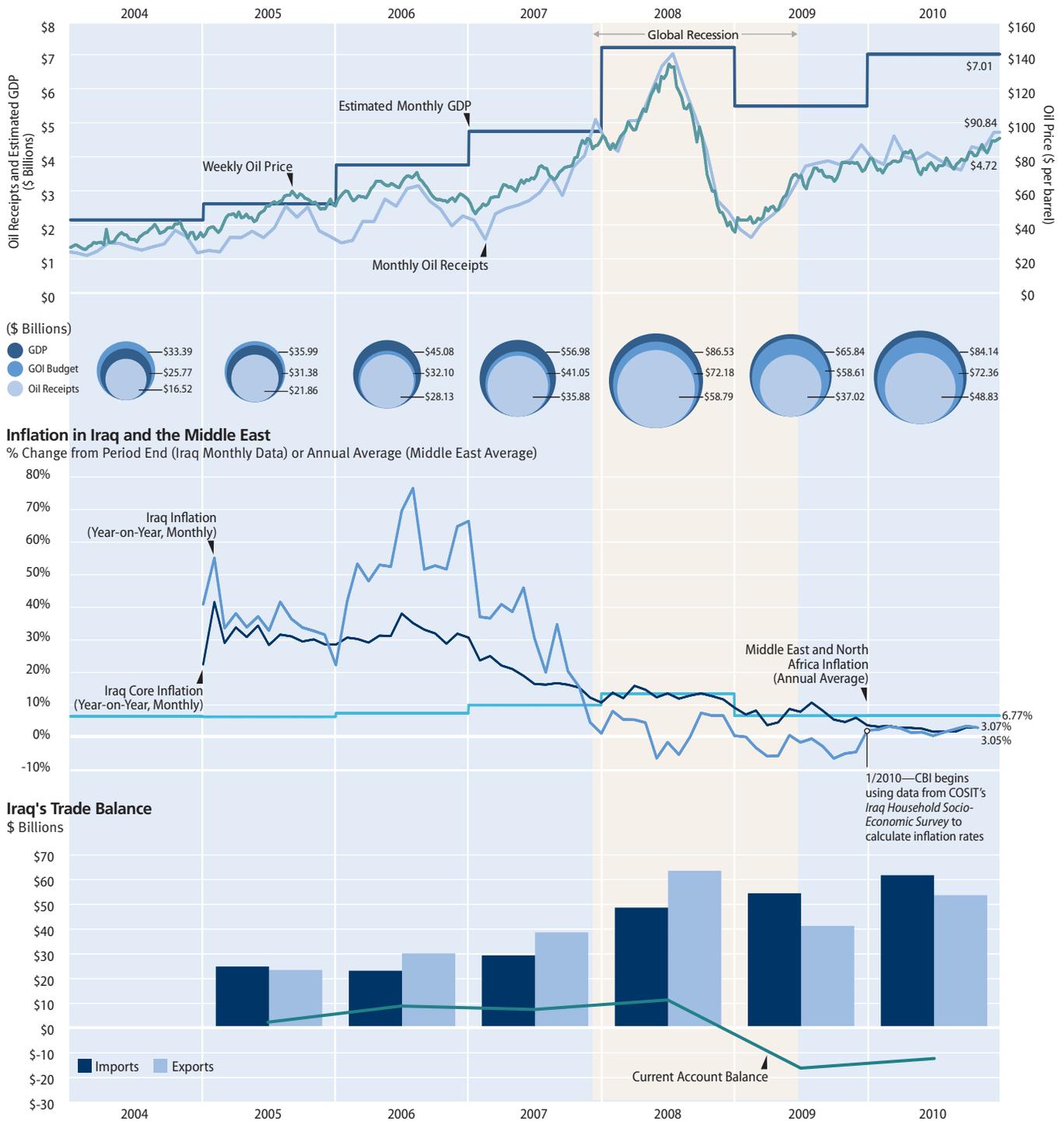
For the second straight year, the Central Bank of Iraq (CBI) has maintained an unofficial exchange rate of 1,170 Iraqi dinar to one U.S. dollar. This policy is expected to continue at least through

FIGURE 4.8
ECONOMIC RELIANCE ON OIL AMONG SELECTED MIDDLE EAST AND NORTH AFRICA NATIONS, 2010



Source: IMF, *Regional Economic Outlook: Middle East and Central Asia*, 10/2010, p. 15.

FIGURE 4.9
THE IRAQI ECONOMY, 2004–2010
Oil Price, Iraqi Oil Receipts, and GDP



Note: Data not audited. Numbers affected by rounding. Daily oil price represented by Weekly Iraq Kirkuk netback price at U.S. Gulf. All dollar values are in current prices. GDP figures from 2009–2010 are estimates.

Sources: U.S. Treasury, responses to SIGIR data calls, 6/8/2010, 7/13/2010, 10/13/2010, and 1/14/2011; IMF, *World Economic and Financial Surveys: World Economic Outlook Database*, 10/2010, www.imf.org/external/pubs/ft/weo/2010/02/weodata/index.aspx, accessed 1/14/2011, and *Regional Economic Outlook: Middle East and Central Asia*, 10/2009, pp. 55–57, and 10/2010, pp. 68–70; EIA, “Weekly Iraq Kirkuk Netback Price at U.S. Gulf,” www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WEPCKIRK&f=W, accessed 1/14/2011; GOI, “Key Financial Indicators,” 12/29/2010, www.cbi.iq/documents/key_financial.xls, accessed 1/12/2011.

2011.⁴¹⁵ However, any downturn in oil prices or political setback significant enough to cause an erosion of confidence would require the CBI to support this rate by tapping the country's substantial foreign exchange reserves to buy dinars.⁴¹⁶

Growth

Citing lower-than-expected oil production and exports, the IMF in October cut its estimate for Iraq's 2010 real GDP growth by more than half, from 7.3% to 2.6%.⁴¹⁷ However, the accelerating pace of new foreign direct investment in Iraq's oil fields is expected to boost overall oil-related economic activity to an extent that the IMF has raised its earlier projections for GDP growth in 2011 from 7.9% to 11.5%, and in 2012 from 7.6% to 11%.⁴¹⁸

Despite announcements this quarter of major new housing construction projects,⁴¹⁹ estimates for non-oil-related real GDP growth for 2011 remain unchanged at around 4.5%.⁴²⁰ Because the oil sector provides only a small fraction of Iraq's jobs, even double-digit GDP growth appears unlikely to cut deeply into the current high jobless rate or to accommodate the large numbers of young Iraqis who enter the job market annually.⁴²¹ The most recent unemployment figure listed by the GOI's Central Organization for Statistics and Information Technology—15.3%—is from 2008.⁴²² Moreover, the outlook for the agricultural sector, one of the country's largest employers, remains uncertain following two years of below-average rainfall.⁴²³

Investment Climate

The GOI took steps this quarter to improve the investment climate of Iraq's economy:

- Iraq's Higher Judicial Council established a special court in Baghdad to adjudicate disputes involving foreign investors. According to an HJC spokesperson, the court's main goal is to shield foreign investment capital "to push the investment process forward, along with Iraq's reconstruction." Additional branches of the court are planned for Basrah and Mosul.⁴²⁴



SIGIR's Deputy Inspector General addresses the IAMB meeting in Geneva, on January 6, 2011.

- On December 29, Prime Minister al-Maliki signed a decree to grant investors ownership of land for residential housing projects with no initial down payment in exchange for the state to receive a specified percentage of units built. The decree also provides for leasing and allocation of land for a variety of other commercial investment projects, including those in agriculture, tourism, and industry.⁴²⁵

Still, Iraq remains a difficult place to do business. In its latest rankings on the ease of doing business, the World Bank ranked Iraq 166 out of 183 countries. In measuring the ease of *starting* a business, Iraq ranked ninth from the bottom.⁴²⁶ Transparency International's Corruption Perceptions Index rated Iraq as the fourth most corrupt nation in the world and the most corrupt in the Middle East region.⁴²⁷

Chapter VII Sanctions

On December 15, the United Nations Security Council (UNSC) took significant steps to return Iraq to the legal and international standing it held prior to the 1990 invasion of Kuwait by passing three resolutions that close most of the remaining Chapter VII mandates.

