

DEVELOPMENTS IN IRAQ

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SECTION

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GOVERNANCE

The 100-day deadline for improved ministerial performance set by Prime Minister Nuri al-Maliki in February passed on June 7 without any ministers being replaced for poor performance. Stating that it was unrealistic for officials to effect drastic changes in performance within such a short period, Prime Minister al-Maliki provided his ministers another 100 days to outline their performance-improvement plans. Meanwhile, he continued to hold the portfolios of Minister of Defense and Minister of Interior, as the major political blocs have yet to agree on mutually acceptable candidates.²⁶⁰

Ministerial Accountability

Last winter's protests—which prompted the 100-day review—were fueled largely by public anger over poor services and the widespread perception that corruption is rampant in most ministries. In an effort to defuse public discontent over these problems, Prime Minister al-Maliki ordered his ministers to appear on national television this quarter to detail their plans for reforming their ministries. Beginning with Deputy Prime Minister (DPM) for Energy Affairs Hussein al-Shahristani, several senior Government of Iraq (GOI) officials delivered nationally televised addresses in early June, promising improved delivery of public services and stricter adherence to the rule of law.²⁶¹

This gesture—the first of its kind in post-2003 Iraq—concluded sooner than originally planned but was in keeping with a series of other recent measures apparently designed to increase governmental transparency and accountability. For example, many GOI agencies are updating their websites more frequently with information about ministerial plans and issuing more detailed reports on government activities. For instance, some provincial investment commissions (including Anbar)



The Inspector General has met with COI Commissioner Judge Raheem al-Ugaili twice in 2011.

now post on their Arabic-language websites information about contracts and development plans.²⁶²

In addition, the Ministry of Electricity (MOE) announced in early July that it was forming a new office that would be open seven days per week to answer citizen inquiries.²⁶³ Moreover, many GOI agencies required by law to issue annual reports are publishing more detailed accounts of their activities. The Commission of Integrity (COI), Iraq's chief anticorruption agency, released its annual report this summer. It provides a comprehensive look at anticorruption activities in Iraq. For a summary of the report's findings, see the Rule of Law subsection in this Quarterly Report.²⁶⁴

Structuring the Government of Iraq

Security Portfolios

In early June, Prime Minister al-Maliki appointed his close advisor, Falih al-Fayiad, as Acting Minister of National Security. But as of July 20, al-Maliki continued to serve as acting head of both the Ministry of Defense (MOD) and Ministry of Interior (MOI). The U.S. Forces-Iraq (USF-I) Deputy Commanding General for Operations stated to SIGIR in May that the continued lack of permanent

The Ministry of Electricity announced in early July that it was forming a new office that would be open seven days per week to answer citizen inquiries.

ministers at MOD and MOI was having an adverse effect on the ability of these ministries to create and implement long-term strategic plans.²⁶⁵

Vice Presidents

This quarter, one of Iraq's three vice presidents (VPs), Adel Abdul al-Mahdi, of the Shia Islamic Supreme Council of Iraq (ISCI) party, resigned. According to a statement released by ISCI, his resignation was an expression of the will of the Shia community and a statement against excessive state spending on politicians with purely symbolic or superficial duties.²⁶⁶ As part of the compromise agreement reached late last year among the main Iraqi political blocs, the GOI added one more VP and one more DPM, bringing to three the total number of each. The two remaining VPs—Tariq al-Hashimi, of the Iraqi National Movement (a Sunni party allied with al-Iraqiya bloc) and Khudayer al-Khuza'ie, of the Dawa Tanzim party (a part of Prime Minister al-Maliki's State of Law coalition) continue to serve.²⁶⁷

On July 10, SIGIR officials met with VP al-Khuza'ie in Baghdad. He stated that the current corruption and security problems facing Iraq result from myriad factors, including post-2003 violence, the lasting legacy of the Ba'athist dictatorship, and the Iraqi people slowly coming to grips with their rights and obligations as citizens of a democratic republic. He added that he believes Iraq is heading in the right direction—marking that the “winds of change that blew into the region this year emanated from Iraq”—but noted that supporters of the former dictatorship, as well as some regional powers, continue to threaten the sustainability of Iraqi democracy.²⁶⁸

Downsizing the GOI

In July, Prime Minister al-Maliki approved a plan to reduce the number of cabinet-level officials from 42 to 30 (29 ministers and the prime minister). Described as an effort to reduce public expenditures, this plan would eliminate some of the at-large ministers of state whose responsibilities

are more advisory than executory in nature. As of July 17, the CoR was considering the prime minister's initiative.²⁶⁹

National Council for Higher Policies

In a May 5 meeting with SIGIR, former Prime Minister Allawi, whose bloc won the most seats in the CoR in the March 2010 elections, indicated that formation of the new National Council for Higher Policies (NCHP) might still be possible. Proposed by U.S. diplomats as an Allawi-led forum for strategic decision making, the prospect of the NCHP was an integral part of the government-formation compromise that was brokered by Kurdistan Regional Government (KRG) President Massoud Barzani in late 2010. Allawi stated that he is currently engaged in discussions with Barzani and other prominent political figures about the NCHP's fate. As of mid-July, however, the NCHP remained unformed, and questions about its constitutionality remain.²⁷⁰

Issues of Regionalism

Some of this past winter's most violent protests took place in the Kurdistan Region. In discussions with SIGIR this quarter, GOI officials identified the rising Kurdish middle class's growing dissatisfaction with the political duopoly that controls the region as one of the prime factors driving instability there. Although the region's standard of living has improved over the past decade, many Kurds have become dissatisfied with the dominance of the Patriotic Union of Kurdistan (PUK) and the Kurdistan Democratic Party (KDP)—both led by groups whose formative experiences came during the armed struggle against the Saddam regime.²⁷¹

Legislative Update

Status of Legislation

To pass the CoR, a bill must undergo three readings, at which time members may propose changes

Many Kurds have become dissatisfied with the dominance of the Patriotic Union of Kurdistan and the Kurdistan Democratic Party.

to the text. Legislation passed by the CoR becomes law only after it is sent to the president and published in the *Official Gazette* (similar to the U.S. *Federal Register*). As of the end of June, 176 bills had been proposed, 44 had undergone one reading, 22 had been through a second reading, and 16 had become law. Table 4.1 lists legislation that has passed the CoR and been published in the *Gazette* as of June 30, 2011.²⁷²

For several years, the CoR has been unable to pass a package of hydrocarbon laws that would regulate Iraq's oil and gas sectors. One of the main obstacles to passage of these laws is the longstanding difference of opinion between the national government and the KRG over how to allocate oil revenues. In May, DPM for Energy Affairs al-Shahristani told SIGIR that he was skeptical about the prospects of passage, stating that he doubted the hydrocarbon laws would pass in the near future.²⁷³

CoR Committees

CoR committees continued to exercise their oversight function this quarter. Significant committee activities included:²⁷⁴

- The Integrity Committee pressed forward with its investigation into corruption at the MOD, focusing on allegations of improperly purchased aircraft from Eastern European countries.
- The Security and Defense Committee responded to the wave of assassinations of senior GOI military and civilian officials by demanding changes in personnel at the Baghdad Operations Center, the GOI interagency entity responsible for security in the capital.
- The Oil and Energy Committee attempted to forge a compromise between the Ministry of Oil and KRG over the issue of oil contracts with foreign companies.

Census Delayed

The GOI has repeatedly postponed holding a national census because of concerns that it would upset the fragile stability that has prevailed between the Arab and Kurdish populations along

TABLE 4.1
COR LEGISLATIVE ACTIVITY, 1/1/2011–6/30/2011

| PASSED LEGISLATION |
|---|
| Vice Presidents law |
| Budget law for 2011 |
| Cancellation of the ratification of al-Ahdab oil field development and production contract |
| Modification of the crude-oil pipeline agreement signed in August 1973 |
| Cancellation of Revolutionary Command Council (RCC) decree 349 of 1991 |
| Cancellation of RCC decree 100 of 1995 |
| Repeal of Article 136(b) of the Iraqi Criminal Procedure Code |
| First amendment to the Private Investment Law regarding the refinement of crude oil |
| Claims Settlement Agreement with the United States |
| Ratification of memoranda concerning Japanese loan of 2010 |
| Association of administrative organizations |
| Consultative committees |
| Cancellation of RCC decree 133 of 1985 |
| Law of the Mukhtars |
| Law of the Service and Retirement for the Internal Security Forces |
| Ratification of nomination of two judges to the special cassation committee examining appeals filed against decisions of the Accountability and Justice (De-Ba'athification) Commission |

Source: CoR, information provided to SIGIR, 7/1/2011.

the disputed internal boundary in the north. According to the Deputy Minister of Planning, the main obstacle to conducting the census is Kurdish leaders' opposition to a question on the proposed census form which would ask respondents to classify themselves by ethnic group. When held, the census would be Iraq's first complete national census since 1987.²⁷⁵

DPM for Energy Affairs al-Shahristani told SIGIR that he was skeptical the hydrocarbon laws would pass in the near future.

Government Capacity-development Programs

As of June 30, 2011, the United States had obligated \$5.59 billion and expended \$5.24 billion for governance programs in Iraq, mainly through the Economic Support Fund (ESF).²⁷⁶

Two programs were reported near completion this quarter: the Local Governance Program (LGP), an initiative designed to strengthen Iraq's provincial governments; and the long-running National Capacity Development Program (called

Tatweer is slated to end on July 31, 2011, while LGP, originally scheduled to end this quarter, was extended until September 2011.

Tatweer, or “development,” in Arabic), which has trained government employees at the national level. *Tatweer* is slated to end on July 31, 2011, while LGP, originally scheduled to end this quarter, was extended until September 2011. Both programs are administered by the U.S. Agency for International Development (USAID).²⁷⁷

Three additional capacity-building programs administered either by USAID or the U.S. Department of State (DoS) remained ongoing this quarter: the Community Action Program (CAP), which is scheduled for completion by September 2012; the Ministerial Capacity Development (MCD) program; and the Democracy and Civil

Society programs.²⁷⁸ The latter two are scheduled for completion in 2013.²⁷⁹

For the status of funding for these five ESF-funded capacity-development programs, see Figure 4.1.

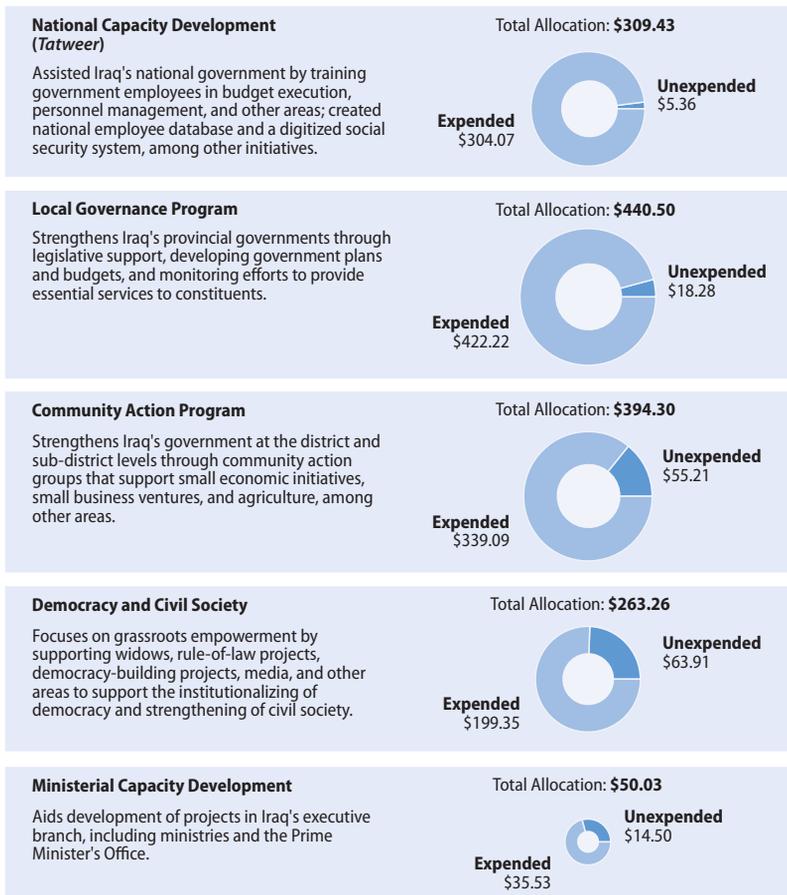
National Capacity Development

From its inception in 2006 through June 30, 2011, the *Tatweer* program expended a total of \$304.1 million of the ESF, including \$4.7 million this quarter, to train Iraqi government civil servants in core public administration functions and to improve internal functions of key ministries.²⁸⁰ This quarter, *Tatweer* graduated its first group of 70 master trainers equipped to develop curricula, assess training needs, and prepare annual training plans. As part of its sustainability plan, the program turned over essential training materials to some GOI universities.²⁸¹

Although *Tatweer* is scheduled to end on July 31, 2011, a final evaluation of the program, which was commissioned by USAID and carried about by the QED Group, was released in April 2011. The report praised *Tatweer*'s program for training about 76,000 of roughly one million government employees. Originally, *Tatweer* set out to create a national training center that would develop the Iraqi Civil Service, but this goal was abandoned after U.S. officials determined that the GOI lacked the capacity to create a national service. *Tatweer* re-focused its efforts on training GOI employees and, in 2008, shifted its emphasis from individual employee training to a “train the trainers” program. It also formed the *Tatweer* Energy Group to provide technical assistance to the Ministry of Oil, its 16 operating companies, and the Ministry of Electricity. *Tatweer* created a national employee database, a Geographic Information System (GIS), and a digitized social security system, among other initiatives. It also helped Iraqi officials create the *National Development Plan (2010–2014)*.²⁸²

However, the report noted that “soft impacts” such as organizational culture changes and the embrace of modern techniques were not achieved. The

FIGURE 4.1
ONGOING U.S.-FUNDED CAPACITY-DEVELOPMENT PROGRAMS
\$ Millions



Sources: NEA-I, responses to SIGIR data calls, 4/12/2011 and 6/27/2011; USAID, response to SIGIR data call, 7/7/2011.

report also noted that systems improvements were not fully realized because top-level managers in some ministries failed to implement reforms. For instance, several ministries simply renamed their personnel departments instead of adopting the substantive changes to their human resources approach that had been recommended by *Tatweer*.²⁸³

Local Governance Program

As of June 30, 2011, the LGP had expended a total of \$422.2 million of the ESF, including \$12.7 million this quarter.²⁸⁴ The program was set to end on June 30, 2011, but was extended for 90 days at no additional cost to continue support for Iraq's provincial governments as the U.S. military prepares to draw down and as Provincial Reconstruction Teams (PRTs) phase out.²⁸⁵

According to program officials, the LGP has sought to help Iraqis implement the Provincial Powers Act by providing legislative support, developing provincial government plans and budgets, organizing staff and information, and monitoring efforts to provide essential services to constituents. The LGP also works with Baghdad's local government to improve financial management of capital projects, as well as oversight and physical inspection of municipal projects in an effort to improve public services.²⁸⁶

USAID reported that during the program's extension, special emphasis will be placed on ministerial development critical to the long-term stability of provincial governments.²⁸⁷ The independence and viability of Iraq's provincial governments has been an issue of concern. A 2010 midterm report commissioned by USAID to evaluate the LGP found that the future of local government in Iraq was "uncertain," and stated in particular that efforts to strengthen provincial governments often clashed with national-level institutions, such as the Council of Ministers (CoM), which the report found often worked against local governments. While the report noted that efforts to aid members of the Provincial Councils (PCs) had been well received by the members themselves, the report

noted an absence of political will to decentralize government, noting that Prime Minister al-Maliki had opposed the Provincial Powers Act. Moreover, the report noted that the CoR had plans to pass new legislation, called Law 25, that would end traditional, informal levels of local government that have been active in Iraq since the 1970s.²⁸⁸

When the LGP ends in September, USAID plans to begin a new ESF-funded Governance Strengthening Project that will continue to support decentralization in Iraq through 2016.²⁸⁹

Community Action Program

As of June 30, 2011, USAID had expended a total of \$339.1 million of the ESF on CAP projects since its inception in 2003, including \$14.6 million this quarter for the third phase of the program, which seeks to strengthen government at the district and sub-district levels.²⁹⁰ USAID reported that four implementing partners continued to administer CAP programs, such as supplying nets to fishermen, supporting women's embroidery cooperatives, paving rural roads, and building playgrounds. CAP also oversees the Marla Ruzicka War Victims Fund, set up in 2003 to aid Iraqis and the families of Iraqis killed or injured by U.S. or Coalition military operations.²⁹¹

Democracy and Civil Society

Since 2003, DoS has expended a total of \$199.3 million, including \$15.8 million this quarter, to fund Iraqi programs through its Bureau of Democracy, Human Rights, and Labor (DRL).²⁹² DRL reported that 51 democracy and civil society projects, valued at \$202 million, were ongoing or started this quarter. Thirteen of these are human rights grants, totaling \$36.3 million, and 26 are democracy and governance programs, totaling \$154 million. DRL also manages 12 grants totaling \$11.2 million that address women's issues. These activities are designed to assist the CoR and the KRG to perform core functions and increase transparency, provide advanced training for political parties and candidates, support political campaign management,

The independence and viability of Iraq's provincial governments has been an issue of concern.

By July 31, 2011, only four PRTs will remain active in Iraq.

strengthen the media, and increase the participation of women, youth, and minorities in government.²⁹³ This quarter, the highest-value ongoing project was a \$27.5 million effort to increase accountability and representation in Iraqi elections.²⁹⁴ All ongoing projects are scheduled to end by December 2013.²⁹⁵

Ministerial Capacity Development

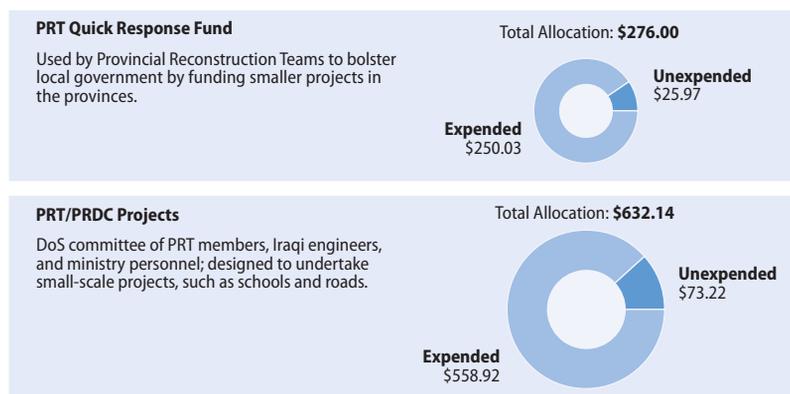
The DoS-administered MCD program is the smallest of the U.S. governance capacity-development programs, with \$50 million in ESF funds set to expire by December 30, 2013. This quarter, the Iraq Strategic Partnership Office (ISPO) expended approximately \$2.8 million to administer five projects that were completed this quarter, including \$181,000 to provide technical assistance to the Deputy Prime Minister, \$20,000 to develop plans for water sharing, \$1.6 million to support investment programs, \$406,000 to assist with the MOE's master plan, and \$592,000 for programs to improve the rule of law. An additional \$2 million has been granted to extend support for investment programs through 2012. A \$2 million effort to provide a subject matter expert for the GOI Ministry of Transportation is ongoing, with \$61,000 expended this quarter.²⁹⁶

Provincial Development

By July 31, 2011, only four PRTs will remain active in Iraq. They will continue to draw on the ESF Quick Response Fund (QRF) and Provincial Reconstruction Development Council (PRDC) programs to support a variety of ongoing DoS-administered projects in Iraq's provinces.²⁹⁷ DoS reported that 200 QRF projects were completed this quarter at a cost of \$6.4 million, and 38 new QRF projects were approved at a collective cost of \$2.3 million.²⁹⁸ The highest-value ongoing projects were the My Arabic Library project, valued at \$1.8 million, and a \$1.5 million project to develop primary schools for the Chaldean Archdiocese of Erbil in the Kurdistan Region.²⁹⁹

As of June 30, 2011, DoS had completed 382 PRDC projects, valued at \$457.7 million, including several that addressed water and sanitation needs, school rehabilitation, and electricity needs. The highest-value completed PRDC project this quarter was the \$11.5 million al-Kibla sewer and storm network in Basrah province.³⁰⁰ This quarter, 46 projects, valued at \$122 million, remained ongoing. For an overview of funding for the QRF and PRDC funds, see Figure 4.2.

FIGURE 4.2
U.S.-FUNDED QRF AND PRDC PROGRAMS
\$ Millions



Sources: NEA-I, response to SIGIR data call, 6/24/2011; USACE, response to SIGIR data call, 7/5/2011; USAID, response to SIGIR data call, 7/7/2011.

Internally Displaced Persons and Refugees

The United Nations High Commissioner for Refugees (UNHCR) reported that more than 838,000 internally displaced persons (IDPs) and more than 460,000 refugees displaced since 2003 had returned to their places of origin in Iraq by the end of 2010. From January through May 2011, an additional 37,210 IDPs and 19,170 refugees had returned to their homes.³⁰¹ For a breakdown of IDP and refugee returns by year since 2003, see Figure 4.3.

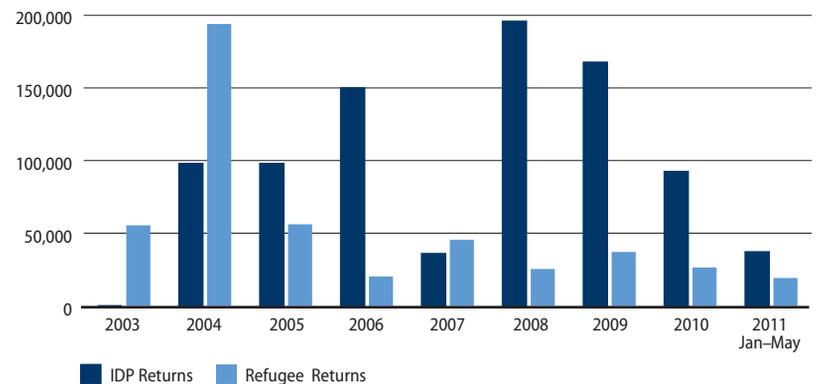
Despite those returns, UNHCR noted that there were still more than 1.3 million Iraqis displaced inside Iraq as of January 2011. UNHCR also

emphasized that occasional reports of new internal displacements continued to occur, particularly among Iraq's minority communities.³⁰² Similarly, UNHCR reported that there were still 188,599 Iraqi refugees, asylum seekers, and others registered with UNHCR in neighboring countries—including Egypt, Iran, Jordan, Lebanon, Syria, Turkey, and Persian Gulf countries—as of May 31, 2011.³⁰³ The actual number of Iraqi refugees is thought to be much higher, but determining that number remains challenging partly because not all refugees register with the UNHCR and many live dispersed in urban areas.³⁰⁴

Regionally, Syria and Jordan remain top destinations for Iraqi refugees. As of May 31, 2011, the UNHCR reported it had registered a total of 126,183 Iraqi refugees in Syria and 31,676 refugees in Jordan.³⁰⁵ Syria was the largest recipient in the region for refugees, not counting Palestinians, despite ongoing violence in parts of that country. The country's borders remain open to Iraqi refugees, and schools continue to receive refugee children.³⁰⁶ Iraqi refugees may account for as much as 9% of Jordan's population, according to a UNESCO report. Jordan, however, does not recognize Iraqis as refugees; instead, it refers to them as "guests." In 2007, Jordan began to allow Iraqi refugee children access to education.³⁰⁷

While Iraqi refugees residing in certain Arab countries faced additional obstacles because of civil unrest in those countries, UNHCR reported that protection for refugees has not been "substantially degraded" by political violence.³⁰⁸ Many refugees who returned to Iraq because of regional unrest said that they planned to leave Iraq again as soon as the regional unrest subsided.³⁰⁹ Nevertheless, Iraq's Ministry of Displacement and Migration announced last quarter it would provide free airplane tickets home for Iraqis who sought to flee the unrest; DoS reported this quarter that the ministry had provided 420 Iraqi families with free flights home from Egypt. All refugees who returned to Iraq with the intention to stay permanently were eligible to receive a grant of about \$1,285.³¹⁰

FIGURE 4.3
RETURN OF IRAQI IDPS AND REFUGEES, 2003–2011



Source: UNHCR, "Monthly Statistical Update on Return—May 2011," 6/2011, p. 1.

U.S. Support for Refugees and IDPs

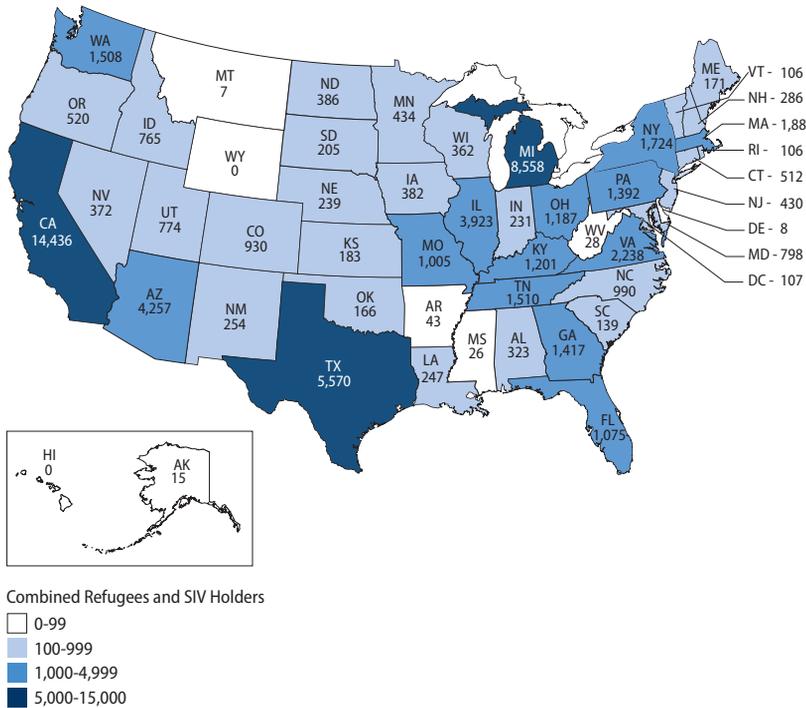
DoS and USAID continued this quarter to administer support programs for IDPs and refugees through several U.S. and international programs.

DoS Programs

As of mid-July, DoS has provided \$201.8 million in humanitarian assistance for Iraqi refugees, IDPs, and conflict victims.³¹¹ This quarter, DoS reported working with UNHCR, the GOI, and the UN's International Organization for Migration (IOM) and World Food Programme (WFP) to support the reintegration of IDPs and refugees who wished to return to their places of origin. The DoS Bureau of Population, Refugees, and Migration (PRM) reported that programs included in-kind grants, assistance in developing business plans, and small-scale infrastructure projects designed to have quick impact on the economy. Projects were concentrated in eight provinces, including Baghdad, Diyala, Ninewa, Anbar, Babylon, Basrah, Erbil, and Sulaymaniyah. Outside Iraq, PRM reported supporting UNHCR and other organizations in Syria, Jordan, Lebanon, Turkey, and Egypt to assist Iraqi refugees with psychosocial support, education, vocational training, and cash, among other aid.³¹² In addition, PRM supports the construction of shelters and the provision of rehabilitation and protection services for returnees and those who integrate locally.³¹³

Iraqi refugees may account for as much as 9% of Jordan's population.

FIGURE 4.4
**RESETTLEMENT OF IRAQI REFUGEES AND SPECIAL IMMIGRANT VISA
 HOLDERS, BY STATE**
 10/2007–6/2011



USAID/OFDA Programs

As of June 30, 2011, USAID's Office of Foreign Disaster Assistance (OFDA) has provided more than \$22 million in humanitarian assistance to vulnerable populations in Iraq, including IDPs. This quarter, OFDA reported providing life-saving support through programs to distribute essential emergency relief supplies, provide emergency shelters, expand access to water and sanitation, generate income opportunities, and support agriculture and food security.³¹⁵ In addition to supporting programs for IDPs, OFDA has provided approximately \$1.25 million to support activities specifically in Diyala and Baghdad provinces, from which large numbers of people fled sectarian violence. According to PRM, the support benefited almost 170,000 vulnerable people, including IDPs.³¹⁶

GOI Support for Refugees and IDPs

The GOI continues to aid IDPs throughout Iraq with particular emphasis on the provinces of Diyala and Baghdad, which were hard hit by sectarian violence and rank highest in the number of families displaced since 2007. Through a program called the Diyala Initiative (discussed further in the special section on Diyala in this Quarterly Report), the GOI began in July 2009 to aid IDPs and refugees who wished to return to that province.³¹⁷ Recently, discussions began to expand the initiative to Baghdad.³¹⁸ The GOI also has formulated a National Policy on Displacement that emphasizes, among other things, the right of IDP children to education.³¹⁹ Since May 2010, Baghdad and Diyala provinces have absorbed the largest number of returning IDPs (see Figure 4.5). Baghdad also topped the list for returns of refugees (see Figure 4.6).

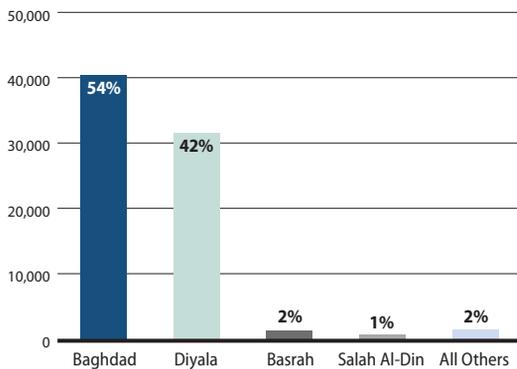
International Support for Refugees and IDPs

With DoS support, UNHCR continued this quarter to register Iraqi refugees in neighboring countries and to provide basic assistance such as food, water, health, and education services to refugees. Additionally, it worked with refugees to

PRM also continued its program to resettle Iraqi refugees and Special Immigrant Visa (SIV) holders who qualified to relocate to the United States. As of June 10, 2011, more than 63,400 Iraqi refugees and SIV holders had resettled in the United States since October 2007 through two separate programs, including 58,925 resettled as refugees and at least 4,509 resettled with SIVs (DoS only tracks SIV holders who elect to resettle and seek benefits through PRM). This quarter, 662 Iraqis resettled as refugees, and 28 resettled with SIVs. The majority of refugees have resettled in California, Michigan, Texas, Arizona, and Illinois, while most SIV holders have resettled in Texas, California, Virginia, Arizona, and Michigan.³¹⁴ For an overview of refugee resettlement in the United States, see Figure 4.4.

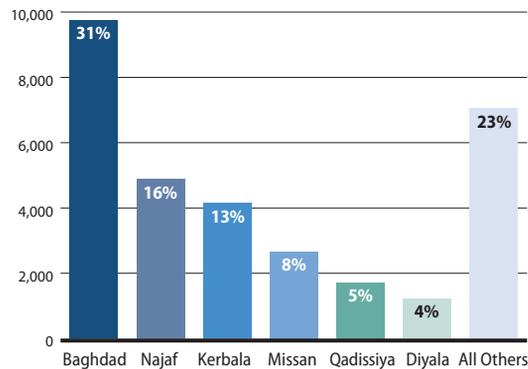
PRM reported supporting UNHCR and other organizations in Syria, Jordan, Lebanon, Turkey, and Egypt to assist Iraqi refugees.

FIGURE 4.5
IDP RETURNS, BY PROVINCE, 5/2010–4/2011



Source: UNHCR, “Monthly Statistical Update on Return—April 2011,” 4/2011, p. 4.