- **End of WMD-related Trade Sanctions.** UN Security Council Resolution (UNSCR) 1957 ends trade sanctions set in place to isolate Saddam Hussein's government politically and prevent it from developing weapons of mass destruction (WMD).⁴²⁸ The sanctions at one point prevented the import of nearly all products but food and

Even double-digit GDP growth appears unlikely to cut deeply into the current high jobless rate.

medicines, including chemicals and other materials commonly used in industrial and agricultural production, as well as any nuclear materials—such as those used for medical purposes.⁴²⁹ While lifting the last of these sanctions was largely a political statement, it does enable Iraq to develop a peaceful civilian nuclear power program.⁴³⁰

- Protection of Iraqi Oil Revenues.** UNSCR 1956 provides a final extension, until June 30, 2011, to protect Iraqi oil revenues from international creditors still seeking compensation for Iraq’s actions during the Saddam era.⁴³¹ The international debt burden from that era totaled more than \$120 billion at the end of 2004,⁴³² but more recently has been estimated at \$46 billion–\$87 billion.⁴³³ The Development Fund for Iraq (DFI), which has served as a protective shelter for Iraq’s oil revenues, will be dissolved—as will the International Advisory and Monitoring Board for Iraq (IAMB), which has had oversight responsibilities for the DFI since it was created by the UN in 2003.⁴³⁴ The Committee of Financial Experts (COFE), headed by the President of Iraq’s Board of Supreme Audit, is expected to manage the DFI successor.⁴³⁵ At an IAMB meeting on January 6, 2011, SIGIR provided an update on the results of four audits of the DFI conducted during 2009 and 2010. The audits found that more

than \$200 million in seized, vested, or other funds may remain in various DFI accounts.⁴³⁶

- Oil for Food Program.** UNSCR 1958 ends all activities related to the Oil for Food Program, which operated during 1996–2003 and allowed the Iraqi government to use oil revenues to purchase food and medicines. Following passage of the resolution, the residual Oil for Food Program funds were to be transferred into the DFI, less an amount up to \$151 million, which was retained to pay expenses and provide indemnification.⁴³⁷

Aspects of Iraq’s relations with Kuwait remain subject to Chapter VII conditions, including the obligation to continue payment of reparations to Kuwait.⁴³⁸

The Development Fund for Iraq (DFI), which has served as a protective shelter for Iraq’s oil revenues, will be dissolved.

Oil and Gas

Crude Oil Production and Field Development

Crude oil production averaged 2.40 million barrels per day (MBPD) this quarter, an increase of 3% over the previous quarter, but 1% below the same quarter in 2009.⁴³⁹ For crude oil production and export levels since 2003, see Figure 4.10.

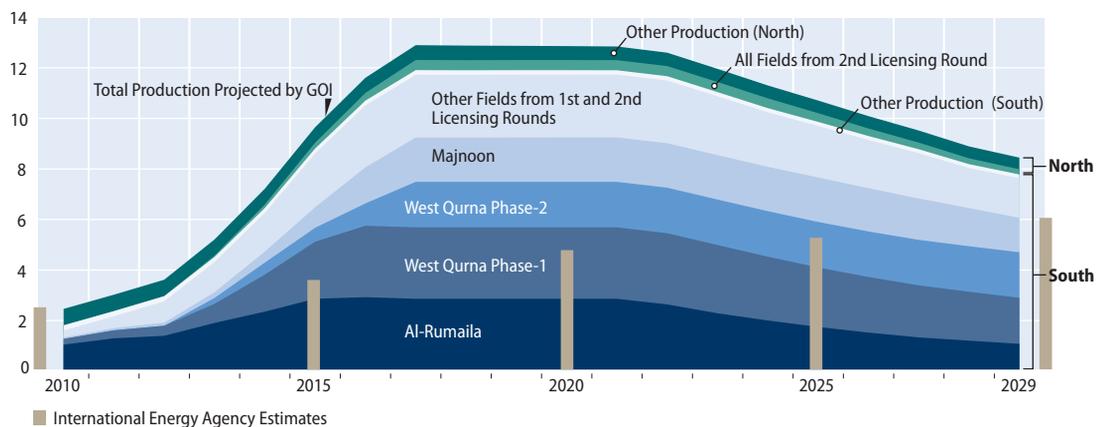
The GOI provided a detailed analysis this quarter of how it expects to achieve its ambitious goal of

FIGURE 4.10
CRUDE OIL PRODUCTION AND EXPORTS, BY MONTH, 10/2003–12/2010
 Million Barrels per Day



Sources: NEA-I, responses to SIGIR data calls, 6/4/2010, 7/6/2010, and 1/11/2011.

FIGURE 4.11
GOI AND IEA PROJECTED OIL PRODUCTION, BY YEAR, 2009–2030
Million Barrels per Day



Source: GOI, Ministry of Oil, meeting with SIGIR, 11/8/2010.

producing 12 MBPD by 2017, about five times the current production level. Three southern oil fields—al-Rumaila, West Qurna, and Majnoon—are expected to produce 9.24 MBPD, or more than three-quarters of the total.⁴⁴⁰ In November, the Ministry of Oil projected production would reach 3.26 MBPD by the end of 2011.⁴⁴¹

Outside experts tend to agree that Iraq's production potential is substantial, but view the GOI goal skeptically.⁴⁴² Meeting the official production target would require not only making a significant investment—estimated by some to be \$150 billion or more⁴⁴³—but also overcoming considerable political, logistics, transportation, and infrastructure challenges.⁴⁴⁴ A 2007 report compiled by the U.S. engineering company Foster Wheeler concluded that excessive corrosion levels in major pipelines placed them at risk of failure.⁴⁴⁵

In its *World Energy Outlook 2010* published in December, the International Energy Agency (IEA) anticipates it would take until the 2030s for Iraq's oil production to exceed 6 MBPD—just half the GOI's 2017 goal of 12 MBPD.⁴⁴⁶ Still, the IEA noted that even this more modest increase would make up a large share of projected rises in OPEC production over the next quarter century and enable Iraq to equal Iran's oil output sometime in the next five

years.⁴⁴⁷ For a breakdown of the GOI's projections and a comparison with the IEA's estimates, see Figure 4.11.

Major international oil companies continued to ramp up operations in Iraq's southern oil fields this quarter:

- At al-Rumaila, British Petroleum (BP) and the Chinese National Petroleum Corp., reported in January they had increased production by more than 10% above the initial production rate of 1.066 MBPD agreed on in December 2009. BP reported that 20 new rigs are now mobilized in the field and 41 wells were drilled in 2010.⁴⁴⁸ The two international oil companies have joined with Iraq's South Oil Company to form a new entity, the al-Rumaila Operations Organization (ROO), whose goal is to further increase production. BP is providing training, controls, systems, and expertise to the ROO.⁴⁴⁹
- At al-Zubair, the Eni-led consortium reportedly averaged production rates of 236,000 barrels per day (BPD) as it worked toward a long-term target of 1.2 MBPD. The current production rate represents an increase of 29% from an initial starting volume of 183,000 BPD.⁴⁵⁰
- For West Qurna Phase-1, ExxonMobil and Royal Dutch Shell committed to raising output by an

Outside experts tend to agree that Iraq's production potential is substantial, but view the GOI goal skeptically.



One of 20 new rigs now operating in the al-Rumaila oil field. (BP photo)

additional 500,000 barrels per day by tapping additional reservoirs in the field. The new goal at West Qurna-1 is to boost current output of 244,000 barrels per day to 2.825 MBPD within six years.⁴⁵¹

- At the Majnoon field, Shell and Petronas announced in November that they had signed a contract with Halliburton and two other companies for constructing an operations camp and drilling at least 15 wells.⁴⁵²

In northern Iraq, the Ninewa Oil Commission announced in November that production at the Batna oil field had resumed for the first time in 20 years.⁴⁵³

Amid this increased activity, the U.S. government interagency International Oil Company Support Team created in August 2010 has been liaising with IOCs (regardless of country of origin) to help them deal with administrative, logistical, and bureaucratic challenges to their operations.⁴⁵⁴

Crude Oil Exports and Capacity Expansion

Crude oil exports averaged 1.95 MBPD this quarter, up by 4% from the previous quarter and 2% higher than the same quarter in 2009.⁴⁵⁵ Oil exports could get an immediate boost of up to 150,000 BPD if the GOI dispute with the KRG that halted exports of oil from the Kurdistan Region in 2009 can be resolved soon.⁴⁵⁶

Iraq's Deputy Prime Minister Hussein Shahristani, who held the oil portfolio in the previous

government, announced in December that contracts for two of four new offshore single-point mooring (SPM) stations planned for construction in the Persian Gulf south of Basrah had been signed.⁴⁵⁷ Independent assessments suggest the first two stations, together with new 48-inch undersea pipelines to the al-Basrah Oil Terminal (ABOT) will likely be completed by early 2012, with the third following in late 2012. Completion of the fourth is estimated to be between mid-2013 and sometime in 2015.⁴⁵⁸ Completion of the pipelines and all four SPM stations would more than double export capacity to between 4 MBPD and 4.5 MBPD.⁴⁵⁹ A project to build 35 new oil storage tanks is underway in southern Iraq. These tanks will replace 66 oil storage tanks in the al-Faw area that were destroyed during the Iran-Iraq War.⁴⁶⁰

Oil Metering

Installation of a comprehensive oil metering system is behind schedule; and, at the request of the IAMB, PricewaterhouseCoopers (PwC) expanded the scope of work of its 2010 interim audit of the DFI to include a review of the program.⁴⁶¹ Metering the flow of crude from source to endpoint enables authorities to track oil volume and also alerts them to any illegal siphoning. Both the pace and quality of oil meter installation have long been issues of concern for IAMB. In December 2008—nearly four years after it first recommended an oil metering system for all oil fields, oil terminals, and refineries—the IAMB's external auditors found only a third of the planned meters had been installed.⁴⁶²

In November, the GOI provided the UNSC with information showing that by September 30, 2010, it had completed work on 51% of the 3,302 meters planned for installation by that date (see Table 4.6). It also reported that work was continuing on a system to meter crude oil exported from ABOT. A system comprising 12 meters had been completed at the Khawr al-Amaya Oil Terminal⁴⁶³ The GOI metering plan calls for a total of 4,898 meters.⁴⁶⁴ PwC reported that not all installed meters were

Installation of a comprehensive oil metering system is behind schedule.