FIGURE 4.6
REFUGEE RETURNS, BY PROVINCE, 5/2010–4/2011



Source: UNHCR, “Monthly Statistical Update on Return—April 2011,” 4/2011, p. 3.

provide essential documentation and legal services. Inside Iraq, UNHCR coordinated emergency shelter, water, and sanitation services to IDPs, with particular focus on some 500,000 IDPs living in squatter settlements in Baghdad. UNHCR also continued to help IDPs with legal counseling and services through its Return, Reintegration, and Community Centers.³²⁰

Iraqi Minority Communities

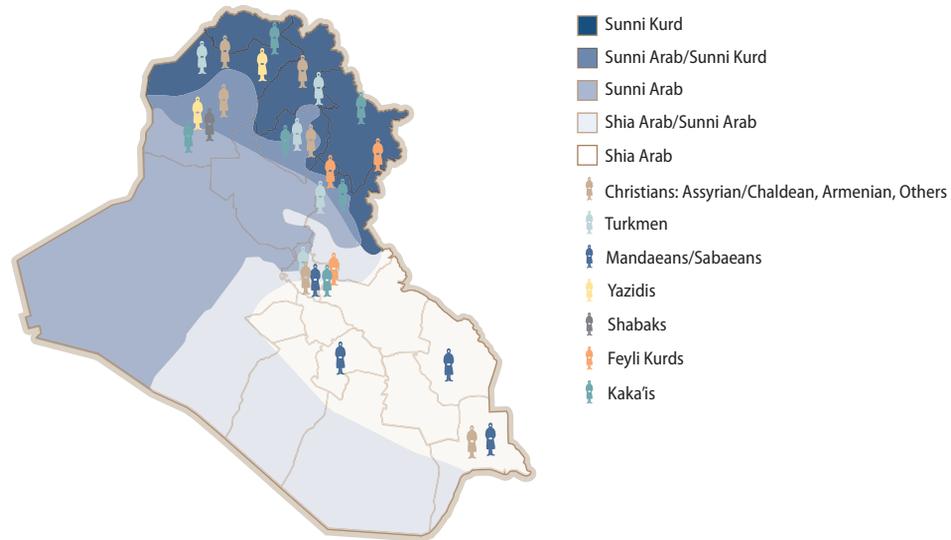
While demographic statistics are lacking due to the absence of a current census, various nongovernmental organizations estimate that Iraq’s ethnic and religious minorities make up no more than 10% of the population. These include Christians, Turkmen, Yazidis, Sabaeen-Mandaeans, Baha’is, Shabaks, Feyli Kurds, Kaka’is, and a very small number of Jews. Violence, both general and targeted against minorities, reportedly has caused large numbers of Iraqis in most minority communities to flee the country. Estimates vary, but the Christian population is thought to have been reduced by more than half since 2003, while the Mandaean-Sabaeen population has dwindled by more than 80% and the Yazidis have been reduced by more

than one-third.³²¹ Figure 4.7 shows concentrations of minority populations in Iraq.

Although Iraq’s Constitution establishes freedom of religion, the U.S. Commission on International Religious Freedom (USCIRF) reported this quarter that continued violence in the country has posed a threat to religious and ethnic minorities. Sectarian attacks against religious leaders and places of worship reportedly continued this quarter, and significant numbers of minority populations continued to seek refuge outside Iraq, even as the GOI has made an effort to safeguard minorities. The USCIRF report paints a grim picture of life in Iraq for minority communities, including reports of kidnappings, rape, torture, beheadings, bombings of religious sites, and forced displacements and conversions. The violence has provoked a “mass exodus” of minorities and prompted USCIRF to recommend that Iraq be placed on the State Department’s list of “countries of particular concern,” a designation reserved for states that have engaged in “systematic, ongoing, and egregious” violations of religious freedom. The report also noted that Iraq’s government had failed to provide protection or justice for those persecuted because of their religious affiliations.³²²

Violence reportedly has caused large numbers of Iraqis in most minority communities to flee the country.

FIGURE 4.7
IRAQI MINORITY POPULATION CONCENTRATIONS



Sources: SIGIR analysis of open-source Arabic and English documents, 2010–2011; SIGIR interviews with Mandaean community members, 6/29/2011.

This quarter, U.S. Embassy-Baghdad reported approving two new QRF-funded projects, with a combined cost of \$196,535, to aid Iraq's minority communities; as of June 30, 2011, \$42,077 had been expended on these two projects. An additional 19

QRF-funded minority-centered projects valued at \$1,204,895 were completed. More than \$500,000 of that amount was expended this quarter on those projects.³²³ Citing security reasons, U.S. Embassy-Baghdad declined to describe the nature or location of these projects.³²⁴ ♦

SECURITY

As of June 30, 2011, the United States had allocated \$27.07 billion, obligated \$25.66 billion, and expended \$24.49 billion for programs and projects to develop the Iraqi Security Forces (ISF),³²⁵ and approximately 43,800 U.S. troops were operating in Iraq with the primary mission to advise, train, assist, and equip those forces.³²⁶

Current Security Situation

The current security situation in Iraq is a challenge to gauge. Overall, violent attacks have dropped off significantly—from 145 per day in 2007 to just about 13 per day in the first four months of 2011, according to DoD.³²⁷ However, DoD reported that at least 248 Iraqi civilians and 193 ISF personnel were killed in attacks during April 1–June 19, 2011.³²⁸ Although much of the remaining violence continues to be the work of terrorist groups attempting to disrupt the GOI, DoD reported that violent crimes—such as armed robberies, assassinations, and kidnappings—are exacerbated by easy access to arms and ammunition, noting that these



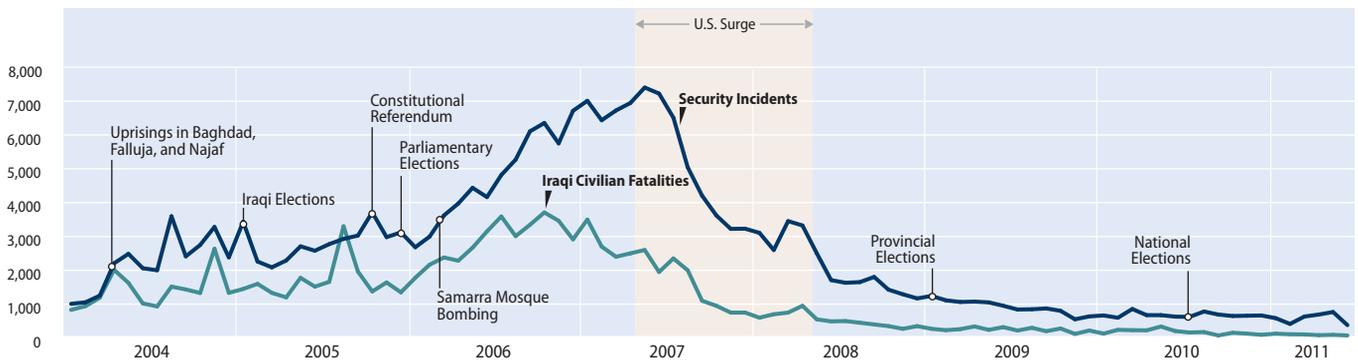
Officials collect evidence at the Diyala Provincial Council headquarters, where a June 14, 2011, bombing killed 7 people and injured 30. (GOI photo)

violent activities are not always related to terrorism.³²⁹ Figure 4.8 provides a historical summary of security incidents and civilian deaths since 2004.

Notwithstanding these long-term trends, a series of mass-casualty attacks this quarter underscored the tenuous nature of the overall security situation. On May 5, 2011, a suicide bomber drove his car into a police station in Hilla, killing 24 police officers and wounding 72 others.³³⁰ During the same month, a car bomb killed 9 and injured 27 near a popular market in Baghdad.³³¹ Two days later, again in the city of Hilla, a bomb killed 15 people

DoD reported that violent crimes are exacerbated by easy access to arms and ammunition.

FIGURE 4.8
MONTHLY SECURITY INCIDENTS AND CIVILIAN FATALITIES, 1/2004–6/2011



Note: Data not audited. Totals for June 2011 civilian fatalities include data through June 19, and totals for June 2011 security incidents include data through June 17. “U.S. Surge” denotes period when at least 150,000 U.S. troops were in Iraq.

Sources: USF-I, responses to SIGIR data calls, 1/4/2011, 4/12/2011, and 7/1/2011; Brookings Institution, *Iraq Index*, 6/30/2010, pp. 3, 4.

FIGURE 4.9
U.S. MILITARY FATALITIES PER 20,000 SERVICEMEMBERS, BY MONTH,
1/2009–6/2011



Sources: USF-I, response to SIGIR data call, 4/12/2011; CENTCOM, response to SIGIR data call, 7/1/2011; Brookings Institution, *Iraq Index*, 6/30/2011, pp. 8, 13; DoD, news transcript, “Media Availability with Secretary Panetta at Forward Operating Base Dwyer, Afghanistan,” 7/10/2011.

and injured dozens.³³² On July 5, 2011, just north of Baghdad, twin suicide attacks at Provincial Council offices and the site where national identification cards are issued in Taji killed at least 35 people and injured 60, making it the deadliest incident in more than six months.³³³

The UN reported increased levels of indirect-fire attacks against USF-I bases and the Baghdad International Airport this quarter.³³⁴ In April, five soldiers died in the line of fire, including two killed while conducting operations in southern Iraq.³³⁵ In June 2011, 14 soldiers were killed as a result of hostile attacks—the deadliest month for U.S. forces since April 2009, prior to their withdrawal from Iraq’s cities.³³⁶ In all, 21 U.S. soldiers were killed in action this quarter.³³⁷ The U.S. military reported that two more soldiers were killed on July 7 by a roadside bomb with armor-piercing projectiles outside the main U.S. base in Baghdad.³³⁸ These powerful bombs are the trademark of Iranian-backed Shia militias.³³⁹ Figure 4.9 shows monthly U.S. military fatalities per 20,000 servicemembers stationed in Iraq from January 2009 through June 2011.

Militant attacks against Iraqi targets this quarter were concentrated in Baghdad, where more than 40% of all incidents took place. The city has been the scene of more than three times the violence occurring in Mosul and Kirkuk, where a combined 23% of all Iraqi attacks took place. However, recent months have seen a slight improvement in security



Iranian rockets hit a village south of Erbil, on July 15, 2011. (GOI photo)

conditions in Mosul, where well-established terrorist organizations’ activities have been curbed in a slow war of attrition with the ISF. Kirkuk, on the other hand, has seen slightly worsening conditions, driven by tensions among different ethnic groups as they compete for influence in the historically contested, oil-rich city.³⁴⁰

While the joint efforts between the United States and Iraq have succeeded in diminishing the threats posed by al-Qaeda and other terrorist groups, internal militias, and even basic crime, USF-I reported that threats from smaller, foreign militias have become cause for concern—the most prevalent being the Promised Day Brigades, Asaib Ahl al-Haq, and Hezbollah Brigades.³⁴¹

This quarter also saw an increase in the number of rockets hitting the International Zone and the U.S. Embassy compound as well.³⁴² On May 15, according to the UN, 11 rockets struck the International Zone—the highest one-day total in two years. Four more rockets struck on June 9.³⁴³ Whether they are trends or aberrations, these events remain cause for concern as the United States prepares to withdraw all military forces by December 31, 2011.

Attacks on GOI Officials

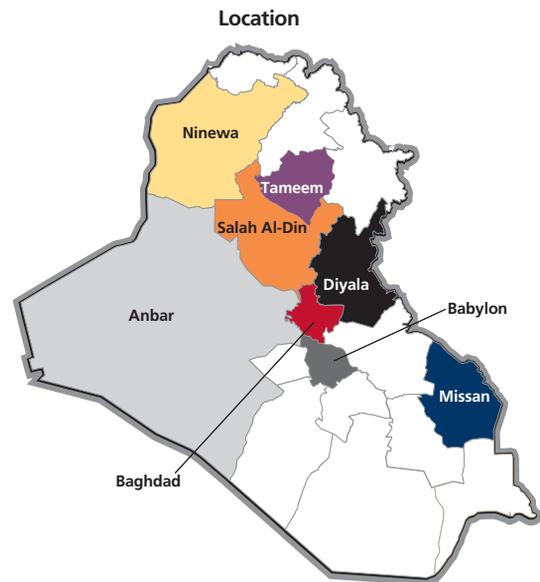
In May, USF-I’s Deputy Commanding General for Operations noted that the targeted killing of senior GOI officials has emerged as one of Iraq’s main security concerns, saying that the situation has

In all, 21 U.S. soldiers were killed in action this quarter.

FIGURE 4.10
SELECTED ACTS OF APPARENT TARGETED VIOLENCE AGAINST SENIOR OFFICIALS, 4/15/2011–7/10/2011

Security Officials

| TARGETS/VICTIMS | LOCATION | DATE | CIRCUMSTANCES | RESULT |
|------------------------------------|----------|------|---------------|--|
| MOI lieutenant colonel | ● | 4/16 | | Wounded |
| MOI colonel | ● | 4/22 | | Wounded; bodyguard killed |
| Intelligence official | ● | 4/23 | | Killed |
| IA officer | ● | 4/24 | | Killed |
| MOD brigadier general | ● | 4/24 | | Wounded |
| MOD lieutenant colonel | ● | 4/24 | | Unharmd |
| Deputy police chief | ● | 4/27 | | Unharmd; several others wounded |
| IAF brigadier general | ● | 4/28 | | Killed |
| MOI general | ● | 4/28 | | Killed with 5 others |
| MOD colonel | ● | 4/30 | | Killed |
| MOI colonel | ● | 5/3 | | Killed |
| MOI official | ● | 5/7 | | Killed |
| MOI lieutenant colonel | ● | 5/14 | | Wounded |
| Intelligence official | ● | 5/14 | | Wounded |
| MOI major | ● | 5/17 | | Killed |
| District police chief | ● | 5/17 | | Unharmd |
| MOI official | ● | 5/20 | | Wounded |
| MOI colonel (forensics department) | ● | 5/20 | | Killed |
| MOI emergency battalion commander | ● | 5/23 | | Unharmd |
| MOI officials | ● | 5/26 | | At least 3 killed |
| MOD major general | ● | 5/29 | | Unharmd |
| ISF colonel | ● | 6/4 | | Killed |
| MOI general | ● | 6/7 | | Wounded |
| MOD senior official | ● | 6/8 | | Wounded; son killed |
| Police commissioner | ● | 6/9 | | Killed |
| Former IA general | ● | 6/11 | | Killed with son |
| MOD general | ● | 6/14 | | Killed |
| IA colonel | ● | 6/18 | | Killed |
| MOI officer | ● | 6/20 | | Killed |
| Former IA colonel | ● | 6/22 | | Killed |
| Police chief | ● | 6/26 | | Official killed |
| ISF lieutenant colonel | ● | 6/29 | | Official wounded |
| MOI lieutenant colonel | ● | 7/6 | | Official wounded, at least 2 police killed |



| Location | Legend |
|----------|---|
| | IED/VBIED |
| | Gunfire |
| | Gunmen ambushed convoy |
| | Gunmen attacked residence |
| | Gunmen attacked with silenced weapons |
| | Gunmen attacked vehicle |
| | Residence bombed |
| | Sticky bomb attached to vehicle |
| | Suicide bombers and gunmen storm compound |
| | VBIED attack on convoy |

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

Source: SIGIR analysis of open-source documents in Arabic and English, 4/2011–7/2011.

grown more severe over the last six months.³⁴⁴ In an effort to counter this growing problem, USF-I is working with the GOI to assist in instructing Iraqi personnel on basic countermeasures, including surveillance-detection methods and procedures for inspecting vehicles for “sticky bombs.”³⁴⁵

Figure 4.10 shows selected attacks on more than 70 senior GOI military and civilian

personnel this quarter. Those attacked included prominent political figures, ISF general officers, and a provincial governor. On May 26, Ali al-Lami—the director of the Justice and Accountability Commission (formerly known as the De-Ba’athification Commission)—was shot and killed in eastern Baghdad. In late May, Atheel al-Nujaifi, the governor of Ninewa province,

Those attacked included prominent political figures, ISF general officers, and a provincial governor.

Non-Security Officials

| TARGETS/VICTIMS | LOCATION | DATE | CIRCUMSTANCES | RESULT | TARGETS/VICTIMS | LOCATION | DATE | CIRCUMSTANCES | RESULT |
|---|----------|------|---------------|-------------------------------------|---|----------|------|---------------|---|
| Ministry of Higher Education official | ● | 4/16 | ☀ | Unharmd; two civilians wounded | MOH official/CoR candidate (al-Iraqiya) | ● | 5/12 | 🔫 | Killed |
| Ministry of Education DG | ● | 4/19 | ☀🚗 | Killed | Tax official | ● | 5/15 | ☀🚗 | Killed |
| National Democratic Party official | ● | 4/18 | ☀ | Wounded with several others | Judge | ● | 5/16 | ☀🚗 | Bomb dismantled |
| CoR advisor | ● | 4/18 | ☀ | Unharmd; several bodyguards wounded | Ministry of Oil officials | ● | 5/17 | ☀ | Wounded |
| MOF DG and CBI advisor | ● | 4/18 | 🔫🚗 | Unharmd | Antiterrorism officer | ● | 5/17 | 🔫 | Killed |
| Al-Ahrar party official | ● | 4/19 | ☀ | Unharmd | Al-Ahrar party official | ● | 5/22 | 🔫🚗 | Wounded |
| Ministry of Oil official | ● | 4/20 | 🔫 | Wounded | Ministry of Oil official | ● | 5/25 | 🔫 | Killed |
| Electoral official | ● | 4/20 | ☀🚗 | Wounded | De-Ba'athification Committee Chairman | ● | 5/26 | 🔫 | Killed |
| Deputy Minister of Housing and Reconstruction | ● | 4/20 | ☀ | Unharmd | Ninewa Provincial Governor | ● | 5/30 | ☀ | Unharmd |
| Appellate judge | ● | 4/20 | ☀ | Unharmd; bodyguards wounded | Minister of Human Rights (acting) | ● | 6/1 | ☀🚗 | Unharmd; two civilians wounded |
| Chair of CoR Integrity Committee | ● | 4/21 | 🔫 | Unharmd | Advisor to CoR Speaker | ● | 6/5 | 🔫 | Killed |
| Ministry of Foreign Affairs official | ● | 4/22 | 🔫 | Killed | Ministry of Planning official | ● | 6/5 | ☀ | Wounded |
| Ministry of Housing and Reconstruction official | ● | 4/22 | 🔫🚗 | Killed | Ministry of Education IG official | ● | 6/6 | 🔫 | Wounded |
| Customs DG | ● | 4/23 | 🔫 | Killed | Judge | ● | 6/6 | ☀🏠 | Bomb dismantled |
| Tax official | ● | 4/23 | 🔫 | Killed | Judge | ● | 6/9 | 🔫🚗 | Killed |
| Baghdad provincial government official | ● | 4/26 | 🔫🏠 | Killed | DG of al-Nasr SOE | ● | 6/9 | 🔫🚗 | Killed |
| Ministry of Culture official | ● | 4/27 | ☀ | Unharmd | Diyala provincial government officials | ● | 6/14 | ☀🔫 | 2 police officers killed, several wounded |
| Judge | ● | 4/30 | ☀🏠 | Killed with several relatives | Baghdad Provincial Council legal director | ● | 6/14 | 🔫 | Killed |
| PUK official | ● | 5/1 | 🔫 | Killed | Mosul judicial official | ● | 6/16 | ☀🏠 | Wounded |
| Baghdad municipal official | ● | 5/1 | 🔫🏠 | Killed | Mayor | ● | 6/20 | 🔫🏠 | Killed |
| Passport official | ● | 5/2 | ☀ | Unharmd; several others wounded | Abu Ghraib local official | ● | 6/25 | 🔫🏠 | Killed with son |
| Grain Board Chief | ● | 5/3 | ☀ | Unharmd | Ba'quba mayor | ● | 6/28 | ☀ | Wounded |
| Nationality certificates official | ● | 5/7 | ☀🚗 | Killed | Former Minister of Housing and Construction | ● | 6/28 | ☀🚗 | Wounded |
| DG, SOE cement company | ● | 5/10 | ☀🚗 | Killed | MoPDC director general | ● | 6/29 | 🔫 | Killed |
| Al-Iraqiya party official | ● | 5/12 | ☀🏠 | Unharmd | Religious affairs (hajj) official | ● | 6/30 | 🔫🚗 | Killed |
| | | | | | Local council deputy chairman | ● | 7/6 | ☀ | Wounded |

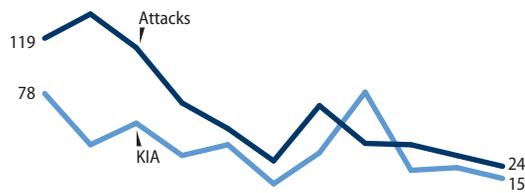
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The governor of Ninewa has survived multiple assassination attempts since taking office.

escaped unharmd after an IED was set off near his motorcade. Al-Nujaifi, the brother of CoR Speaker Osama al-Nujaifi, has survived multiple assassination attempts since taking office in 2009. Ali al-Lami's brother, an employee of construction and housing ministry, was reportedly killed on June 30 in an attack in Sadr City by assailants using weapons with silencers.³⁴⁶

According to information provided by the GOI-led Sons of Iraq (SOI) program as of June 15, at least 38 members had been killed in the line of duty this year (see Figure 4.11). Total attacks on personnel have dropped significantly in the last two years,³⁴⁷ but SOI members and their families continue to be reported by the GOI and in Iraqi media as victims of attack. According to USF-I, transition of SOI

FIGURE 4.11
ATTACKS ON SOI VS. KIA, 2008–2011



Note: Period for data shown ends 6/15/2011. USF-I does not track attacks on SOI members or their families; it receives information from the GOI, which is responsible for running the program.

Source: USF-I, response to SIGIR data call, 7/5/2011.

members to the ISF or other government jobs remains at a standstill. Only about 9,000 of the 94,000 members have been transitioned to the ISF, and 30,000 have transitioned into other jobs.³⁴⁸

U.S. Civilian and Contractor Deaths and Injuries

USF-I reported that there have been no DoD/DoS civilian deaths in Iraq since September 1, 2010, the start of Operation New Dawn.³⁴⁹ This quarter, the U.S. Department of Labor (DoL) received reports of 4 deaths of contractors working for the U.S. government in Iraq and 416 injuries that resulted in the contractor missing at least four days of work. DoL has received reports of 1,533 contractor deaths since March 2003.³⁵⁰

Attacks on Infrastructure

Infrastructure security remains a challenge, particularly as it relates to critical hydrocarbon facilities. The MOI is currently coordinating the development of a protection plan for such infrastructure,³⁵¹ while senior GOI officials point to planned facility security improvements, including better lighting, walls, fences, cameras, and motion-detection systems.³⁵² Following a February 2011 attack on Iraq's largest refining facility, in Baiji, the Iraqi Army (IA) assumed security from the police.³⁵³

A natural gas pipeline explosion near the main operating units of the Baiji Refinery briefly shut down the facility June 24, but it remained unclear if the explosion was caused by equipment failure or by an act of sabotage. The refinery was operating

normally within 24 hours.³⁵⁴ An armed attack on the same refinery in February caused extensive damage and took repair crews three weeks to restore production to pre-attack levels.³⁵⁵ Plans to attack the same refinery in March were discovered by the ISF, which defused the threat.³⁵⁶

In early June, the ISF reportedly defused four bombs that had been planted at the Doura refinery in Baghdad.³⁵⁷ On June 5, insurgents attacked and destroyed an oil storage tank in al-Zubair, southwest of Basrah. Bombs were reportedly placed at four such tanks in the attack; however, just one caused significant damage.³⁵⁸

USF-I reported that there were eight attempts (four in Baghdad) to disrupt the electricity infrastructure through the use of explosive devices this quarter. Although six explosions resulted in damage to towers and lines, none of the attacks resulted in service interruption.³⁵⁹

On July 12, 2011, Asiacell, the largest private Iraqi telecommunications company—and first mobile telecom company to provide coverage for all of Iraq—called for greater government protection of the company's staff and communication towers after recently coming under attack by armed terrorist groups in Mosul and other areas. These attacks corresponded with information provided by the ISF on the terrorist groups' intentions to destroy all Asiacell towers in Mosul.³⁶⁰

Iraqi Security Forces

As of June 30, 2011, more than 800,000 security force personnel were serving in the MOD, MOI, and the Iraqi National Counter-Terrorism Force (see Table 4.2).³⁶¹ More than 82,000 Facilities Protection Service (FPS) personnel were transitioned to the ranks of the Iraqi Police on January 1, 2011. As of June 5, 2011, 23,159 had graduated from the MOI's Basic Recruit Training Course—a requirement for all transferring personnel. FPS has reported it is working on a plan to train 5,000–6,000 recruits every month.³⁶²

On June 5, insurgents attacked and destroyed an oil storage tank in al-Zubair.



Iraqi Special Forces commandos in Basrah prepare an assault after being dropped off by Iraqi Army Aviation helicopters during Operation Lion's Leap on April 28—the largest Iraqi joint-military exercise since 2003. (USF-I photo)

The U.S. Iraq Training and Advisory Mission (ITAM) has been funding a wide range of training activities for the ISF—from mechanics training courses for wheeled equipment³⁶³ to an eight-week course to train and equip polygraph examiners within the MOD and MOI. Begun in 2008, ISFF-funded polygraph training produced examiners who could support the vetting process for new ministry hires. A new course begun this year is teaching four examiners to be certified instructors in polygraph techniques that can be used for both source vetting and as an investigative tool.³⁶⁴

Transforming the Iraqi Army into an Externally Focused Force

With the advent of the insurgency in 2003–2004, the United States abandoned its initial security plans, which called for a relatively small IA oriented toward border-defense missions. Instead, U.S. and GOI officials embarked on a multi-year program to recruit, train, equip, and deploy a robust IA capable of conducting aggressive counterinsurgency operations inside Iraq.³⁶⁵ As of June 30, 2011, the IA had a nominal strength of almost 200,000 soldiers—a force USF-I characterized as capable of maintaining domestic security with limited support from the U.S. military.³⁶⁶

As Table 4.2 illustrates, the Iraqi Police constitute the largest ISF force. Although, as USF-I reports, the police have increased their size and capabilities—and have replaced IA units as the lead

TABLE 4.2
IRAQI SECURITY FORCES, AS OF 6/30/2011

| SERVICE | | ASSIGNED PERSONNEL |
|--------------------------------|----------------------------------|--------------------|
| Ministry of Defense | Iraqi Army | 193,421 |
| | Training and Support | 66,938 |
| | Air Force | 5,053 |
| | Navy | 3,622 |
| | Army Air Corps | 2,366 |
| | Total MOD | 271,400 |
| Ministry of Interior | Iraqi Police | 302,000 |
| | Facilities Protection Service | 95,000 |
| | Department of Border Enforcement | 60,000 |
| | Iraqi Federal Police | 44,000 |
| | Oil Police | 30,000 |
| | Total MOI | 531,000 |
| Counter-Terrorism Force | | 4,200 |
| Total | | 806,600 |

Note: Numbers affected by rounding. Assigned numbers illustrate payroll data; they do not reflect present-for-duty totals.

Sources: GOI, MOI IG, information provided to SIGIR, 7/11/2011; USF-I, response to SIGIR data call, 7/15/2011.

in some local areas—the IA remains in the lead in 14 provinces, with operational control for security residing in seven regional operation commands. The GOI has formed a high-level committee that will assess the state of security and the capability of Iraqi police forces in these provinces to determine the timing for transfer of internal security to police. Such transfer will free up IA units to focus on the development of traditional combined-arms capabilities and external defense.³⁶⁷

Current plans call for elements of four IA divisions to be withdrawn from domestic security operations in January 2012 for additional training by the Office of Security Cooperation-Iraq (OSC-I) in combined-arms operations. As an initial step in this process, USF-I is helping the IA integrate mortar men and combat engineers into the infantry units. U.S. military advisors planned to start training IA mechanized infantry units on more advanced combined-arms tactics in July, including the proper use of 1,100 new armored personnel

Although the police have increased their size and capabilities, the IA remains in the lead in 14 provinces.



Iraqi Police arrest alleged insurgents in central Baghdad on June 12, 2011. (GOI photo)

carriers, 140 M1 Abrams main battle tanks, and an array of modern indirect-fire systems.³⁶⁸

USF-I Security-assistance Mission

Reflecting both the progress of the Iraqi forces and the threats that persist, USF-I executes three main tasks under Operation New Dawn.³⁶⁹

- Advise, train, assist, and equip the Iraqi security forces.
- Partner in counterterrorism operations.
- Support and protect the civilian workers from the U.S. Mission-Iraq as it works to build civil capacity throughout the country.

While the ISF has made progress on all fronts of the mission, USF-I has reported that as U.S. forces prepare to leave Iraq at the end of the year, gaps in ISF capabilities exist.³⁷⁰

Turning Over U.S. Projects

On June 6, 2011, the U.S. Army Corps of Engineers (USACE) completed construction of air defense systems at Ali Air Base in southern Iraq. According to USACE, this capability will play a critical part in the ability of Iraq's Air Force to secure the borders against air attack. The \$5.38 million air base was funded through the Foreign Military Sales (FMS) program and was begun in November 2009.³⁷¹

On April 27, a new Signals Platoon Maintenance Building officially opened at Camp Ur,

TABLE 4.3
FMS PURCHASES, GOI-FUNDED VS. U.S.-FUNDED

| | TOTAL CASES | VALUE OF CASES OBLIGATED | VALUE OF CASES DELIVERED |
|-------------|-------------|--------------------------|--------------------------|
| GOI-funded | 184 | \$6.2 billion | \$1.4 billion |
| U.S.-funded | 203 | \$2.5 billion | \$781.6 million |

Note: Numbers affected by rounding.

Source: OSD, response to SIGIR data call, 7/5/2011.

near Nassiriya. According to USACE, which began construction of the \$539,000 facility in December 2009, the new maintenance building provides a large workshop, spare parts storage, and air-conditioned offices that accommodate state-of-the-art equipment.³⁷²

Foreign Military Sales

The modernization of the ISF is being facilitated through the FMS program. As of June 30, 2011, the GOI had committed to 387 FMS “cases”—29 for the MOI and the remainder for the MOD. The GOI has funded approximately 70% (nearly \$7.6 billion) of the total value of the program and 64% of the nearly \$2.2 billion in equipment and projects already delivered.³⁷³ See Table 4.3 for more details on FMS funding.

The total number of committed FMS cases increased by 13 this quarter. A significant number of cases involve FMS procurement of foreign-sourced equipment. To date, FMS cases not sourced in the United States are valued at approximately \$514 million. Helicopter and related cases account for more than half (56%) of the value, with vehicles (32%) and ammunition (12%) accounting for the balance.³⁷⁴ Deliveries from U.S. and foreign sources this quarter include:³⁷⁵

- 8 Mi-171E Helicopters
- 36 M1A1 Tanks
- 1 M109A5 Howitzer
- 40 M198 Howitzers
- 31 Heavy Equipment truck/trailers
- 16 Armored Security Vehicles ♦

To date, FMS cases not sourced in the United States are valued at approximately \$514 million.

RULE OF LAW

Key ongoing programs focus on supporting the GOI's judiciary, police, and anticorruption agencies.

As of June 30, 2011, the United States had obligated \$2.38 billion and expended \$2.12 billion to improve the rule of law in Iraq.³⁷⁶ U.S. advisors work with their GOI counterparts to formulate solutions to a diverse array of problems, including judicial security, financial corruption, and prison administration. Key ongoing programs focus on supporting the GOI's judiciary, police, and anticorruption agencies. As the United States further normalizes its bilateral relations with Iraq, U.S. programs are increasingly prioritizing efforts to enhance indigenous Iraqi training capabilities and assist the GOI in improving its relations with international agencies capable of providing advanced law-enforcement and judicial mentoring.

U.S. Capacity-development Programs

U.S. Embassy-Baghdad's Office of the Rule of Law Coordinator (RoLC) administers ongoing U.S.-funded efforts to improve Iraq's judicial institutions. Activities this quarter included:³⁷⁷

- continued progress on the Basrah Pilot Court, a \$286,449 project funded by the Commander's Emergency Response Program (CERP) to colocate newly trained judicial investigators with investigative judges in a 10,000-square-foot space at Basrah's main courthouse
- the first mixed-gender police training class at the Baghdad Police College
- completion of a three-week judicial security course conducted by the U.S. Marshals Service for 10 personnel from the Ministry of Justice (MOJ) and 5 from the MOI

The RoLC also worked with USF-I and the MOJ to coordinate the transfer to the GOI of the remaining detainees under U.S. control. This summer, the U.S. transferred about 200 detainees to GOI custody.³⁷⁸



Missan tribal leaders attend U.S.-sponsored quarterly rule of law conference. (DoS photo)

Additionally, due to the closure of the PRTs and the need to establish and maintain relationships within the provinces, the Department of Justice's (DoJ) Office of Overseas Prosecutorial Development and Assistance Training program will maintain a presence in the Embassy's consulates and also in Baghdad. Moreover, DoJ's Embassy presence will be reduced to reflect the increased emphasis on working with GOI rule-of-law institutions on combating international crime, money laundering, and terrorism.³⁷⁹

U.S. Anticorruption Efforts

U.S. support for the GOI's anticorruption efforts focuses mainly on the Commission of Integrity (COI). The Embassy's Anti-Corruption Coordination Office operates under DoS's Bureau of International Narcotics and Law Enforcement Affairs (INL/ACCO) and leads the U.S. effort to assist Iraq's three main anticorruption entities—the COI, the inspectors general (IGs), and the Board of Supreme Audit (BSA). As of June 30, INL/ACCO was staffed by four DoS personnel and two local employees. Current plans call for it to have two DoS employees and four local employees by early 2012, as it transfers some of its functions to other Embassy sections.³⁸⁰

Training Iraq’s Anticorruption Agencies

Since 2008, INL/ACCO has forged a close partnership with the United Nations (UN) to provide training and technical assistance to the GOI’s anticorruption institutions. It funds several UN-administered anticorruption programs for the COI and for IG offices via the Economic Support Fund (ESF), including:³⁸¹

- \$8 million for the UN Development Programme (UNDP) to help implement Iraq’s *National Anti-Corruption Strategy for 2010–2014* (NACS)
- \$6 million to the UNDP for training the Iraqi IGs (through a program scheduled to begin later this year)
- \$2 million for the UN Office on Drugs and Crime (UNODC) to assist the COI in conducting financial investigations
- \$2 million to UNODC for improving GOI capacity to recover stolen funds hidden in overseas bank accounts

INL/ACCO is also requesting about \$1 million to train COI personnel on forensic investigative techniques using modern computer software. INL/ACCO maintains a liaison relationship with the BSA as well, but does not fund any programs to support it.³⁸²

The COI Deputy Commissioner is currently working with INL/ACCO personnel to build training relationships with the international community. To date, COI officials have held preliminary discussions with representatives from the EU, United Kingdom, Australia, Denmark, Spain, Germany, Sweden, and Italy regarding training programs that could be offered to the COI in the following areas:³⁸³

- anti-money-laundering protocols
- tracking of the cross-border movement of funds
- advanced financial investigative techniques
- international law
- asset recovery

In meetings with SIGIR this quarter, both INL/ACCO and COI officials strongly emphasized the need to train GOI anticorruption personnel in

modern anti-money-laundering techniques. This quarter, DoS reported that U.S. advisors attached to the Department of Treasury had trained 20 employees from the Central Bank of Iraq (CBI) on compiling suspicious activity reports and detecting counterfeit currency. In collaboration with the BSA, the COI is also looking to enhance its ability to investigate cases of alleged money laundering.³⁸⁴

ICITAP Investigative Capacity-development Program

Since 2004, DoJ’s International Criminal Investigative Training Assistance Program (ICITAP) has operated an INL-funded program to train and mentor COI investigators. As of March 2011, INL had provided more than \$15 million in funding for this effort, including purchasing more than \$670,000 in surveillance equipment for the COI. As of June 2011, one INL-funded ICITAP advisor and one linguist were assisting the COI in Baghdad as part of this program, down from approximately 16 advisors and as many as 6 linguists during 2006–2008. The program is scheduled to conclude in mid-2012.