TABLE 4.6
IMPLEMENTATION OF THE INSTALLATION PLAN FOR OIL METERS

	COMPANY	TOTAL PLAN	PLANNED TO 9/30/2010	IMPLEMENTED TO 9/30/2010	PERCENTAGE OF IMPLEMENTATION
Exporting Companies	South Oil Company	137	16	43	269%
	Maysan Oil Company	65	12	29	242%
	North Oil Company	188	76	86	113%
Distributors	Midlands Refineries Company	592	107	187	175%
	North Gas Company	69	28	39	139%
	Oil Pipelines Company	410	402	365	91%
	North Refineries Company	239	239	195	82%
	Gas Filling Company	49	34	25	74%
	South Gas Company	20	8	3	38%
	South Refineries Company	137	67	24	36%
	Oil Products Distribution Company	2,992	2,313	695	30%
Total		4,898	3,302	1,691	51%

Source: UNSC, S/2010/567, "Note verbale dated 28 October 2010 from the Permanent Mission of Iraq to the United Nations addressed to the President of the Security Council," 11/2/2010.

being used as intended. To fully implement the installation schedule by the end of 2011, PwC recommended appointment of a technically qualified independent party to verify the plan's completeness, effectiveness, and efficiency once it is fully implemented.⁴⁶⁵

Refineries and Petroleum Products

Domestic production of gasoline, diesel fuel, kerosene, and liquefied petroleum gas (LPG), as well as the total supply of each of those petroleum products was up significantly this quarter compared with the same quarter in 2009. To meet growing demand, Iraq continues to import gasoline and LPG—but for the first time in over a year, went three months without importing any diesel fuel. Iraq also continued to be self-sufficient in producing kerosene during the quarter. Refinery output of diesel fuel increased by 27% this quarter, gasoline by 37%, kerosene by 26%, and LPG by 17% compared with same quarter of 2009. Nearly one-fourth of the country's gasoline supply was imported this quarter, down from 32% during the same period in 2009.⁴⁶⁶ Iraq plans construction of four new GOI refineries, which would roughly double existing refinery capacity.⁴⁶⁷

The Ministry of Oil signed preliminary contracts to develop two of the three non-associated natural gas fields offered in the October 20 bidding.

Natural Gas

According to the Ministry of Oil, production of associated natural gas averaged 1,413 million cubic feet (MCF) per day during the first 11 months of 2010, and 51% of that amount was flared.⁴⁶⁸

On November 14, the Ministry of Oil signed preliminary contracts to develop two of the three non-associated natural gas fields offered in the October 20 bidding. One contract was signed with a consortium comprising Turkey's TPAO, the Kuwait Energy Company (KEC), and the Korean Gas Corporation (Kogas) to develop the Mansuriya gas field in eastern Iraq.⁴⁶⁹ The second agreement was signed with TPAO and KEC to work the smaller Siba gas field in southern Iraq.⁴⁷⁰ Completion of a third contract for development of the Akkas field in the western Anbar province has been delayed amid reports of local resistance to the terms of contract.⁴⁷¹ Akkas is the largest of the three fields,⁴⁷² which collectively have proved reserves of 7.6 trillion cubic feet—just under 7% of Iraq's total proved gas reserves of 112 trillion cubic feet.⁴⁷³ All three deals would require approval by Iraq's CoM before they are implemented.⁴⁷⁴ Much of Iraq's natural gas is expected to be consumed domestically in power plants designed to use the

fuel once the infrastructure is in place to process and deliver the gas.

Attacks on Oil and Gas Infrastructure

Pipeline security remains a challenge; however, the number of daily attacks has been significantly reduced as government cooperation grows with local residents. Pipeline exclusion zones have proven useful only in remote areas, such as that between Kirkuk and Baiji. However, GOI officials reported that these security zones in more populated areas—for example, south of Baghdad, where local residents live, work, and cross the pipeline at numerous points—have been less effective. In general, the pipeline network in southern Iraq is secure, both in populated and unpopulated areas, while areas north of Baiji and near the Turkish border are considered to be “hot.”⁴⁷⁵

National Development and Poverty Reduction

The \$79.5 billion 2011 draft budget approved by the CoM and sent to the Council of Representatives in late December reflects the influence of both the *National Development Plan (2010–2014)* (NDP) and the five-year *National Strategy for Poverty Reduction*. The budget calls for the creation of 172,000 jobs—mainly in non-oil sectors, including health care and education—and addresses poverty-reduction goals, including housing.⁴⁷⁶

Funding New Development

In 2010, the Ministry of Finance (MOF) released more than \$250 million in Petrodollar Project funds to the provinces of Basrah (\$160 million) and Kirkuk (\$100 million).⁴⁷⁷ The funds were allocated under the terms of Iraq’s budget law, which grants provinces up to \$1 per barrel of crude oil produced or refined and per 150 cubic meters of natural gas extracted. Restrictions on the expenditure of these funds—for example, they must be spent on infrastructure projects that are first approved by the

Ministry of Planning—have led to delays in getting projects started.⁴⁷⁸

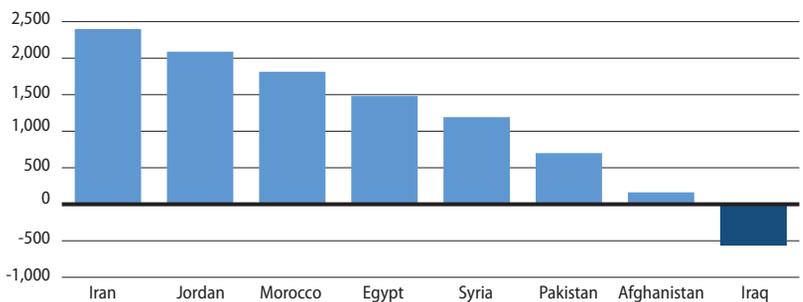
Poverty Reduction

Completed by the MoPDC in late 2009, the poverty-reduction strategy sets out six areas for priority investment to reverse three decades of decline in Iraq’s social indicators and reduce the number of people in poverty by 30%—from about 7 million of Iraq’s more than 30 million people to about 5 million by 2014. The strategy includes steps to boost incomes for the working poor, to improve health care, to heighten education quality and achieve near-universal primary schooling, to cut illiteracy rates in half, and to replace aging, substandard dwellings with better housing.⁴⁷⁹ The strategy also calls for reducing the gender gap in opportunity. Some 87% of Iraqi women were outside the labor force in 2007.⁴⁸⁰

Iraq’s poverty-reduction agenda reflects the country’s socioeconomic decline over the past three decades. According to World Bank figures, GDP per capita decreased by almost \$600 (16%) between 1980 and 2008 (see Figure 4.12).⁴⁸¹ Farm yields also dropped sharply as a result of underinvestment, neglect, and drought.⁴⁸² In 1980, Iraq’s life expectancy was roughly similar to its neighboring countries; but in 2006, among nations in the Middle East and North Africa, only Djibouti’s

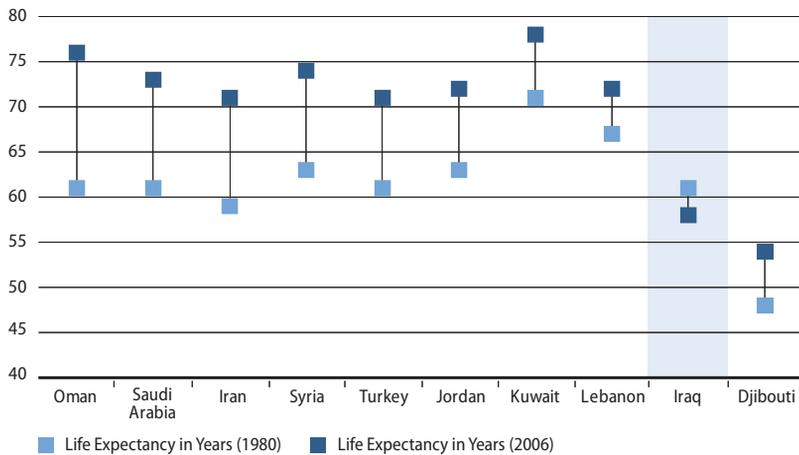
In general, the pipeline network in southern Iraq is secure, while areas north of Baiji and near the Turkish border are considered to be “hot.”

FIGURE 4.12
CHANGE IN GDP PER CAPITA IN SELECTED COUNTRIES, 1980–2008
\$USD



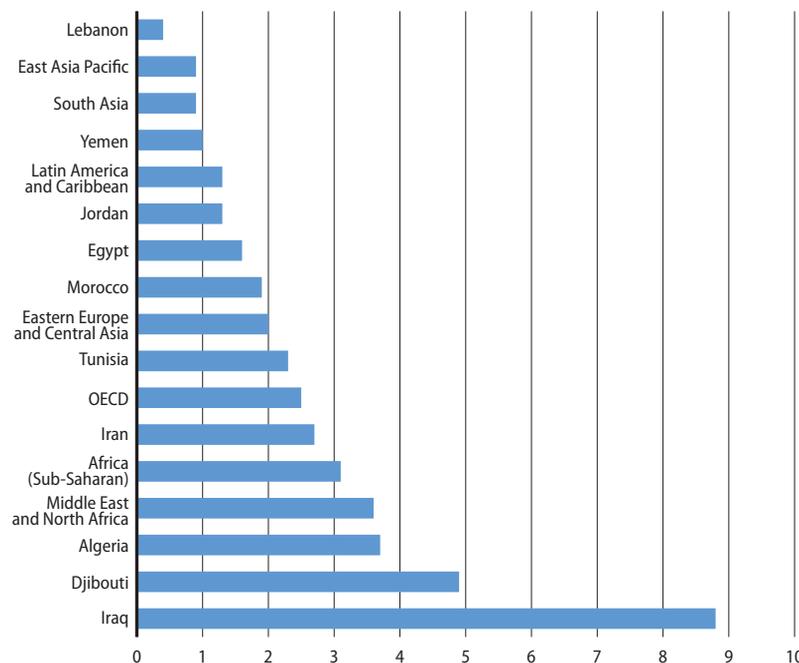
Source: The World Bank, *World Development Indicators Databank*, <http://data.worldbank.org/data-catalog/world-development-indicators>, accessed 12/30/2010.

FIGURE 4.13
LIFE EXPECTANCY CHANGES IN SELECTED COUNTRIES, 1980–2006



Source: World Bank, *World Development Indicators*, 2008 (CD version) as reported in GOI, Poverty Reduction Strategy High Committee, and World Bank, Middle East Department, “Iraq Poverty Data Report,” Vol. 1: Main Findings, 3/2010, p. 41.

FIGURE 4.14
PUBLIC SPENDING ON SAFETY NETS AS A % OF GDP, 2008



Note: Data for Iraq updated from MOF and Bayt al-Hikma to reflect 2008 spending.

Source: Weigand and Grosh, Social Protection Discussion Paper No. 0817, World Bank: Washington, D.C., 2008 as reported in GOI, Poverty Reduction Strategy High Committee, and World Bank, Middle East Department, “Iraq Poverty Data Report,” Vol. 1: Main Findings, 3/2010, p. 52.

life expectancy was lower (Figure 4.13).⁴⁸³ In 1980, Iraq’s primary school enrollment rate, at nearly 100%, was the region’s highest. Today, at just under 75%, it is among the lowest.⁴⁸⁴

The poverty-reduction strategy and the NDP both call for greater private-sector involvement in the economy to create the jobs and boost productivity in non-oil sectors. If achieved, both goals would help the government reduce spending on social safety nets that today constitutes by far the largest in the Middle East.⁴⁸⁵ The draft 2011 budget calls for spending of \$10.2 billion on social welfare.⁴⁸⁶ About 99% of the population currently receives some form of government subsidy.⁴⁸⁷ World Bank data supporting the poverty-reduction strategy showed that, in 2008, those transfers amounted to 8.8% of GDP.⁴⁸⁸

Figure 4.14 shows a comparison of Iraq’s safety-net spending compared other nations, regions, or groups of countries.

The poverty-reduction strategy also calls for significant new investment in agriculture and housing. Results of the 2006–2007 *Iraq Household Socio-Economic Survey* (IHSES) found that, on average, 39% of Iraq’s rural residents were living below the poverty line, compared with 16% among their urban counterparts.⁴⁸⁹ Of the country’s working poor, 29% were engaged in agriculture.⁴⁹⁰ The 2011 draft budget allocates \$192 million to the Ministry of Agriculture for capital spending—10% more than last year. If the budget is approved, the Ministry of Housing and Construction would also receive more funds in 2011—just under \$1 billion,⁴⁹¹ to address housing shortages in the country. The NDP suggests that there could be as many as 3.5 million substandard dwellings in the county.⁴⁹² As discussed below, a series of major housing contracts were signed recently.

Private Sector Development in Non-Hydrocarbon Areas

Housing and Construction

Provincial and municipal officials awarded contracts this quarter to build thousands of dwellings for low- and moderate-income families in the Baghdad and Basrah areas.⁴⁹³ In November, the Basrah Investment Commission let three contracts worth nearly \$1.4 billion to Iranian, Lebanese, and U.S. engineering companies to build 12,000 housing units.⁴⁹⁴ Maryland-based World Solutions International said its part of the project, worth \$220 million, called for building 2,500 apartments and stand-alone homes on a 200-acre plot near Basrah.⁴⁹⁵ The Baghdad Municipal Government awarded a four-year, \$11.3 billion contract to a consortium of Turkish construction companies to build 75,000 housing units in Sadr City.⁴⁹⁶

The GOI forecasts that the country needs to build 2.5 million housing units by 2015.⁴⁹⁷ Government-funded infrastructure projects, plus spending by international oil companies and other private investors, are expected to support a broader growth of construction activity.

The KRG issued a license during the fourth quarter of 2010 to build a \$1.1 billion smelter and steel plant in Sulaymaniyah province.⁴⁹⁸ As construction picks up, French cement producer Lafarge SA, which produces 25% of Iraq's cement, announced plans to increase its annual production in Iraq by 2 million tons over the next two years.⁴⁹⁹

Services

The global accounting firm Deloitte Touche Tohmatsu Limited and the New York-based risk management company Marsh both announced decisions to establish a presence in Iraq.⁵⁰⁰ Deloitte said it will open an office in Baghdad during the first quarter of 2011 and work with clients mainly in the oil and gas industry.⁵⁰¹ Marsh plans to partner with Iraq's only licensed insurance brokerage—Anglo Arab Insurance Brokers—to offer insurance, risk management, and claims-handling



The Rotana Hotel Management Corporation opened a 201-room hotel in Erbil this quarter. (Rotana Hotel Management Corp. photo)

services for clients working in the power, energy, and aviation industries.⁵⁰²

Agriculture

Reviving the agricultural sector is a priority of the NDP as well as an essential step toward the GOI's stated goal of broadening its economy to reduce dependence on oil. Agriculture is politically important because it accounts for about one-fifth of Iraq's total employment.⁵⁰³ Adverse farming conditions—including dust storms, diminished water levels in the Euphrates and Tigris Rivers, and decaying irrigation systems—continue to depress farm yields and rural income levels.⁵⁰⁴ In an exception to this larger picture, Iraq's wheat crop harvested in spring 2010 exceeded expectations. At 2.6 million metric tons, it was close to double the drought-reduced crops of the previous two years.⁵⁰⁵ However, late planting this winter over a reduced area has led to lower projections for crops that will be harvested in spring 2011.⁵⁰⁶ During 2010, Iraq continued its practice of importing large volumes of wheat.⁵⁰⁷

The GOI is in talks with Turkey and Syria in an effort to ensure that water-usage projects in those countries allow adequate river flow into Iraq's main agricultural areas.⁵⁰⁸ Agriculture accounts for the vast majority of water consumption in Iraq; 92% of total freshwater consumption is used for irrigation and food production.⁵⁰⁹ While favorable late autumn rainfalls have improved growing conditions in parts of the north, including Ninewa

The GOI forecasts that the country needs to build 2.5 million housing units by 2015.



Greenhouse training being conducted by the USAID *Inma* Agribusiness Program. (USAID photo)

The first shipment of Iraqi dates in two decades was sold in London in September.

and Dahuk provinces and much of the Kurdistan Region, areas of central and southern Iraq continue to be affected by reduced water availability and other poor growing conditions.⁵¹⁰

To help improve crop yields, the Ministry of Agriculture received approval in November from Prime Minister al-Maliki to begin implementing \$70 million in irrigation improvements.⁵¹¹ In another development, Oregon State University, the Ministry of Higher Education, and an Oregon-based private foundation this quarter signed a memorandum of understanding (MOU) that included a five-year program to develop sustainable agriculture and dry-land farming.⁵¹² In Basrah, provincial government officials laid the cornerstone of the \$300 million Shatt al-Arab Canal project that will help irrigate 60,000 acres of farmland in the province.⁵¹³ Despite the arrival of international oil companies to develop the oil fields around Basrah, local government officials there see agriculture—and the jobs it brings—as key to the area’s economic revival.⁵¹⁴

U.S.-funded Agricultural Programs

USAID’s *Inma* (Arabic for “growth”) Agribusiness Program is nearing the end of its funding cycle. All of the program’s \$144.8 million allocated from the ESF has been obligated, and \$20.8 million remains for expenditure.⁵¹⁵ This quarter, *Inma* activities included training programs in irrigation procedures and in basic and advanced greenhouse

techniques. Almost 2,000 Iraqis participated in the training.⁵¹⁶ In a major stride for Iraq’s date industry, the first shipment of Iraqi dates in two decades was sold in London in September. The sale followed an *Inma*-hosted conference earlier in the year to revive date exports.⁵¹⁷ In the 1970s, Iraq produced more than half the world’s dates, but exports dwindled after the 1991 Gulf War.⁵¹⁸ This quarter, *Inma* conducted a seminar that focused on development of an organization to collect and distribute useful marketing data to date producers.⁵¹⁹