Recently completed programmatic activities include:³⁸⁵

- submitting to the COI Deputy Commissioner a management assessment identifying flaws with COI internal policies, including the lack of adequately articulated goals for departments and individual employees
- completing an investigative-prioritization model that, if implemented, would aid the COI in dedicating the appropriate amount of resources to cases involving senior GOI officials, large dollar amounts, or systemic instances of corruption
- monitoring the COI’s in-house training programs (the COI assumed full responsibility for all basic training from ICITAP in August 2010)
- collaborating with the Defense Criminal Investigative Service to deliver a procurement-fraud investigations seminar for 23 COI investigators
- obtaining approval from INL/ACCO for the *Tumoooh* (Arabic for “ambition”) English-language training program, the goal of which

Both INL/ACCO and COI officials strongly emphasized the need to train GOI anticorruption personnel in modern anti-money-laundering techniques.



Iraqi investigative judge examining evidence at a forensics lab in Kirkuk that was built with U.S. assistance. (USF-I photo)

is to train 500 COI personnel in conversational English over the next five years in sessions conducted in both Iraq and the United States (the first 18 months of the program are budgeted at \$580,000)

ICITAP advisors continue to confer with COI, INL/ACCO, and UNODC representatives regarding the goCASE computer-based case management system for the COI Investigations Directorate. This system is designed to enhance the ability of supervisors to manage ongoing investigations and intelligence, generate automated management and personnel performance reports, and establish paperless investigative files. Although as of May, the system is not yet in daily use, the hardware and software are in place, and five COI personnel have been trained on its use. Currently, these five are acting as instructors and training approximately 125 of their colleagues.³⁸⁶

The legislation repealing Article 136(b) became law when it was published in the *Official Gazette*.

Polygraph Training

As part of an INL-funded initiative, ICITAP trained the 11-member COI polygraph unit, concluding its effort in May 2010. Since then, the COI polygraph unit has been operating independently. The graduates of this course became the first polygraph examiners in Iraq to possess internationally recognized certifications.³⁸⁷ In 2010, the COI conducted 256 polygraph examinations of COI and IG job applicants and active-duty personnel.³⁸⁸ For information on U.S.-funded polygraph programs for MOD and MOI, see the Security subsection of this Quarterly Report.³⁸⁹

Repealing Article 136(b)

In June, after a multi-year effort led by the COI and its allies in the CoR, Article 136(b) of the Iraqi Criminal Procedure Code—which allowed ministers to immunize their subordinates—was finally repealed. The CoR voted to repeal Article 136(b) in mid-April, and the legislation became law when it was published in the *Official Gazette* on June 13, 2011.³⁹⁰

Other Anticorruption Legislative Activity

Iraq's *National Anti-Corruption Strategy for 2010–2014* charges GOI agencies with formulating plans to address 201 distinct problems involving the waste, fraud, or abuse of public funds. As part of its ongoing effort to implement the NACS, the COI has drafted a new anticorruption law that criminalizes types of conduct that are not considered illegal under the Iraqi Penal Code, including several types of conflicts of interest. The COI is also developing legislation to protect witnesses who cooperate with the government in criminal cases and a law to replace Coalition Provisional Authority (CPA) Order 93, which criminalizes money laundering.³⁹¹

In early May, the Secretary General of the CoM stated that new draft laws covering the anticorruption institutions include the establishment of specialized anticorruption courts. The CoM Secretary General noted that this step came as a result of joint efforts led by the COI to bring Iraq's

GOI Anticorruption Activities

Major Corruption Developments

Recent developments in key corruption matters included:³⁹²

- On April 24, the Ninewa criminal court sentenced the former chairman of the Ninewa Provincial Council to eight years in prison for a scheme involving the payment of salaries to “ghost employees.”
- The Diyala Criminal Court sentenced, in absentia, the province’s former deputy governor to eight years in prison for passing himself off as a law-school graduate—and thereby receiving a commensurately higher salary—when, in fact, the highest educational credential he had attained was a diploma from an agricultural high school.
- The director general who handled land registration at the Baghdad Amanat (mayoralty) was killed after returning to Baghdad. She had fled the capital after being repeatedly pressured by high-ranking officials to transfer deeds to politically connected individuals.
- In early May, the Rusafa Criminal Court sentenced a former Baghdad Amanat official to life in prison for embezzling millions of dollars in employee salaries. The COI has traced some of the stolen funds to overseas accounts and is

currently working with the Lebanese and Jordanian governments to recover more than \$5 million in stolen funds.

- In late May, the IG for the Ministry of Labor and Social Affairs stated he was investigating allegations that more than \$15 million stolen from Ninewa province’s social-services network has been used to finance terrorism.
- In June, the Prime Minister ordered a judicial investigation into the activities of the Trade Bank of Iraq and its Chairman, Hussein al-Uzri, who immediately fled the country. The GOI said it planned to begin extradition proceedings. A British advisor to the bank, Claude Hankes, charged the move was politically motivated and came only after the bank refused to go along with GOI demands to carry out what he described as “improper banking transactions.” Al-Uzri declared he was prepared to cooperate with an investigation into the bank’s operations as long as an international auditor was involved.
- In late June, Ministry of Electricity (MOE) IG officials stated that an ongoing year-long investigation has uncovered a scheme by MOE personnel to steal diesel fuel destined for power stations. For more on the challenges facing the electricity sector, see the Public Services subsection of this Quarterly Report.

anticorruption laws in accordance with the UN Convention Against Corruption, to which Iraq acceded in 2010.³⁹³

Iraqi Training Initiatives

Last fall, the GOI opened the National Anticorruption Academy in the International Zone. The Academy was originally intended to train representatives from all three GOI anticorruption agencies, but almost all students enrolled are from the COI. According to Iraqi officials, BSA and IG personnel rarely attend classes. COI personnel administer the Academy and teach most of the classes, and most of the curriculum focuses on English language instruction, Iraqi law, and basic management methods.³⁹⁴

In his meeting with SIGIR this quarter, the Ministry of Interior Inspector General (MOI IG) expressed his desire for an independent IG training facility that would instruct both IG personnel and GOI procurement officials from the ministries. The MOI IG noted that the only training provided

to most IG personnel is delivered by the BSA or Iraqi universities on an *ad hoc* basis. However, the MOI IG was skeptical that an IG academy could be established in the near future.³⁹⁵

Commission of Integrity

Long-term Strategy

U.S.-supported training has helped make the COI a functional law-enforcement agency capable of investigating simple crimes committed by low-ranking government officials who lack powerful patrons willing to protect them. Going forward, the COI’s strategic goal is to increase its capacity to investigate more complex crimes perpetrated by high-ranking officials. Figure 4.12 illustrates how, by enhancing its investigative skills, the COI is attempting to transform itself into a law-enforcement agency capable of successfully working more cases involving high-level officials and sophisticated forms of criminal activity.³⁹⁶

The COI’s strategic goal is to increase its capacity to investigate more complex crimes perpetrated by high-ranking officials.

Annual Report for 2010

This summer, the COI released its “Annual Report for 2010.” Overall, the report shows that the COI appears to be increasing the tempo of its investigative activities, but remains constrained by its inability to pursue allegations of corruption lodged against senior GOI officials. Figure 4.13 summarizes some of the key findings from the report.

Decline in Arrests Resulting from COI Investigations

The COI does not have the authority to arrest suspects. Under CPA Order 55, which continues to govern COI activities more than seven years after the conclusion of the CPA’s mission, all arrests must be made by an Iraqi police officer pursuant to a judicial warrant. In the first three months of 2011, 143 individuals were arrested as a result of investigative work performed by the COI—a 52% decline from the 293 arrested during the first three months of 2010:



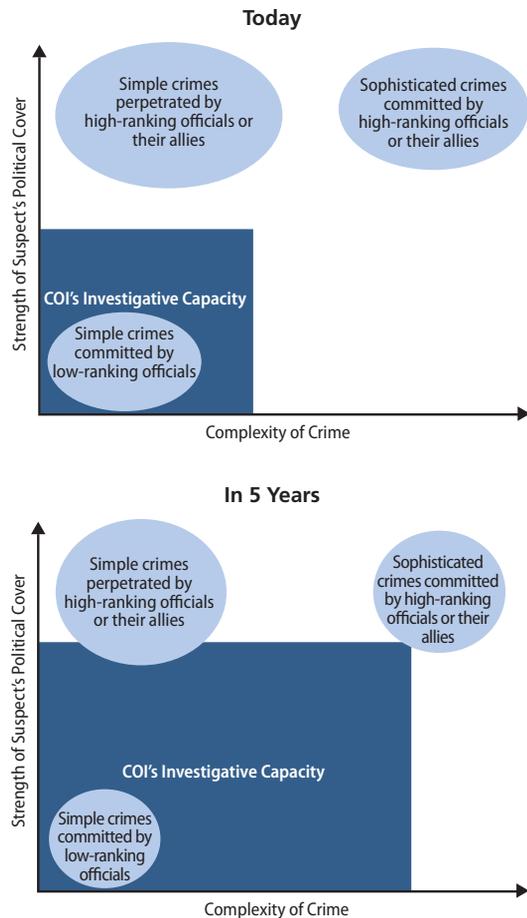
COI officials attributed this trend to the difficulty in tracking down fugitives who have either fled abroad or are being sheltered by friends and relatives.

COI officials attributed this trend to the difficulty in tracking down fugitives who have either fled abroad or are being sheltered by friends and relatives in Iraq.³⁹⁷

Investigative Judges

During 2005–2010, one of the main problems faced by the GOI’s anticorruption agencies was the lack of a sufficient number of investigative judges (IJs) dedicated to hearing corruption cases. As the officials empowered to order arrests and forward cases to trial, the IJs occupy a pivotal role in the criminal justice system. In recent meetings with SIGIR, INL/ACCO and COI officials agreed that there are now an adequate number of IJs to handle corruption cases, noting that the increased capacity of the Rusafa Criminal Court has reduced much of the backlog.³⁹⁸ In the first three months of 2011, the

FIGURE 4.12
COI INVESTIGATIVE CAPACITY VS. DESIRED EFFECT ON FUTURE CRIME TRENDS



Sources: ACCO and COI officials, meetings with SIGIR, 5/2011.

COI referred 569 cases to IJs—an increase of 129% from the first three months of 2009.³⁹⁹

COI Budgetary Constraints

To increase its investigative reach, the COI requested about \$10.3 million in the 2011 budget to fund non-payroll expenses, such as support for active investigations and equipment and land purchases. Instead, the CoR cut this tranche of the COI budget for 2011 by 41%—from approximately \$10.4 million in 2010 to about \$6.1 million this year. The GOI also reduced the amount of funds available for COI

DEVELOPMENTS IN IRAQ

FIGURE 4.13

COI SUMMARY OF PERFORMANCE, 2010

According to its “Annual Report for 2010,” the COI received 8,958 corruption allegations last year, 696 of which (8%) led to the filing of criminal charges. Other key indicators included:

- **Arrest warrants.** 4,225 arrest warrants were issued as a result of COI investigative work, including 57 for officials holding the rank of Director General (DG) or higher. Of these, 1,473 (35%) were served. Of the warrants issued, 57% were for alleged forgery.
- **Summons.** 4,082 individuals were summoned for questioning, including 190 officials holding the rank of DG or higher. Of these, 2,557 (63%) responded to the summons. Professional negligence was the subject of 44% of matters called to question (under Iraqi law, corruption encompasses actions that would be treated as workplace misconduct in the United States).
- **The three ministries with highest percentage of cases.** Of the 696 cases filed, 13% involved MOD employees, 7% MOI employees, and 6% employees from the Ministry of Municipalities and Public Works.

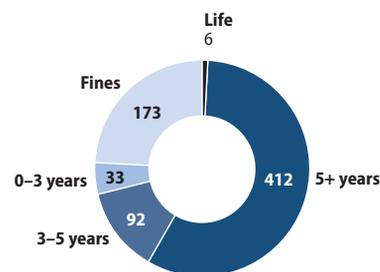
Number of Cases Opened by COI, 2004–2010



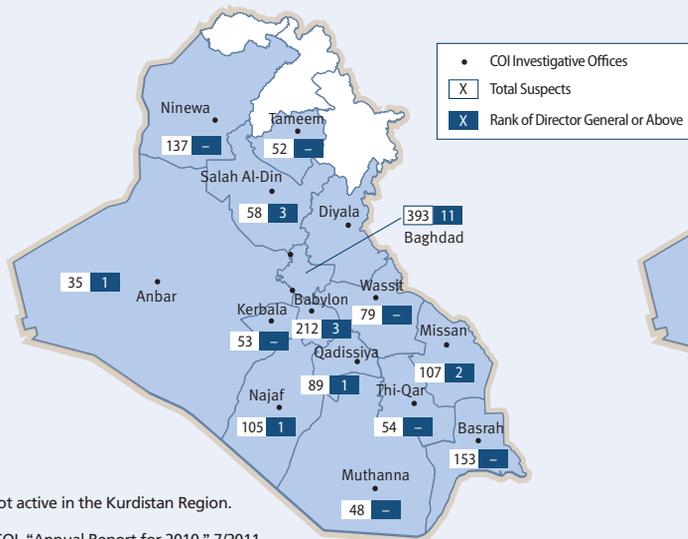
Persons Convicted of Corruption-related Crimes, 2004–2010



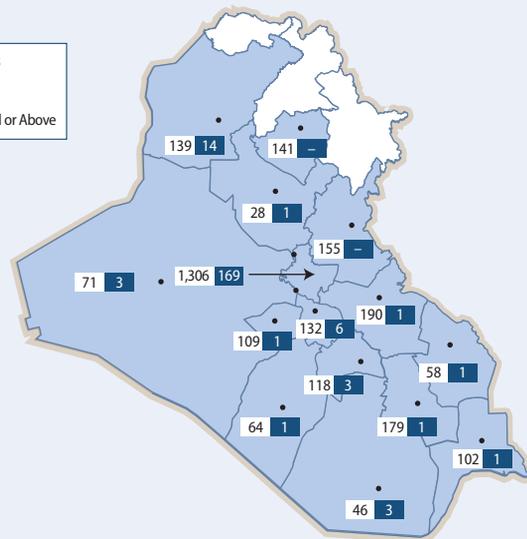
Length of Sentences for Individuals Convicted of Corruption-related Crimes, 2010



SUSPECTS ARRESTED AS A RESULT OF COI INVESTIGATIVE WORK, 2010



SUSPECTS REFERRED TO INVESTIGATIVE JUDGES, 2010



Note: COI is not active in the Kurdistan Region.

Source: GOI, COI, “Annual Report for 2010,” 7/2011.