After receiving no bids this quarter, USAID canceled its procurement for the new Rural and Agricultural Incomes with a Sustainable Environment (RAISE PLUS) program. USAID is currently engaged in consultations with the GOI about possible next steps, including the design of a follow-on procurement in the agriculture sector, but no specific procurement is planned.⁵²⁰ The U.S. Department of Agriculture’s Foreign Agricultural Service has requested \$5 million for FY 2011 for programs supporting the Ministry of Agriculture, four other federal ministries, and private entities.⁵²¹

Financial Sector Developments

Before the installation of the new government, the outgoing Minister of Finance ruled out any privatization of state-run banks within the next four years, declaring such a move would have a negative impact on Iraq’s economy. Instead the focus will be to restructure the banks with the goal of making them more competitive in a global economy.⁵²² The decision followed publication in late October of the IMF’s first review of Iraq’s \$3.6 billion Stand-By Arrangement (SBA) that judged GOI efforts to reform two state-owned banks as “problematic.”⁵²³

The lack of progress in restructuring the Rasheed Bank and Rafidain Bank, the country’s two largest lending institutions, came in an otherwise positive assessment of Iraq’s performance in meeting the SBA conditions. The IMF categorized the GOI performance as “broadly satisfactory.”⁵²⁴ In a September 2010 letter of intent to the IMF about the issue, Iraq’s then-Minister of Finance Baqir



Assistant Chief of Mission for Transition Assistance Peter W. Bodde cuts the ribbon of the state-owned Rafidain Bank branch opening in Muqdadiyah, Iraq, on November 29, 2010. (USF-I photo)

Jabr al-Zubeidi and CBI Governor Sinan al-Shabibi pledged to establish and supervise a Bank Reconciliation Unit (BRU) to complete the restructuring by the end of June 2011. The BRU would handle legacy external liabilities, identify and write off non-performing loans to defunct state-owned enterprises (SOEs), propose ways to deal with other remaining accounts that could not be reconciled, and update foreign currency-denominated balance-sheet items to reflect their current values. The unit would draw staff from both of the banks, the CBI, the MOF, the BSA, and experts from Ernst & Young, the international accounting and consulting firm that assisted the MOF in restructuring Iraq's external debt.⁵²⁵

The CBI has mandated that the country's private banks raise their capital holdings five-fold to 250 billion dinar (nearly \$214 million). A CBI representative said the move was needed to strengthen the banks so they could help meet the expected growth in financial services needs of companies involved in major reconstruction and oil-development projects.⁵²⁶

The Overseas Private Investment Corporation (OPIC) provided financing for one program in 2010—\$90 million to the Cooperative Housing Foundation (CHF) for funding microfinance and downstream loans for small and medium

enterprises.⁵²⁷ (SIGIR is currently engaged in an audit of USAID's Community Action Program, which includes the CHF activities.) It was by far the largest program OPIC has financed since it began work in Iraq in 2005. Also in 2010, OPIC provided \$212,000 in political risk coverage to the International Rescue Committee for its humanitarian activities and services.⁵²⁸

A U.S.-Iraqi financial services firm was established this quarter. The U.S.-based investment-banking company Taylor-DeJongh partnered with the Baghdad investment bank Phoenix Capital LLC, a subsidiary of a Delaware-based company established solely to assist with Iraq's reconstruction.⁵²⁹ The partnership will open first in Washington and Baghdad, with plans for additional offices in Basrah and Erbil. The partnership expects to specialize in the energy sector and work with international and Iraqi public- and private-sector clients in several fields, including project finance, mergers and acquisitions, and direct investment.⁵³⁰

Tijara

As of December 31, 2010, USAID's Provincial Economic Growth Program (*Tijara*, Arabic for "trade") had expended \$74.9 million of the \$117.8 million allocated for its mission to increase private-sector access to finance, particularly for micro, small, and medium businesses.⁵³¹ Since it began in 2003, Iraq's microfinance industry has made more than 240,000 microloans with a total disbursed value of \$558 million. As of December 31, 2010, more than 72,000 clients held an outstanding loan portfolio of \$103 million.⁵³² Slightly more than \$1 million was spent in 2010 to reduce administrative inefficiencies and improve the overall business and investment climate in Iraq. Program staff offered recommendations to GOI ministries on policy development and regulatory reform.⁵³³ USAID reported that *Tijara* achieved specific goals set in June 2010 to strengthen the microfinance industry, including establishment of the Iraqi Microfinance Network and development of a loan portfolio above the stated goal of \$100 million.⁵³⁴

The CBI has mandated that the country's private banks raise their capital holdings five-fold.

Trade Development

WTO Accession

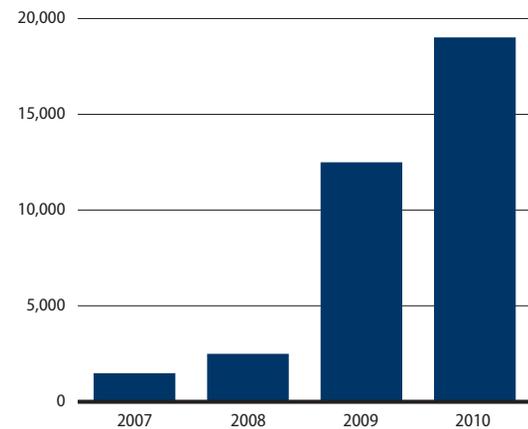
Tijara's International Trade and WTO Accession Project is waiting for the new government to begin work before determining whether to offer further assistance to the GOI for accession to the World Trade Organization (WTO).⁵³⁵ After comments by the Minister of Labor and Social Affairs in August 2010 raising doubts about the GOI's interest in WTO membership, the Minister of Trade has since made statements supportive of accession. Still, according to USAID, his approach has led to "a much more cautious rate of progress" toward accession.⁵³⁶ Between April 1, 2008, and September 30, 2010, \$6.5 million in *Tijara* funds were spent to prepare Iraq for membership in the WTO.⁵³⁷

U.S.-Iraq Trade Developments

General Motors (GM) turned Iraq into a commercial success during 2010, selling just over 19,000 vehicles during the year, a 52% jump over the 12,494 it sold in 2009. In this quarter alone the automaker sold over 8,000 vehicles—more than double the number it sold in Iraq during the same quarter of 2009.⁵³⁸ GM, which sells Cadillac, Chevrolet, and GMC models in the region, now counts Iraq as one of its two largest markets in the Middle East region. (The other is Saudi Arabia.)⁵³⁹ GM resumed sales to Iraq in late 2003 and as recently as 2007 registered annual sales of under 1,500 vehicles (Figure 4.15).⁵⁴⁰

GM now counts Iraq as one of its two largest markets in the Middle East region.

FIGURE 4.15
GENERAL MOTORS VEHICLES SOLD IN IRAQ,
2007–2010



Source: General Motors, correspondence to SIGIR, 1/17/2011.

The Export-Import Bank of the United States issued no loans, guarantees, or insurance policies for transactions between July 22, 2010, when it first began its work in Iraq, and December 31, 2010. However, the bank did participate in business development activities this quarter, including a seminar in Baltimore in October entitled "Iraq is Open for Business," sponsored by the U.S. Commercial Service.⁵⁴¹

A trade mission sponsored by the U.S. Chamber of Commerce—initially scheduled for November, then rescheduled for February—is now likely to take place sometime in the spring of 2011. The Chamber said one reason for the latest delay is to allow more time for the transition of U.S. responsibilities in Iraq from DoD to DoS to run its course.⁵⁴² ♦

PUBLIC SERVICES

Iraqis view conditions with basic services—such as electric power, safe drinking water, sewerage, and trash collection—as their most pressing problem. Notwithstanding the verifiable improvements that have occurred over the past seven years, recent polling data shows that the general public perceives basic services to be getting worse, not better.⁵⁴³ Statements by GOI officials reflect these concerns.

Electricity

As of December 31, 2010, the United States had obligated \$5.06 billion and expended \$4.96 billion to improve Iraq’s generation, transmission, and distribution of electricity.⁵⁴⁴ With U.S. and international assistance, Iraq was able to increase its annual supply of electric power on the national grid by two-thirds from 2004 to 2010. Over that same period, however, estimated demand doubled, resulting in persistent shortages.

To address the issues facing Iraq’s power sector—including a projected tripling of demand over the next 20 years—the Ministry of Electricity and Parsons Brinckerhoff have prepared the *Iraq Electricity Masterplan* for the expansion of Iraq’s electricity program. They intend to publicly release the plan at a conference in Istanbul on February 1 and 2. ISPO has provided \$5 million in Ministerial Capacity Development funds to support this effort.⁵⁴⁵

Supply and Demand

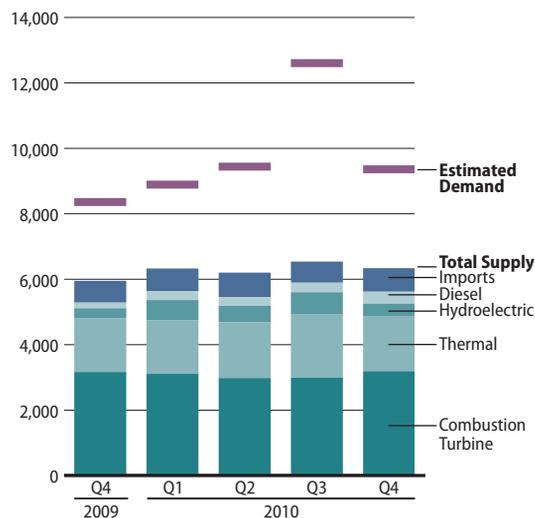
Iraq’s supply of electricity to the grid this quarter averaged 152,145 megawatt-hours (MWh) per day, or 6,339 megawatts (MW). As shown in Figure 4.16, this was an increase of 387 MW, or 7%, from the same quarter in 2009—roughly matching the growth rate in feasible power-plant production capacity over that one-year period—but a 3% decline

when compared with last quarter’s record-high supply of 6,540 MW. This drop from the preceding quarter resulted primarily from two factors. First, insufficient flows of water in Iraq’s rivers once again reduced average output from hydroelectric plants. Second, as is typical during the October–December period each year, more generating units were taken out of service for routine maintenance.⁵⁴⁶

Also in line with the normal yearly pattern, this quarter’s estimated demand for electricity was lower than last quarter’s. Average estimated demand was 224,620 MWh per day, or 9,359 MW—a 26% decrease from last quarter, but a 12% increase from the same quarter a year earlier. Supply met 68% of estimated demand this quarter, compared with 52% last quarter and 71% during the same quarter last year.⁵⁴⁷

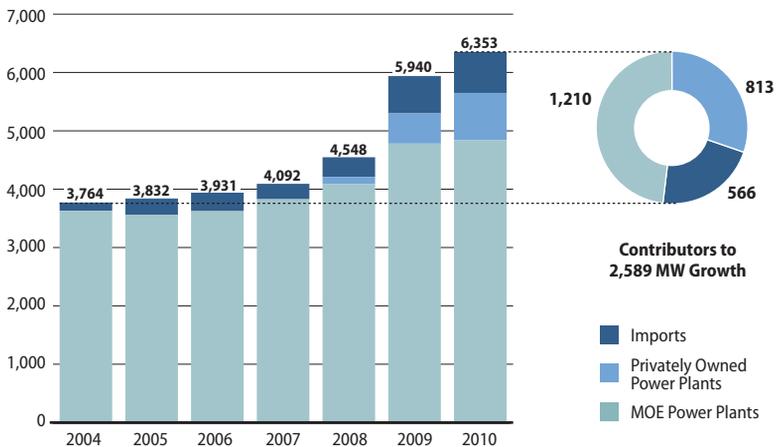
The general public perceives basic services to be getting worse, not better.

FIGURE 4.16
ELECTRICITY SUPPLY AND ESTIMATED DEMAND, BY QUARTER, 10/2009–12/2010
MW



Sources: ITAO/ESD, *Electric Daily Performance Reports*, 10/1/2009–12/31/2010.

FIGURE 4.17

AVERAGE ELECTRICITY SUPPLY TO GRID, BY SOURCE AND YEAR, 2004–2010
MW

Sources: DoS, *Iraq Status Report*, 10/25/2006, slide 11; ITAO/ESD, *Electric Daily Performance Reports*, 6/1/2006–12/31/2010.

Growing Reliance on Purchased Power

Iraq's average annual supply of electricity increased from 3,764 MW in 2004 to 6,353 MW in 2010. As shown in Figure 4.17, less than half of this 2,589 MW increase came from MOE power plants.

Although these plants still provide the bulk of power to the grid, their contribution to total supply dropped from about 96% in 2004 to 76% in 2010.⁵⁴⁸ The balance of the supply increase during that period came from power purchased by, as opposed to produced by, the MOE:

- **Electricity imports** increased by 566 MW over the past six years. In 2010, imports (mostly from Iran) accounted for 11% of the total supply.⁵⁴⁹
- **Privately owned power plants** in Iraq accounted for the remaining 813 MW growth in supply since 2004. None of these plants were in service until 2008, when the first of two combustion turbine plants built and owned by Mass Global Investment Company, an independent power producer (IPP) headquartered in Jordan, came online in the Kurdistan Region.⁵⁵⁰ In 2010, two floating diesel power plants built and owned by the Turkish firm Kartet began supplying electricity to Basrah. The second of these “powerships”

These four privately owned plants provided 13% of Iraq's total electricity supply to the grid in 2010.

came on line this quarter. Together, these four privately owned plants provided 13% of Iraq's total electricity supply to the grid in 2010. In the last month of the year, they provided 17%.⁵⁵¹

The trend of increasing reliance on electricity from privately owned and operated plants is expected to continue. Mass Global has been building a new 500 MW plant in Dahuk and expects it to be fully operational by mid-2011. Two of the plant's four 125 MW generating units were synchronized with the grid in December and early January. Mass Global is also expanding the capacity of its plant in Sulaymaniyah by 250 MW and its plant in Erbil by 500 MW. When these construction and expansion projects are completed, the three privately owned plants in the Kurdistan Region will have a combined name-plate capacity of 2,250 MW. All three plants use General Electric (GE) combustion turbines.⁵⁵²

The MOE is also moving forward with plans to have private investors build, operate, and maintain power plants using some of the turbines it purchased from GE under the “Mega Deal.” On December 18, the MOE, together with Iraq's National Investment Commission and GE, held a conference in Baghdad to announce details of the bidding round for four such projects. Offers from pre-qualified bidders are due in February. Three of the proposed IPP sites—al-Samawa, Diwaniyah, and al-Amarah—will each have four 125 MW generating units. The fourth site, the Shatt al-Basrah plant,



The new privately owned and operated 500 MW gas-fired power plant in Dahuk is scheduled to be fully operational by mid-2011. (Mass Global photo)

will have 10 of these units. Together, these IPP plants would add 2,750 MW of nameplate capacity to the national grid.⁵⁵³

EPC Projects

The MOE's engineering, procurement, and construction (EPC) contracts for two sites included in the GE Mega Deal—al-Khairat in Kerbala and Qudas in Baghdad—are awaiting approval from the CoM. The third EPC site in the GE Mega Deal initial bidding process—al-Qayria in Ninewa—has been referred back to the CoM for permission to go to the second-lowest bidder. These three plants together will have 2,500 MW of nameplate capacity. Later this year, the MOE plans to solicit bids for three additional GE Mega Deal sites: Haydariya in Kerbala (500 MW), Najebia in Basrah (500 MW), and Akkas in Anbar (250 MW).⁵⁵⁴

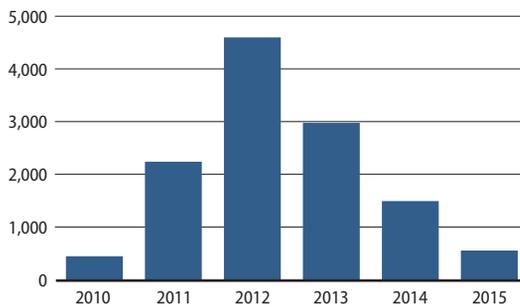
The EPC projects that will use turbines from the Mega Deal with Siemens have been delayed pending CoM approval of an increase in the scope of services to be provided by Siemens.⁵⁵⁵

The letters of credit for the EPC contracts for the three GE “Fast Track” sites are now fully funded. These sites are located in Taji (180 MW), Hilla (250 MW), and Kerbala (250 MW). According to U.S. Embassy-Baghdad, none of these new power plants will be completed before the middle of 2012.⁵⁵⁶

Long-term Planning

The MOE has committed to adding more than 12,000 MW of new generating capacity in the 2010–2015 period, with most of this new capacity resulting from the GE and Siemens Mega Deals. Figure 4.18 shows the timing for the currently planned additions. According to the *Iraq Electricity Masterplan*, if the commissioning of these plants occurs on schedule, Iraq will have sufficient capacity (with adequate reserves) to meet projected demand by 2013 or 2014. Implementing these construction plans will require an investment of about \$26 billion. Ensuring that the completed plants are able to deliver on their promise will require the

FIGURE 4.18
CURRENTLY PLANNED MOE POWER-PLANT CAPACITY ADDITIONS, 2010–2015
MW



Note: Does not include capacity additions in the Kurdistan Region.

Source: MOE and Parsons Brinckerhoff, *Iraq Electricity Masterplan*, Final Report, Vol. 1, Executive Summary, 12/2010, p. 22.

parallel development of fuel supplies and further investments of about \$4 billion to upgrade the transmission and distribution infrastructure and to connect the plants to the grid.⁵⁵⁷

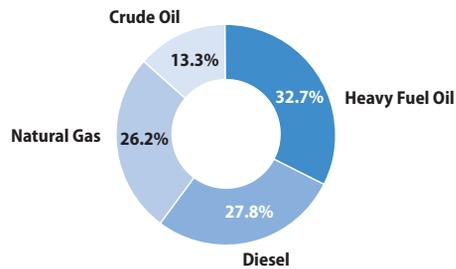
Beyond 2015, demand for electricity is expected to continue rising along with economic growth, and the productivity of existing power plants will continue to diminish as they age. To meet Iraq's long-term electricity needs, the *Iraq Electricity Masterplan* estimates that an additional \$29 billion will need to be invested in generating capacity from 2016 through 2030. If no additional plants are built beyond those that are currently committed, then the supply-demand gap is expected to return around 2017.⁵⁵⁸

Plant and Fuel Types

As shown in Figure 4.16, four types of power plants currently feed Iraq's grid: thermal, combustion turbine, diesel, and hydroelectric. They generate power either by burning crude oil, refined products, or natural gas or by harnessing the kinetic energy of flowing water.⁵⁵⁹ According to the *Iraq Electricity Masterplan*, almost three-fourths (in terms of energy content) of the fuel burned in MOE power plants in 2009 consisted of crude oil and refined products (Figure 4.19). The plan makes the following observations:⁵⁶⁰

The MOE has committed to adding more than 12,000 MW of new generating capacity in the 2010–2015 period.