Percentage of Responding GOI Officials Reporting an Incident of Bribery by Province, 2010 vs. 2009

| | 2010 | 2009 | | 2010 | 2009 |
|-----------|------|------|--------------|------|------|
| Najaf | 13.3 | 23.2 | Ninewa | 5.8 | 12.2 |
| Thi-Qar | 12.1 | 18.5 | Anbar | 5.2 | 34.0 |
| Qadissiya | 11.8 | 12.2 | Baghdad | 4.3 | 14.7 |
| Babylon | 10.0 | 24.2 | Wassit | 3.5 | 3.2 |
| Basrah | 9.7 | 42.2 | Missan | 2.6 | 14.3 |
| Tameem | 6.8 | 25.7 | Salah Al-Din | 2.4 | 12.6 |
| Diyala | 6.5 | 23.4 | Muthanna | 2.3 | 1.2 |
| Kerbala | 6.1 | 26.5 | | | |

Average Monthly Percentage of GOI Agency Respondents Reporting an Incident of Bribery, 12/2009–1/2011

| | | | |
|----------------|------|----------------|-----|
| Transportation | 21.0 | Labor | 6.6 |
| Justice | 8.4 | Interior | 6.0 |
| Municipalities | 8.0 | Electricity | 4.8 |
| Communications | 7.6 | Baghdad Amanat | 4.8 |
| Education | 7.4 | Health | 4.8 |
| Immigration | 7.4 | Commerce | 4.3 |
| Finance | 7.3 | Agriculture | 2.6 |
| Oil | 7.0 | | |

employee bonuses, making it more difficult for the agency to recruit and retain qualified staff. In a mid-May meeting, the COI's budget director reported to SIGIR that he does not believe these cuts were punitive in nature but noted that, as a new organization, the COI needs more support than well-established entities like the BSA.⁴⁰⁰ The COI is pursuing several different alternatives to offset this funding shortfall, such as requesting permission from the Ministry of Planning to use leftover funds from 2010 and shifting some funds from its payroll account. If these solutions prove unsuccessful, the effects could be widespread.

This summer, the COI plans to inaugurate its new headquarters facility in the International Zone, but it does not have the funds to fully furnish and operate it.⁴⁰¹ Moreover, the COI's provincial offices lack sufficient funds to purchase land for new offices, acquire armored vehicles for investigators, and buy copy machines for reproducing case files. Currently, most investigators stationed in COI field offices rely on unarmored personal vehicles for work and resort to copying sensitive files on machines located in public marketplaces.⁴⁰²

Financial Disclosure Laws

The COI is responsible for promulgating government-wide financial disclosure regulations. However, because there is no penalty for providing incorrect information—other than being required to amend the financial disclosure forms—the data provided to the COI has not resulted in the opening of any significant criminal cases. Figure 4.14 summarizes the 2010 financial-disclosure response rates for senior GOI officials.⁴⁰³

Inspectors General

Iraq's system of ministerial IGs is the first of its kind in the region. As such, Iraqi IGs face a unique set of challenges, including:

- **Maintaining their independence.** CPA Order 57 states that IGs are independent of their



New COI headquarters complex.

ministers, but preserving this autonomy has been a constant challenge.⁴⁰⁴

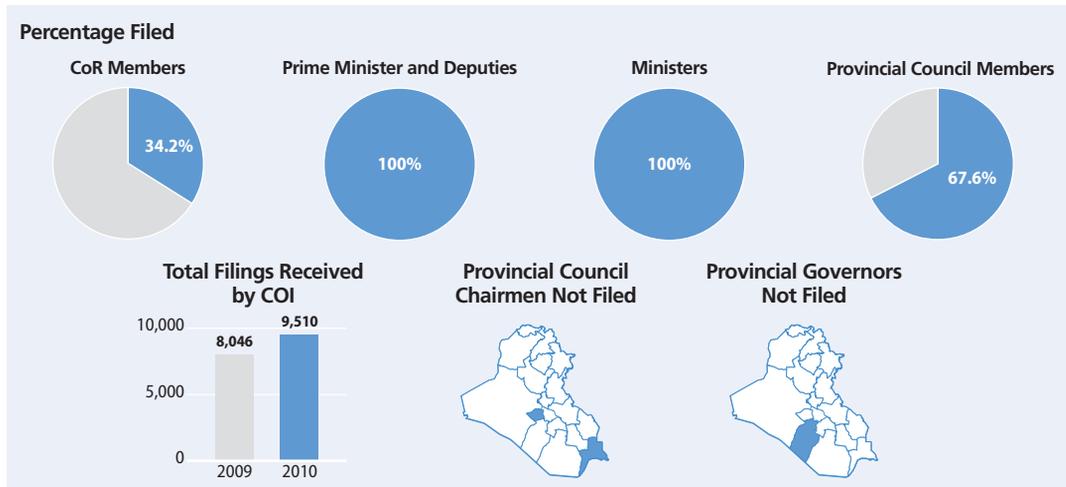
- **Clarifying their responsibilities under the law.** For the past several years, elements within the IG community, led by the Ministry of Health IG, have lobbied the CoR to replace CPA Order 57 with a new IG law. According to the MOI IG, their efforts have been unsuccessful because they aimed to replace CPA Order 57 with an entirely new law, as opposed to simply amending it.⁴⁰⁵
- **Conducting provincial oversight.** Most IG offices, like the COI, are Baghdad-centric organizations with limited provincial presences. This quarter, the Minister of Justice closed five provincial IG offices (Anbar, Ninewa, Babylon, Tameem, and Basrah). The reason behind his decision remains unclear, but U.S. officials speculate that it was either a cost-saving measure or an effort to assert control over the IGs.⁴⁰⁶

Judicial Security

On June 9, Basim Taher, a civil court judge, was shot and killed while driving to his home in western Baghdad. According to the Higher Judicial Council (HJC), at least 47 judges have been assassinated since 2003.⁴⁰⁷ Cognizant of the ongoing threat to his judges and their families, Chief Justice Medhat emphasized in his May meeting with SIGIR the need

This summer, the COI plans to inaugurate its new headquarters facility in the International Zone, but it does not have the funds to fully furnish and operate it.

FIGURE 4.14
GOI FINANCIAL DISCLOSURE REPORTS, 2010



Note: Does not include Kurdistan Region. Statistics for CoR members reflect data received by the COI for CoR members elected on March 7, 2010.

Source: GOI, COI, "Annual Report for 2010," 7/2011.

for improved judicial security. The Chief Justice stated that HJC personnel are performing almost all judicial security operations on their own and commented that the MOI remains an obstacle to obtaining weapon permits and additional security guards

for judges.⁴⁰⁸ He also stated that one of his priorities remains the construction of additional secure judicial residences outside of Baghdad, highlighting the lack of support available to judges who are based in the provinces.⁴⁰⁹ ♦

The Chief Justice stated that HJC personnel are performing almost all judicial security operations on their own.

ECONOMY

Iraq's economic growth accelerated this quarter, lifted by strong oil export revenues.⁴¹⁰ The impact of multibillion-dollar renewal projects now underway in sectors such as housing, transportation, and electricity also contributed to a level of economic growth that is projected to be as high as 12.2% in 2011—well above the 2010 growth of 0.8% estimated by the International Monetary Fund (IMF).⁴¹¹ However, the sheer pace of this growth—especially in the oil sector—has strained the capacity of the country's physical infrastructure and added pressure to address bottlenecks caused by slow-moving government bureaucracy and decision making.⁴¹² Against this backdrop, the GOI is reevaluating its ambitious medium-term oil production targets.⁴¹³

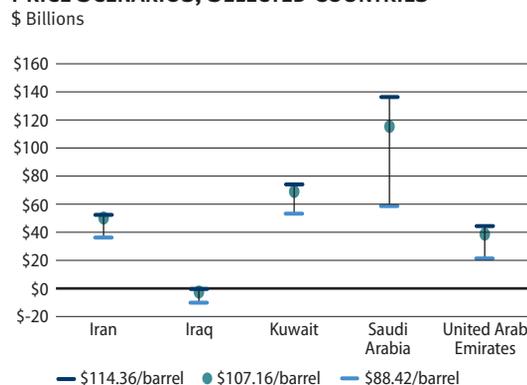
For an overview of Iraq's economy, see the Insert to this Quarterly Report.

Key Economic Trends and Developments

The sale of crude oil is expected to generate more than 98% of the GOI's total export earnings and provide 89% of total government income in 2011.

The sale of crude oil is expected to generate more than 98% of the GOI's total export earnings and provide 89% of total government income in 2011.⁴¹⁴ The GOI received a post-2003 record of \$20.11 billion in oil export receipts this quarter—\$3.81 billion more than last quarter and 31% ahead of quarterly receipts anticipated in 2011 budget projections.⁴¹⁵ Non-oil-sector economic activity also has shown signs of growth, with several multibillion-dollar infrastructure projects either launched or ready to launch.⁴¹⁶ One mid-year analysis concluded foreign commercial activity was up sharply during the first half of 2011.⁴¹⁷ With major spending now underway to rebuild the country, Iraq's current account balance is likely to be in deficit for 2011.⁴¹⁸ How Iraq's current account balance compares with other Middle East oil-producing nations is shown in Figure 4.15.

FIGURE 4.15
CURRENT ACCOUNTS BALANCE UNDER ALTERNATIVE PRICE SCENARIOS, SELECTED COUNTRIES



Source: IMF, *Regional Economic Outlook: Middle East and Central Asia*, 4/2011, p. 20.

Core inflation rose slightly this quarter, crossing 6% for the first time since 2009 to reach 6.3% in May.⁴¹⁹ The increase reflects pressure from rising global commodity prices.⁴²⁰ Although now more than twice the 3% rate of a year ago, inflation is below the regional average of 10.9% and is expected to remain in the 6% range through 2012.⁴²¹ Two other key indicators, the Iraqi dinar-U.S. dollar exchange rate and the Central Bank of Iraq (CBI) policy rate, were unchanged during the quarter.⁴²² An IMF report on Iraq last quarter welcomed the GOI's continued commitment to both sound fiscal and monetary policies and the independence of the CBI, but cautioned that the potential for political instability, uncertain security conditions, and delays in oil-field development all posed risks to Iraq's economic revival.⁴²³

Under terms of United Nations Security Council Resolution 1956, arrangements governing the use and oversight of the Development Fund for Iraq (DFI) ended on June 30. For details of the GOI's successor arrangements see Section 2 of this Quarterly Report. For details of unaccounted-for DFI funds, see Section 1.

The GOI has pledged to continue efforts to settle Saddam-era foreign debts according to the terms of the November 2004 Paris Club agreement.⁴²⁴ The CoM this quarter approved the payment of \$408 million in Egyptian private-sector debt under terms prescribed by the Paris Club.⁴²⁵ About \$45 billion of Iraq's existing external debt held by non-Paris Club member states is eligible for negotiated reduction under terms comparable to the Paris Club accord.⁴²⁶

Most of the \$20.1 billion in outstanding war-related claims are owed to Kuwait.⁴²⁷ One claimant declared the lapse of UN immunity against seizure of Iraqi assets that ended along with the DFI arrangements on June 30 would bring an "open season" on Iraqi holdings. A lawyer for Kuwait Airways announced that the airline would seek enforcement of a British court ruling that Iraqi Airways illegally benefitted through its seizure of \$1.2 billion in Kuwait Airways property at the time of the 1990 invasion. The attorney said the Kuwait air carrier would go after any available Iraqi assets, including oil tankers and oil cargoes.⁴²⁸

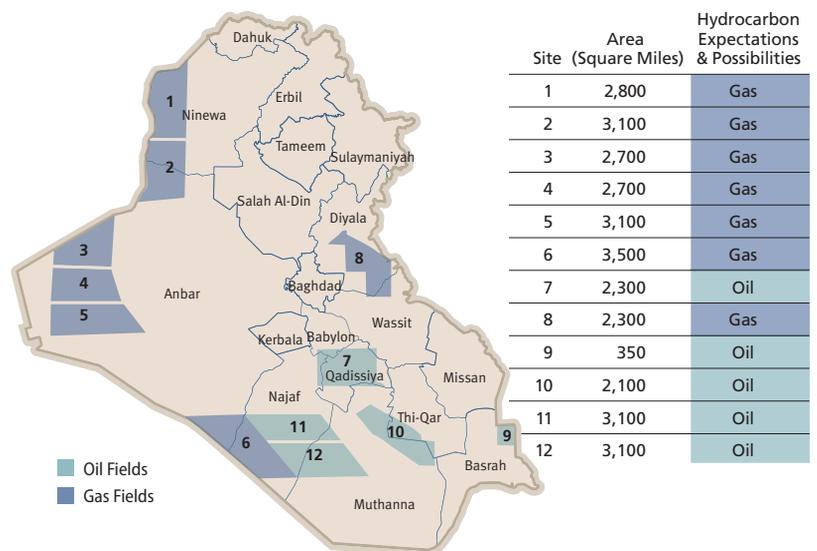
Oil and Gas

This quarter, Oil Minister Abdul Kareem al-Luaibi announced a new round of licensing, scheduled for January 2012, to develop more of Iraq's untapped oil and gas reserves. As planned, it will be the GOI's fourth licensing round since mid-2009 and offers 12 new blocks, the majority comprising vast areas of previously unexplored parts of northern, western, and southwestern Iraq. Seven of the blocks are expected to yield gas only. Details of the fourth licensing round are set out in Figure 4.16.⁴²⁹

The GOI this quarter worked on important draft legislation affecting Iraq's oil and gas industry. The CoM's Energy Committee sent the full cabinet the draft version of a hydrocarbons framework law, aimed at creating greater legal clarity for those involved in extracting the country's oil and gas riches. A second draft law to create an Iraq

FIGURE 4.16

EXPLORATORY SITES OFFERED IN THE FOURTH OIL AND GAS LICENSING ROUND, BY LOCATION, SIZE, AND TYPE



Source: GOI, Ministry of Oil, "Exploration Blocks of the 4th Bidding Round," www.oil.gov.iq/EXPLORATION%20BLOCKS-BR4.pdf, accessed 7/14/2011.

National Oil Company is currently under discussion in the CoR. Draft legislation setting out a basic framework for the hydrocarbon sector was first approved four years ago by the CoM, but never enacted because of serious political differences—including those between the central government and the Kurdistan Region over the division of power between national and regional governments.⁴³⁰

Crude Oil Production and Field Development

Increased output from the large southern fields offset production drops in the Kirkuk area, keeping Iraq's average daily oil production this quarter at 2.55 million barrels per day (MBPD), essentially unchanged from the previous quarter but 7% above the same period last year.⁴³¹ By a margin of 0.12%, it marked the highest quarterly production volume recorded during the post-2003 period, yet was still below the GOI's projected average crude oil production level for 2011 of 2.75 MBPD.⁴³² Crude oil production in the Kurdistan Region, estimated to have been about 200,000–250,000 barrels per day

Oil Minister al-Luaibi announced a new round of licensing to develop more of Iraq's untapped oil and gas reserves.

FIGURE 4.17
CRUDE OIL PRODUCTION AND EXPORTS, BY MONTH, 10/2003–6/2011
 Million Barrels per Day



Note: Exports include crude oil from the Kurdistan Region; production figures do not.

Sources: NEA-I, responses to SIGIR data calls, 6/4/2010, 7/6/2010, 1/11/2011, 4/5/2011, and 7/7/2011.

(BPD) this quarter, is not included in the national production figures.⁴³³ For crude oil production levels and export levels since 2003, see Figure 4.17.

This quarter's positive production-related developments included the following:

- At the large West Qurna-1 field, ExxonMobil reported that average production was now around 330,000 BPD—up from 285,000 reported last quarter. A senior ExxonMobil executive said operators were “running about three or four months ahead of plan” on the way to an ultimate target of 2.825 MBPD.⁴³⁴
- At West Qurna-2, the Russian government announced that Lukoil is prepared to spend \$3.5 billion over a two-year period for the field's development.⁴³⁵
- In mid-May, al-Rumaila field operator BP became the first international oil company to receive payment for work in the southern fields, taking on a cargo of crude oil at al-Basrah Oil Terminal (ABOT) as compensation.⁴³⁶ Also this quarter, the GOI Ministry of Finance released \$243 million to the Kurdistan Regional Government—an amount equal to about half the value of the crude oil exported from the region during February and March 2011.⁴³⁷

Damaged pipes connected to production wells in al-Rumaila field caused losses that reached more than 2,000 BPD in February.

- At the Halfaya field in southeastern Iraq, a China National Petroleum Corporation (CNPC)-led consortium increased initial output to 10,000 BPD on its way to a target of 70,000 BPD in the first quarter of 2012. Halfaya is considered a major field, projected to produce as much as 525,000 BPD. CNPC also brought on stream 60,000 BPD at the smaller al-Ahdab Field in Wasset province.⁴³⁸

Several other developments this quarter underscored the challenges of achieving the GOI's production targets, including further evidence of crude oil infrastructure decay. In the large southern fields, according to one analysis made public this quarter, damaged pipes connected to production wells in al-Rumaila field caused losses that reached more than 2,000 BPD in February.⁴³⁹ At the Majnoon field, South Oil Company—together with operating partners Royal Dutch Shell and Petronas—awarded the Dodsal Group of Dubai a contract to replace an existing 28-inch-diameter pipeline with a 32-inch pipeline to transport crude oil 50 miles to storage facilities near al-Zubair.⁴⁴⁰

Operators in the south have contended with other issues, including decision-making

bottlenecks that have slowed their operations. Labor and security issues this quarter also presented challenges. Only intervention by Basrah’s provincial governor averted work stoppages by South Oil Company workers angry about differences between their pay and that of those employed by international oil companies.⁴⁴¹ A bombing of crude-oil storage tanks at al-Zubair also briefly interrupted production at the field, which is operated by an ENI-led consortium.⁴⁴²

Against this backdrop, the Minister of Oil indicated in early June that the GOI was considering reappraising its previously stated goal of increasing crude oil production to more than 12 MBPD by 2017. Instead, he suggested that a plateau production target of 7–8 MBPD over a 13-year or 14-year period—nearly twice the time envisioned for the far higher peak levels—would be more feasible and economically more beneficial for Iraq.⁴⁴³ Lower peak volumes would require less ambitious infrastructure improvements and reduce the danger of flooding the market and depressing prices. The Chairman of BP suggested a target of 5–6 MBPD by the end of the decade was a more realistic projection, considering the condition of the physical infrastructure.⁴⁴⁴

Crude Oil Exports and Capacity Expansion

Exports of crude oil averaged 2.21 MBPD for the quarter, a post-2003 record that amounts to an increase of 2% over the previous quarter and 20% more than the same quarter in 2010.⁴⁴⁵ Exports from the Kurdistan Region, which ran an estimated 130,000–180,000 BPD during the quarter, helped fuel the increase.⁴⁴⁶ However, further substantial export growth is tied to expanding infrastructure. A single-point mooring station at ABOT is expected to add 900,000 BPD capacity when it is completed, currently estimated by the Ministry of Oil to be around the end of 2011. Additional mooring stations are scheduled to follow under a plan to raise southern export capacity from its current 1.7–1.8 MBPD to 5 MBPD by late 2013.⁴⁴⁷

TABLE 4.4
IMPLEMENTATION OF THE INSTALLATION PLAN FOR OIL METERS

| COMPANY | | METERS PLANNED | METERS INSTALLED AS OF 12/31/2010 | PERCENTAGE COMPLETED |
|---------------------|-----------------------------------|----------------|-----------------------------------|----------------------|
| Exporting Companies | South Oil Company | 137 | 44 | 32% |
| | Missan Oil Company | 65 | 32 | 49% |
| | North Oil Company | 188 | 86 | 46% |
| Distributors | Middle Refineries Company | 592 | 352 | 59% |
| | North Gas Company | 69 | 41 | 59% |
| | Gas Filling Company | 49 | 40 | 82% |
| | Pipelines Company | 410 | 379 | 92% |
| | North Refineries Company | 239 | 200 | 84% |
| | Oil Products Distribution Company | 2,992 | 695 | 23% |
| | South Refineries Company | 137 | 27 | 20% |
| | South Gas Company | 20 | 3 | 15% |
| Total | | 4,898 | 1,899 | 39% |

Source: PwC, “Development Fund for Iraq: Results of Year End Audit,” presentation to the IAMB and COFE, Paris, France, 4/27/2011, p. 16.

Oil Monitoring

Metering the flow of crude oil through pipelines from source to endpoint enables authorities to track volume accurately and also alerts them to possible illegal siphoning. So far, however, fewer than 1,900 of the planned 4,898 meters have been installed in Iraq since the step was first recommended by the International Advisory and Monitoring Board (IAMB) in 2004. An audit by PricewaterhouseCoopers LLC (PwC) showed that, as of December 31, 2010, only 52% of the meters planned for installation by that date were actually in place. During the final quarter of 2010, just 208 meters were installed. Table 4.4 shows the status of oil meter installation as of the end of 2010. On May 9, 2011, the IAMB expressed “concern that the implementation of the plan continues to fall further behind schedule” and urged the GOI to make every effort implement the plan. The PwC audit welcomed the Oil Ministry’s decision to hire an outside flow measurement specialist, the Scottish company Kelton Engineering, to provide technical assistance on the oil metering.⁴⁴⁸

Exports of crude oil averaged 2.21 MBPD for the quarter, a post-2003 record.

TABLE 4.5

DOMESTIC PRODUCTION AND IMPORTS OF REFINED FUELS, 2010 VS. 2011

Comparison of April–June Quarters

| | LPG Metric Tons per Day | | DIESEL FUEL Million Liters per Day | | KEROSENE Million Liters per Day | | GASOLINE Million Liters per Day | |
|------|---|--|---|--|---|---|---|---|
| | Production | Imports | Production | Imports | Production | Imports | Production | Imports |
| 2010 | 2,892.61 | 591.79 | 14.62 | 0.35 | 6.56 | 0.02 | 11.07 | 4.69 |
| 2011 | 3,706.00 ▲ 28% | 458.67 ▼ -22% | 14.90 ▲ 2% | 1.96 ▲ 464% | 6.13 ▼ -7% | 0.00 ▼ -100% | 11.79 ▲ 7% | 6.51 ▲ 39% |

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

Refineries and Petroleum Products

As shown in Table 4.5, Iraq's refineries produced more diesel fuel, gasoline, and liquefied petroleum gas (LPG) this quarter, compared with the same quarter in 2010, while kerosene production dropped.⁴⁴⁹ An explosion at the Baiji oil refinery in late June halted production of petroleum products briefly.⁴⁵⁰ Despite the production increases, imports increased for both diesel fuel and gasoline. A 900-metric-ton-per-day increase in LPG production more than covered a drop in imports of just over 130 metric tons per day. There were no reported kerosene imports during the quarter, even though domestic production dropped.⁴⁵¹

As Iraq headed into the hottest months of the year, the Ministry of Electricity announced that it planned to import 1.5 million liters of fuel per day from Iran over the coming 12 months to burn in power plants.⁴⁵²

Natural Gas

The GOI entered into important natural gas deals with international operators this quarter, including a reported draft agreement with Royal Dutch Shell that could end the flaring of associated gas in three large southern oil fields. The Ministry of Oil issued a statement by GOI and Royal Dutch Shell representatives stating their intent to establish a jointly held company called the Basrah Gas Company, that would capture and process the natural gas. Collectively, up to 700 million cubic feet per day of gas is currently flared at the fields involved in the deal—al-Rumaila, West Qurna, and al-Zubair. Although the two sides first agreed to establish the company in 2008, the July 2011

announcement was seen as an important reaffirmation of commitment on the part of both sides to conclude long-stalled negotiations on a contract said to be worth \$12 billion.⁴⁵³ On June 5, 2011, the GOI signed final contracts for the development of two natural gas fields—one with a group headed by Kuwait Energy Company to develop the Siba gas field in southern Iraq with an expected capacity of 100 million cubic feet per day (MCFD), and another with a Turkish National Oil and Gas Company (TPAO)-led consortium to develop the Mansuriya gas field in eastern Iraq, which has an estimated capacity of 320 MCFD. A few days earlier, the GOI initialed an agreement with Kogas, of South Korea, for development of the 400 MCFD Akkas field in western Anbar province after Kogas's partner, the Kazakh company KazMuniasGaz, pulled out of the project.⁴⁵⁴

In May, Iraq entered into an enhanced strategic energy partnership with the European Union, in which the GOI agreed to explore possible exports of natural gas to the EU in return for a guaranteed market for Iraq's anticipated surplus of natural gas in the coming decades. The two sides are expected to begin negotiations later this year.⁴⁵⁵ The Iraq-EU agreement followed an announcement by the Nabucco Gas Pipeline International Company that it planned to begin construction in 2013 of a pipeline that would link Europe with the Middle East and Caspian regions.⁴⁵⁶

Pipelines

The GOI is also actively exploring several options to strengthen northern export routes, including two crude oil pipelines with a combined capacity

The GOI entered into important natural gas deals with international operators this quarter.

of 2.75 MBPD to Syria's Mediterranean coast that would be able to carry oil from Iraq's southern fields. Iraqi and Syrian officials signed a second memorandum of understanding this quarter covering construction of the pipelines.⁴⁵⁷

In May, the Ministry of Oil awarded a \$13.5 million management consultancy and engineering services contract to Canada's SNC Lavalin to oversee the initial phase of a planned overhaul of Iraq's pipeline network. The project would connect the northern and southern oil production areas with export routes. The initial phase includes a 1.75 MBPD pipeline connecting Basrah with a pumping station about 140 miles northwest of Baghdad. There, the pipeline would split, with one route carrying oil about 900 miles northwest to the Syrian Mediterranean port of Baniyas. A second pipeline would tie into the existing northern export route to the Turkish port of Ceyhan. Engineering work was scheduled to begin in June.⁴⁵⁸

The CoM this quarter approved a \$365 million contract for a pipeline to carry natural gas from Iran to meet fuel needs for Iraq's gas-fired power plants.⁴⁵⁹

Developments in Non-Hydrocarbon Areas

Non-oil Investment

In late April, the CoM agreed to a \$37 billion program to upgrade the nation's infrastructure, much of which is obsolete, decaying, or both. The program, which requires CoR approval before it can be implemented, would provide \$10 billion for transportation and \$5 billion each for education and agriculture (including irrigation).⁴⁶⁰ For a more detailed breakdown of the proposed infrastructure renewal program, see Table 4.6.

Led by major projects in transportation, housing, and electricity, non-oil investment is expected to grow substantially in 2011. Planned projects such as al-Faw port and a new regional airport to serve the central Iraq pilgrimage destinations of Kerbala, Najaf, and Hilla have helped make

TABLE 4.6

COUNCIL OF MINISTERS' SPENDING PRIORITIES IN PROPOSED INFRASTRUCTURE PROGRAM

\$ Billions

| SECTOR | ESTIMATED COST |
|--|----------------|
| Transportation | 10.0 |
| Education | 5.0 |
| Agriculture and Irrigation | 5.0 |
| Health | 3.0 |
| Higher Education and Scientific Research | 2.0 |
| Housing for the Poor | 2.0 |
| Secondary Roads | 1.5 |
| Other | 8.5 |
| Total | 37.0 |

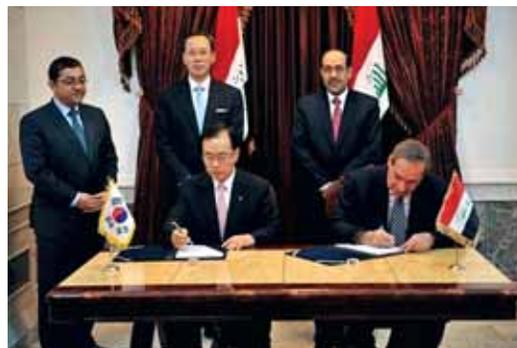
Source: GOI, NMC, press release, "Approve the Bill Payment Infrastructure Reconstruction Resolution with \$37 Billion," 4/27/2011, www.nmc.gov.iq/ArticleShow.aspx?ID=882, accessed 4/29/2011.

transportation an important sector for potential future investment.⁴⁶¹

As discussed in the Public Services section, the Communications Ministry has embarked on a major upgrade of the country's telephone system, including a \$3.5 billion program to quadruple the number of fixed lines in the country from two million to eight million over the next five years.⁴⁶² Since April 1, the Ministry of Electricity has signed at least six contracts, collectively valued at nearly \$5.8 billion, for construction of new generating capacity.

Also this quarter, South Korea's Hanwah Engineering & Construction signed an agreement

The CoM approved a \$365 million contract for a pipeline to carry natural gas from Iran to meet fuel needs for Iraq's gas-fired power plants.



Prime Minister Nuri al-Maliki joins South Korean and Iraqi participants in ceremonial signing of contract to build 100,000 housing units south of Baghdad. (GOI photo)



The renovated al-Rasheed Hotel reopened in July. (GOI photo)

to build a de facto satellite city of 100,000 housing units in the Besmaya area southeast of Baghdad.⁴⁶³

Baghdad's al-Rasheed Hotel reopened in July following a major renovation. The 450-room property will provide luxury accommodation inside the International Zone. The hotel was closed in 2010 for renovation as part of Baghdad's preparation for an Arab League summit, initially scheduled for March 2011, but then postponed.⁴⁶⁴ Also in July, Marriott International signed agreements with Empire Iraq to manage two hotel properties in Erbil. One will be a 200-room hotel carrying the Marriott Hotels and Resorts brand, the other a 75-unit complex operated as Marriott Executive Apartments. Both are scheduled to open in 2014.⁴⁶⁵

Agriculture

Harvesting of the 2011 winter wheat and barley crops began in irrigated areas of southern Iraq this quarter; however, forecasts about the size of Iraq's total cereal harvest remained unclear because of late and erratic rains in northern Iraq at the start of the growing season. The key rain-fed growing area of Ninewa province was especially affected by the later-than-normal rains. Low water levels on the Euphrates and Tigris Rivers and high soil salinity both are expected to diminish crop yields in the south.⁴⁶⁶

Primarily because of the bumper harvest of home-grown winter grains in 2010, Iraq's forecast

of cereal imports for the year ending June 30, 2011, dropped to 4.7 million tons, about 10% below the 5.2 million tons imported during the year ending June 30, 2010.⁴⁶⁷ Agricultural yields, invariably uneven, are expected to remain especially erratic in the years ahead without a large-scale investment program to revitalize both crop research and irrigation infrastructure.⁴⁶⁸

Inma

An audit of USAID's agribusiness program, *Inma*, released by USAID's Office of Inspector General (USAID OIG) this quarter cited a series of major contractor shortcomings. Included in these findings was a failure to measure or report performance results on two of the program's four principal goals—to increase agricultural sector productivity and boost the value of available financial resources, such as agribusiness loans. USAID OIG found that the contractor also failed to adequately substantiate the results provided to meet the program's two other main goals, generating new jobs and increasing sales of USAID-assisted enterprises. In addition, auditors found inadequate oversight had left \$16.7 million susceptible to fraud. The report cited "several factors, foremost among them mismanagement."⁴⁶⁹ USAID informed SIGIR that *Inma* has made "substantial progress" in addressing management shortcomings and that reporting deficiencies are being rectified.⁴⁷⁰

Financial Sector Developments

Restructuring Iraq's banking sector remains an important prerequisite for greater private-sector growth. USAID's Iraq Financial Development Program completed a draft of the first survey ever conducted of Iraq's private banking sector this quarter. The 153-question survey was distributed to 29 private banks, and its results are expected to provide insights into the ability of these lending institutions to help finance the growth of private enterprise. Strong banks are needed to expand private-sector business and broaden the economy beyond oil. The banking sector is currently dominated by

Auditors found inadequate oversight had left \$16.7 million susceptible to fraud.

two state-owned banks whose balance sheets are saddled with Saddam-era debt. Among the survey’s preliminary findings: only 1.4% of all Iraqis hold a deposit account at privately owned banks, and even fewer borrow from these banks.⁴⁷¹

Trade Bank of Iraq

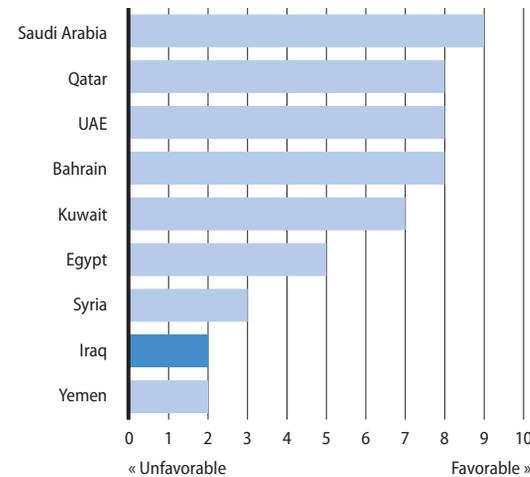
The head of the Trade Bank of Iraq (TBI) was removed suddenly in early June, following an apparent clash with Prime Minister al-Maliki. The Prime Minister accused the bank’s chairman, Hussein al-Uzri, of “financial violations” that could include corruption and also announced a judicial investigation into possible wrongdoing.⁴⁷² Al-Maliki appointed Hamida al-Jaf, an executive from the state-owned Rafidain Bank, as the new TBI head. Following the change in leadership, the bank was operating normally.⁴⁷³ In a banking sector that has struggled to comply with international standards, the TBI connected quickly with the outside world after its founding in 2003. It has established a network of corresponding banks in 39 countries, was the first Iraqi bank to issue Visa credit cards, and began working with MasterCard in 2011. By mid-2011, it had established 15 domestic branches—all of them with automatic teller machines.⁴⁷⁴ For a comparison of how the banking and capital market environment influences the investment climate in selected Middle East countries, see Figure 4.18.