FIGURE 4.19
FUEL BURNED IN MOE POWER PLANTS, 2009



Note: Percentages are estimates based on energy content of the fuels.

Source: MOE and Parsons Brinckerhoff, *Iraq Electricity Masterplan*, Final Report, Vol. 1, Executive Summary, 12/2010, p. 11.

- The use of crude oil in power plants is very expensive to the Iraqi economy in terms of lost export income.
- Diesel is a premium fuel, and Iraq's refineries have not produced enough of it to meet domestic needs, thus requiring imports.
- The amount of heavy fuel oil burned is about half of the available supply.
- The use of natural gas could double if gas that is currently flared could be captured, processed, and delivered to power plants.

Gas-fired Combined-cycle Plants: The Preferred Option

The *Iraq Electricity Masterplan* concludes that natural gas is "the economic fuel of choice," and it recommends that existing and currently planned generating units that burn crude oil be converted to natural gas as soon as practical. For the long term, the plan calls for building gas-fired combined-cycle power plants, which combine combustion turbines with waste-heat boilers and thus are more efficient than the combustion turbine plants now in service. The plan does not recommend building additional thermal plants because they are "not the least-cost solution."⁵⁶¹

Nuclear Power: A Revived Option

Any plans that Iraq might have previously had to add nuclear power to the mix of generating units

were halted in June 1981 when Israeli aircraft attacked and destroyed the unfinished Osirak nuclear reactor at al-Tuwaitha near Baghdad. Israel contended that the facility, which was built with assistance from France, could be used to produce nuclear weapons.⁵⁶² Ten years later, after the first Gulf War, UNSCR 687 and UNSCR 707 restricted Iraq's ability to engage in civilian nuclear activities.⁵⁶³

With the passage of UNSCR 1957 on December 15, 2010, those restrictions have been mostly lifted, and Iraq now is free to add nuclear facilities to its mix of power plants.⁵⁶⁴ Deputy Prime Minister Shahristani, who holds a doctorate in nuclear chemistry and was serving as acting Minister of Electricity when UNSCR 1957 passed, made it clear that he supported "a peaceful nuclear program in coordination with the relevant authorities."⁵⁶⁵ Earlier in 2010, the French ambassador to Iraq reportedly stated that France again was prepared to help Iraq develop a nuclear power program.⁵⁶⁶

Most work on the *Iraq Electricity Masterplan* was completed before passage of UNSCR 1957 on December 15. Based on the documents that SIGIR has reviewed, the plan does not consider the option of nuclear power.

Recently Completed and Ongoing U.S.-funded Electricity Projects

USACE reports that it completed two electricity projects, with a combined value of \$4.1 million, this quarter. Both were funded by the ESF. The largest was a \$2.9 million project to construct a substation in Missan, and the other was a \$1.2 million project to provide operations and maintenance (O&M) services for three substations and overhead lines in Dahuk.⁵⁶⁷

As of December 31, 2010, USACE had 16 ongoing electricity projects with a combined value of \$116.0 million. The two largest continued to be the \$48.2 million project to build the Farabi and Jamila substations in Sadr City and the \$29.3 million project to build a substation in Ramadi. These are USACE's last IRRF-funded electricity projects. The other 14 ongoing projects are funded by the

Iraq now is free to add nuclear facilities to its mix of power plants.



Students attend classes on operations and maintenance of water treatment plants at the Baghdad Amanat Training Center. (USACE photo)

ESF and include an \$8.0 million project to supply emergency spare parts and equipment for the al-Musayab Gas Power Plant in Babylon and a \$6.8 million project to supply equipment for substations in Diyala.⁵⁶⁸

According to USF-I, 38 electricity projects funded with FY 2010 CERP appropriations were completed as of September 30, 2010, at a cost of \$9.5 million. An additional 36 projects, collectively funded with \$13.3 million from FY 2010 CERP appropriations, were still in process at the beginning of this quarter. Five of the ongoing projects were valued at more than \$500,000 and ranged from \$523,948 to \$748,847. Three were for the design, installation, and testing of feeder lines in Qadissiya, and two were for substation maintenance in Wassit.⁵⁶⁹

Water and Sanitation

As of December 31, 2010, the United States had obligated \$2.65 billion and expended \$2.57 billion to rehabilitate Iraq's water and sanitation sectors.⁵⁷⁰

According to the Inter-Agency Information and Analysis Unit of the UN, the GOI may have difficulty meeting its Millennium Development Goal of providing 91% of Iraqi households with access to safe drinking water by 2015.⁵⁷¹ The country continues to suffer from a water shortage caused by years of drought, as well as mismanagement and neglect

of its public water and sanitation facilities.⁵⁷² According to UN documents, management of Iraq's aquifers has been minimal, and the country has had to rely heavily on precipitation falling outside its borders, exacerbating disputes with Turkey and Syria over water resources. Water levels in lakes and reservoirs, as well as the Tigris and Euphrates Rivers, are diminished to a point the UN described as "critical." The result has been a shortage in access to water and sanitation: the United Nations Educational, Scientific and Cultural Organization (UNESCO) estimates that more than 7.6 million Iraqis (about 25% of the population) lack access to safe drinking water.⁵⁷³

To address the shortage, the United States, UN, and others are working with Iraqi ministries to rehabilitate infrastructure and enhance the quality and quantity of water delivered to underserved residential areas. This quarter, UNESCO launched a scientific survey of Iraq's groundwater to improve the GOI's ability to address water scarcity.⁵⁷⁴ The GOI announced that the first phase of the survey will be completed in March 2011.⁵⁷⁵

Recently Completed and Ongoing U.S.-funded Water Projects

USACE reported that it completed 12 water-related projects this quarter at a combined cost of \$116.4 million.⁵⁷⁶ Among them were the following high-value projects:

- **The Eastern Euphrates Drain.** Originally slated for completion in January 2009, this \$38.5 million project was finished on December 31, 2010. The project aims to boost Iraq's irrigation capabilities by reclaiming more than 58,000 hectares (143,000 acres) of agricultural land and removing excess saline water from more than 400,000 hectares (990,000 acres) of irrigated land.⁵⁷⁷
- **The Falluja Sewer System.** With a construction cost of \$29.6 million, this project is the "backbone" of the Falluja Waste Water Treatment System. Started in 2006, construction of the system has been subject to multiple delays due to design complexity, a lack of available skilled

UNESCO estimates that more than 7.6 million Iraqis lack access to safe drinking water.

labor, and security issues. Previously slated for completion in April 2010 following the announcement of scaled-down plans, the project was completed on December 14, 2010. For the results of SIGIR's inspection of the project in 2008, visit www.sigir.mil.⁵⁷⁸

- **Meshkab Water Supply Project.** This \$23.1 million project to build a water treatment plant in Najaf province was completed on December 30, 2010. The facility is designed to provide clean drinking water to about 200,000 residents in the town of Meshkab and surrounding rural areas.⁵⁷⁹

At the end of the quarter, USACE had 18 ongoing water projects with a collective value of \$37.8 million. The two largest were funded by the ESF, including:

- **Al-Kibla Sewer and Storm Network.** This \$11.1 million project to design and construct a sanitary sewer and storm water collection system—including pump stations, force mains, manholes, inlets, and individual house connections—in Basrah province is expected to be completed in June 2011.⁵⁸⁰
- **Falluja Area A House Connections.** This \$4.6 million project to connect 9,300 homes to the Falluja Waste Water Treatment System is expected to be completed in March 2011.⁵⁸¹

USACE expects to complete all of its water projects by July 2011 while providing O&M training for water treatment engineers, including two O&M classes at Baghdad's Amanat Training Center.⁵⁸²

According to USF-I, 138 water and sanitation projects funded with FY 2010 CERP appropriations were completed as of September 30, 2010, at a cost of \$11.1 million. An additional 118 projects, collectively funded with \$28.9 million from FY 2010 CERP appropriations, were still ongoing at the beginning of this quarter. Seven of the ongoing projects were valued at more than \$500,000 and ranged from \$650,000 to \$998,520. The largest was for construction of the Habbaniya Bio Lagoon sewage treatment system in Anbar province. An

additional 13 ongoing projects were expected to cost more than \$400,000 each.⁵⁸³

Transportation and Communications

As of December 31, 2010, the United States had obligated \$1.14 billion and expended \$1.07 billion to rehabilitate Iraq's transportation and communications sectors.⁵⁸⁴

According to USF-I, 57 transportation projects funded with FY 2010 CERP appropriations were completed as of September 30, 2010, at a cost of \$8.1 million. An additional 41 projects, collectively funded with \$8.6 million from FY 2010 CERP appropriations, were still in process at the beginning of this quarter. Eight of the ongoing projects were each valued at \$400,000 or more.⁵⁸⁵

Ports

USACE reported that construction of supporting facilities at the Umm Qasr Pier and Seawall—a \$46 million part of the \$53 million, GOI-funded project that included power distribution, water supply and distribution, refueling infrastructure, road access, and lighting at the Iraqi Navy Base—was completed in October 2010.⁵⁸⁶ At the beginning of the quarter, the largest ongoing transportation project funded with FY 2010 CERP appropriations

USACE expects to complete all of its water projects by July 2011.



An Army major assigned to PRT Basrah inspects shipping containers during a visit to the Port of Umm Qasr in December 2010. (U.S. Army photo)

was a \$498,000 project to supply and install 10 navigation buoys at the Port of Umm Qasr.⁵⁸⁷

U.S. Embassy-Baghdad reported this quarter that the Joint Interagency Task Force (JIATF) completed its first training course (developed by the U.S. Coast Guard) for port-facility security officers. Additionally, the U.S. Bureau of Customs and Border Protection completed an assessment of security and container movement at the Port of Umm Qasr, and the JIATF met with Iraqi officials to discuss removing more than 2,000 abandoned containers from the Port of Umm Qasr.⁵⁸⁸

Railroads

USACE reported that the second phase of training continues for Iraqi workers who operate and maintain the \$48.1 million Digital Microwave Radio Communications Network, which is used to operate Iraq's railroad service. The first phase of training, an \$826,000 project, ended in September 2010. The second phase, funded at \$3.71 million, began in August 2010 and is scheduled to run through April 2011. This quarter, the U.S. Department of Transportation/Volpe Center worked with Iraqi Republic Railway Company trainees to correct minor technical problems and to begin the process of making track subdivisions operational.⁵⁸⁹

Airports

U.S. Embassy-Baghdad reported that the transfer of air-traffic control to the Iraq Civil Aviation Authority (ICAA) was delayed this quarter because of technical and controller resource issues that were expected to be resolved by the end of the quarter. The ICAA already controls air traffic above 15,000 feet in the north of the country, and it expects to have a sufficient number of controllers by February 2011, to take control of airspace above 15,000 feet in the southern half of Iraq. This quarter, the ICAA sent 27 Iraqi student controllers to the Pan Am Academy in Miami, Florida. Ten of the students graduated in December and are continuing on-the-job training at the Baghdad Area Control Center. The remaining 17 are expected to graduate



A retired Federal Aviation Administration controller contracted by the ICAA advises an Iraqi air traffic controller at Baghdad International Airport. (U.S. Air Force photo)

in February 2011. The ICAA has received approval to hire an additional 50 controllers.⁵⁹⁰ Control of airspace at all altitudes is slated to transition to the ICAA at various times throughout 2011 as improvements to Iraq's communications, navigation, and surveillance capabilities are completed.⁵⁹¹

The Embassy has reported that the ICAA continues to make positive steps toward meeting International Civil Aviation Organization (ICAO) standards in most areas, but improvements are needed at the local and national levels to bring Iraq in line with international air-traffic standards. This quarter, the Ministry of Transportation (MOT) approved and sent to the CoM a national aviation security plan, which is a basic requirement of the ICAO. The ICAA now operates a national aviation security committee and a Baghdad International Airport security committee, and work is under way to establish similar committees at the other civilian airports in Iraq. Additionally, the ICAA has requested that two audits be conducted by the ICAO regarding airport safety and security—a process that normally takes one to two years to complete.⁵⁹²

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Iraq regained the right this quarter to vote in proceedings of the ICAO for the first time since the 1990 Iraqi invasion of Kuwait.

Iraq regained the right this quarter to vote in proceedings of the ICAO for the first time since the 1990 Iraqi invasion of Kuwait.⁵⁹³ Iraq is a member of the ICAO but stopped participating following its invasion of Kuwait.⁵⁹⁴

The MOT announced this quarter that it had signed agreements with Qatar, Oman, and the Netherlands to begin commercial flights.⁵⁹⁵ The MOT also gave approval to al-Nasr Airline to begin commercial flights between Iraqi airports and Sweden, Germany, and Britain.⁵⁹⁶ Austrian Air and Lufthansa had planned to start operations at Baghdad International Airport last summer, but those plans were on hold this quarter pending further discussions of security, air traffic procedures, and ground handling. Austrian Air plans to determine in mid-January whether it will start operations. There is no new start date for Lufthansa. Meanwhile, France became the latest European country to plan commercial flights to Iraq, and French airline Aigle Azur made a ceremonial flight carrying dignitaries to Baghdad on October 31, 2010.⁵⁹⁷

Telecommunications

The completion date for construction of the \$18.3 million al-Mamoon Exchange and Telecommunications Center in Baghdad is now estimated to be March 31, 2011. The original forecasted completion date was December 2006, but the project has suffered from sabotage and contracting problems, and was re-awarded in 2009. USACE reported that as of December 31, 2010, the IRRF-funded project was 74% complete.⁵⁹⁸

Health Care

U.S.-funded Health Care Projects

This quarter, USACE continued to oversee three ESF-funded health care projects with a combined cost of \$24.2 million: the Missan Surgical Hospital, the surgical wing at Ba'quba General Hospital, and upgrades of facilities at the Ibn Sena Cardiac Center.⁵⁹⁹



The Missan Surgical Hospital as it looked on December 12, 2010. (USACE photo)

Missan Surgical Hospital

Slow progress continued this quarter on construction of the Missan Surgical Hospital, a \$12.6 million project that has suffered problems and delays since construction of the 80-bed facility began in November 2007. U.S. Embassy-Baghdad reported that the contractor is behind schedule and that USACE and ISPO were working to improve the contractor's performance.⁶⁰⁰ According to USACE, the project is scheduled for completion in June 2011.⁶⁰¹

Ba'quba Surgical Wing

USACE reported that the \$8 million surgical wing at the Ba'quba General Hospital in Diyala province was set to be completed this quarter, but U.S. Embassy-Baghdad reported that connections to the essential services utility grid were not yet in place and that USACE and ISPO were working with the Iraqi Ministries of Electricity and Health to remedy the situation.⁶⁰²

Ibn Sena Hospital

Work on the \$3.6 million Ibn Sena Hospital in Mosul was at a standstill this quarter because al-Warka Bank in Mosul failed to transfer \$345,000 sent by USACE to the contractor, citing banking liquidity issues. As a result, the contractor could not pay subcontractors, workers, and suppliers. According to the Embassy, USACE, the Ninewa PRT, the Embassy's Financial Management Office, USF-I, and the Financial Attaché are working to solve the problem.⁶⁰³

Basrah Children's Hospital

The \$165 million Basrah Children's Hospital, inaugurated in May and opened in October 2010, was treating patients this quarter, and efforts are underway to complete the delivery and installation of equipment donated by Project Hope.⁶⁰⁴ Five years behind schedule when it opened, the hospital fell short of its mandate to provide oncology services. "Though construction has been completed and basic pediatric medical services are being offered, oncology services are several months away," Assistant Chief of Mission Peter Bodde said.⁶⁰⁵

USAID's Health Promotion Program

USAID's \$5 million Health Promotion Program in Iraq aims to help the Ministry of Health design, implement, and evaluate the Iraqi public's awareness of health issues, such as malnutrition and childhood obesity. This quarter, USAID reported that expenditures totaled \$958,000. The program, initially set to end on September 30, 2010, has been extended until April 15, 2011.⁶⁰⁶

Education

Following a workshop in the Kurdistan Region, education experts from Baghdad and 11 provinces began this quarter to review the country's education sector, marking the first step in a process that they hope will result in a revamping of Iraq's educational system. The effort is part of an initiative launched by UNESCO and the United Nations Children's Fund to provide a forum to improve essential services, including education.⁶⁰⁷

U.S.-funded Education Projects

USACE reported that as of December 31, 2010, it had completed 1,166 construction projects in the education sector, including three completed this quarter: the \$3.5 million Electrical Engineering College building at Kufa University; and two 12-classroom schools, each costing more



USACE personnel hand out books to students at a primary school near Taji, Iraq. (USACE photo)

than \$1 million.⁶⁰⁸ All three were built using ESF funds. In addition, USACE reported 20 ongoing projects to build or rehabilitate schools; U.S. Embassy-Baghdad reported 26 ongoing education projects.⁶⁰⁹

According to USF-I, 242 education projects funded with FY 2010 CERP appropriations were completed as of September 30, 2010, at a cost of \$18.2 million. An additional 125 projects, collectively funded with \$18.3 million from FY 2010 CERP appropriations, were still in process at the beginning of this quarter. Eight of these projects were valued at \$400,000 or more, the largest of which was a \$499,990 project for construction of a provincial training and conference center in Misan province.⁶¹⁰

Other Education Projects

Oregon became the first U.S. state to sign an education-related memorandum of understanding with GOI officials. For additional information on this project, see the Economy subsection of this Report.⁶¹¹

This quarter, 100 Iraqi faculty members were chosen to participate in a training course at U.S. universities in an effort to aid Iraqi students who want to pursue postgraduate work abroad.⁶¹² The Iraqi Ministry of Higher Education also announced plans to build 15 new universities over the next several years, of which 8 have been approved, to accommodate Iraq's growing population.⁶¹³ ♦

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