U.S. Assistance to the Banking Sector

The CBI and USAID this quarter agreed on a memorandum of understanding to create the Iraq Payment System—a central payment system for Iraq’s banks that will include mobile telephone and Internet technologies. USAID’s Iraq Financial Sector Development Program will be assisting development of the system, which is expected to add flexibility—and potential customers—to a banking network that has struggled to do either since 2003. USAID will develop legal, regulatory, and technical recommendations for the CBI. The system would enable Iraqis to open an account, transfer funds between banks, withdraw funds,

FIGURE 4.18

INFLUENCE OF BANKING AND CAPITAL MARKET ENVIRONMENT ON INVESTMENT IN SELECTED MIDDLE EAST COUNTRIES



Source: Arab Petroleum Investment Corporation, *Economic Commentary*, Vol. 6 No. 4, 4/2011, p. 2, http://apicorp-arabia.com/html/cms/media/pdf/research/Commentary_V_6_N_4_2011.pdf, accessed 7/21/2011.

or make payments—all by mobile telephones or remote computers. In a nation where two-thirds of all adults own cell phones, but only one-fifth have bank accounts, authorities hope the initiative will expand use of banks and wean Iraqis from their penchant for cash-only transactions.⁴⁷⁵

The Iraq Financial Sector Development Program reported progress in three other areas, as well:⁴⁷⁶

- concluding the initial phase of an effort to establish a national banking association to advocate for the industry
- building support among the larger private banks to establish a Bank Training Institute to improve the level of employee technical skills
- selecting United Arab Emirates University to conduct an analysis of technical knowledge gaps that could be filled by an advanced-degree university program

This quarter, USAID’s Provincial Economic Growth Program, *Tijara*, conducted a series of small- and medium-enterprise lending workshops for bank loan officers, which covered such issues as marketing, profitability, and the handling of

The Prime Minister accused the bank’s chairman of “financial violations” that could include corruption.

overdue loans. Microfinance institutions supported by the *Tijara* program financed more than 8,000 new loans this quarter, valued at \$20.4 million.⁴⁷⁷

SOE Reform

Individual ministries are looking at restructuring state-owned enterprises (SOEs) under their control following the CoM's approval last quarter of a road map to restructure the country's 170-plus SOEs to make them more competitive. About 75 of them are controlled by one ministry—the Ministry of Industry and Minerals (MIM)—which has focused on efforts to attract private capital and build joint-ventures to strengthen those enterprises already viewed as profitable. Steps taken over the past half year have lifted the number of MIM-controlled SOEs considered commercially viable from 6 to 14, according to the minister, Ahmed al-Karbouli. In the process, the MIM has become the lead GOI agency in testing the public-private partnerships that form a key dimension of the government's restructuring road map. Enterprises the minister believes hold the greatest potential include those producing phosphate, fertilizers, pharmaceuticals, cement, and petrochemicals. If these joint-ventures succeed in creating new jobs and new wealth, al-Karbouli suggests political support can build for new laws needed for a broader privatization of Iraq's economy to succeed.⁴⁷⁸

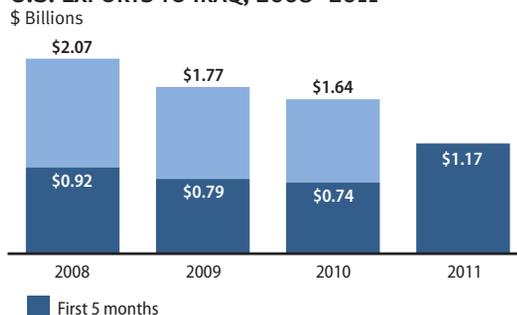
But the challenges in industry are formidable, including obsolete factories, over-employment, insufficient raw materials, outdated technologies, and sporadic electricity supplies. On July 1, 2011, McKinsey & Company signed a \$3 million contract to assist the MIM in developing the type of public-private business partnership envisioned in the GOI's plan to make its SOEs competitive.⁴⁷⁹

Trade Developments

After a two-year decline, U.S. exports to Iraq have shown new signs of growth in 2011. During the

FIGURE 4.19

U.S. EXPORTS TO IRAQ, 2008–2011



Source: U.S. Census Bureau, "2011: U.S. Trade in Goods with Iraq," www.census.gov/foreign-trade/balance/c5050.html, accessed 7/18/2011.

first five months of the year, the value of American goods shipped to Iraq totaled \$1.17 billion, an increase of nearly 60% over the same period of 2010 and the strongest five-month performance going back at least through the mid-1970s for American exports to Iraq. Despite this growth, the overall trade relationship between the two countries is dominated by Iraqi oil exports to the United States. This imports registered over \$5 billion for the first five months of 2011 and totaled more than \$12 billion in 2010.⁴⁸⁰ Figure 4.19 shows U.S. exports to Iraq since 2008.

A trade mission with representatives of six U.S. companies spent a week in Iraq this quarter, making stops in Baghdad and Basrah to learn more about possible commercial opportunities. The mission was sponsored by the U.S. Chamber of Commerce as part of its Iraq Business Initiative. During the trip, the chamber announced formation of an American Business Council of Iraq, based in Baghdad, with goals to enhance American-Iraqi economic cooperation and support U.S. businesses operating in the country. The trip was initially scheduled for the fall of 2010, but was twice delayed. It occurred as a growing number of European and Asian-based companies have established themselves in Iraq over the past year by taking stakes in multibillion-dollar infrastructure projects.⁴⁸¹ ♦

The challenges are formidable, including obsolete factories, over-employment, insufficient raw materials, outdated technologies, and sporadic electricity supplies.

PUBLIC SERVICES

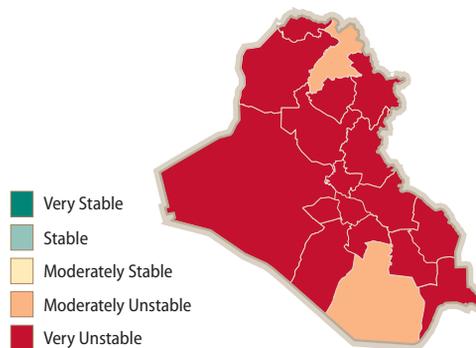
Dissatisfaction with public services remains high throughout Iraq. In its most recent assessment of how susceptible each province is to civil unrest, U.S. Embassy-Baghdad found that 2 of Iraq’s 18 provinces were considered “moderately unstable” in the category of public services, and the other 16 were rated “very unstable” (see Figure 4.20). Nearly all metrics used to determine this rating—such as access to potable water, sewerage, electricity, and quality of roads—were deemed “very unstable” in almost all provinces.⁴⁸² A recent survey of residents in Diyala was consistent with these findings: at least two-thirds of the respondents expressed dissatisfaction with cleanliness, health care, education, public works, and availability of fuel and electric power.⁴⁸³

Electricity

As of June 30, 2011, the United States had obligated \$5.07 billion and expended \$4.98 billion to improve Iraq’s generation, transmission, and distribution of electricity.⁴⁸⁴

The CoR-approved GOI budget for 2011 allocates more than \$4.23 billion to the Ministry of Electricity (MOE). Of that total, almost \$1 billion is for the purchase of imported energy—\$486 million for imported electricity and \$513 million for imported fuel to burn at power plants—and almost \$3.20 billion is for capital projects.⁴⁸⁵ On June 12, the CoM approved an additional \$927 million for the capital budget to finance construction of new generating capacity and other electricity infrastructure projects. This brings the MOE’s 2011 capital budget to more than \$4.12 billion, 18% more than its 2010 capital budget of \$3.49 billion.⁴⁸⁶ The U.S.-funded *Iraq Electricity Masterplan*, which is now serving as an internal MOE planning document, estimates that almost \$77 billion in capital investments will be

FIGURE 4.20
DISSATISFACTION WITH BASIC SERVICES AS A POTENTIAL CAUSE OF CIVIL UNREST, BY PROVINCE



Note: Rankings are from U.S. Embassy-Baghdad’s Stability Development Roadmap, an assessment model that analyzes public opinion about several areas of concern, including basic services, to estimate the potential for civil unrest resulting from these perceptions.

Source: U.S. Embassy-Baghdad, response to SIGIR data call, 7/5/2011.

required over the next 20 years to close the current supply-demand gap and keep it closed.⁴⁸⁷

Supply and Demand

Iraq’s estimated demand for electricity this quarter averaged about 275,600 megawatt-hours (MWh) per day, or 11,484 MW—a 1% increase from last quarter, but 22% above demand during the same quarter in 2010. Following the pattern of previous April–June reporting periods, estimated demand climbed along with rising temperatures each month. Averaging 13,294 MW, June 2011 set a new record for monthly electricity demand, and, as of the middle of the month, July was on track to break that record.⁴⁸⁸

The total supply of electricity on Iraq’s grid this quarter averaged 6,574 MW, just enough to achieve a new record high. Although the MOE has been actively announcing and implementing plans to increase generating capacity, the country’s total supply on the grid has changed little over the past two years, and GOI officials have been cautioning

June 2011 set a new record for monthly electricity demand.

Expanded generating capacity in privately owned and operated power plants was the primary factor behind the supply increase over the past year.

Iraqis that the situation is unlikely to improve before 2012. This quarter’s supply represented a less than 3% (171 MW) increase from last quarter, a 6% (372 MW) increase from the same quarter last year, and a 0.5% (34 MW) increase from the previous record set in the July–September quarter of 2010.⁴⁸⁹

Expanded generating capacity in privately owned and operated power plants—namely, the three combustion turbine plants in the Kurdistan Region and the two diesel powerships in Basrah—was the primary factor behind the supply increase over the past year. Together, these plants produced an average of more than 1,400 MW this quarter, twice what they produced during the same quarter in 2010. This additional generation from private plants was partially offset by decreased output at government-operated plants and reduced imports.⁴⁹⁰

A surge in power generation at Mosul Dam contributed the most to this quarter’s production increase relative to last quarter. Because of low water levels, the dam’s turbines were idle for much of the January–March period, and their total output averaged 15 MW. This quarter, according to MOE data, the dam produced an average of 361 MW—an increase of more than 2,200%.⁴⁹¹

For quarterly averages of supply and estimated demand since January 2004, see Figure 4.21.

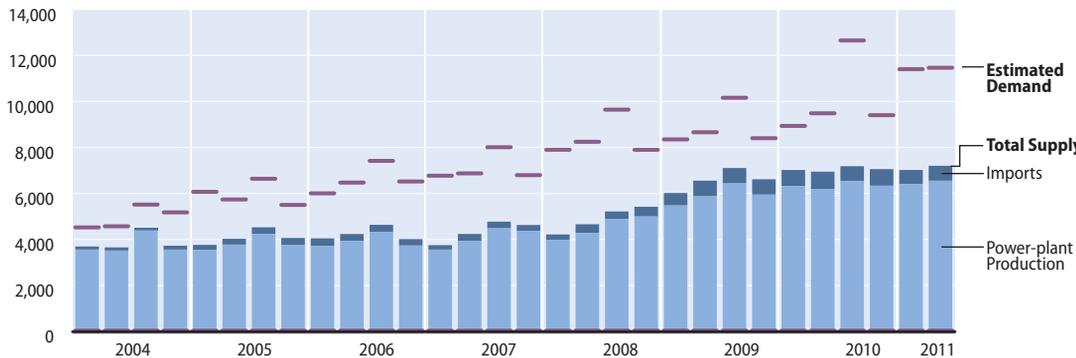
Expansion of Generating Capacity

GE Mega Deal Plants

Almost two-and-a-half years after the MOE entered into the “Mega Deal” with General Electric (GE) to purchase 56 combustion turbines—each with a nameplate capacity of 125 MW—ground was broken this quarter for the first projects that will use these turbines:

- On May 8, Deputy Prime Minister for Energy al-Shahrstani laid the foundation stone for the 1,250 MW al-Qaryat power plant in Kerbala. Çalık Enerji of Turkey was contracted to build the plant for a total cost of \$445.5 million. The plant will have 10 generating units, and the MOE expects some of these units to be operational in 2012 and all of them to be in service by mid-2013.⁴⁹²
- On May 15, South Korea’s Hyundai Engineering & Construction started work on a \$219 million project to add four turbines to the Qudas power plant in Baghdad. Completion of the project, which the MOE expects to take 18 months, will expand the plant’s nameplate generating capacity from about 900 MW to 1,400 MW.⁴⁹³
- On May 22, Çalık Enerji and the MOE held the groundbreaking ceremony for the 750 MW

FIGURE 4.21
AVERAGE IRAQI ELECTRICITY SUPPLY AND ESTIMATED DEMAND, BY QUARTER, 1/2004–6/2011
MW



Sources: ITAO/ESD, *Electric Daily Performance Reports*, 6/1/2006–6/30/2011; DoS, *Iraq Status Reports*, 10/25/2006, slide 11, and 5/9/2007, slide 11.

Division of Power

The aggregated data for electricity supply and demand in Iraq masks the differences in trends inside and outside of the Kurdistan Region. The KRG's Ministry of Electricity (KRG-MOE) operates a power transmission and distribution network that serves Erbil, Dahuk, and Sulaymaniyah, while the GOI's MOE controls the grid that serves Iraq's 15 other provinces. The two grids are not connected.⁴⁹⁴

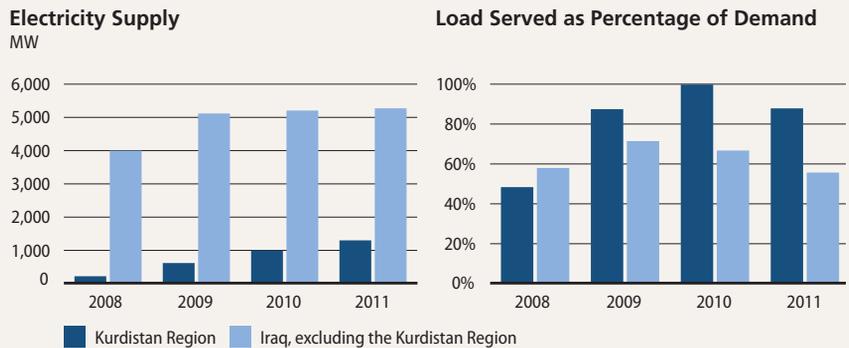
Electricity in the Kurdistan Region is supplied by five power plants: three combustion turbine plants owned and operated by independent power producer Mass Global and two hydroelectric plants run by the KRG. These five plants have a combined feasible generating capacity of 2,094 MW and produced, on average, 1,302 MW this quarter (62% of capacity). The three privately owned plants started coming on line in 2008 and accounted for almost 96% of the region's total supply this quarter. Electricity imports from a Kartet power plant in Turkey ended in January 2011.⁴⁹⁵

In the rest of Iraq, about 85% of the electricity is generated at mostly older, MOE-operated power plants, and 3% is produced by the privately owned power ships in Basrah. Together, the feasible capacity of these plants is 9,980 MW, and their average output this quarter was 4,624 MW (46% of capacity). Imports from Iran provided the remaining 12% of supply on the MOE-controlled grid.⁴⁹⁶

FIGURE 4.22

ELECTRICITY SUPPLY AND DEMAND, KURDISTAN REGION VS. THE REST OF IRAQ, 2008–2011

Comparison of April–June Quarters



Source: SIGIR analysis based on ITAO/ESD, *Electric Daily Performance Reports*, 4/1/2008–6/30/2011.

The picture became more complicated late this quarter when the province of Tameem (Kirkuk) began purchasing power from one of Mass Global's plants. In announcing these exports from the Kurdistan Region, KRG President Massoud Barzani said they were intended to help Tameem during the summer and would continue until the GOI "returns all these areas to the Kurdistan Region."⁴⁹⁷ During the last eight days of the month, these imports averaged 85 MW.⁴⁹⁸ Although this electricity is being used outside of the area controlled by the KRG, it does not actually enter the MOE grid.⁴⁹⁹

As shown in Table 4.7, while the grid supply for the country as a whole increased by 6% from the April–June 2010 quarter to the same quarter this year, it increased by 30% in the Kurdistan Region and by 1% in the rest of Iraq:⁵⁰⁰

- Within the Kurdistan Region, lower output from the two hydroelectric plants, the cessation of imports from Turkey, and the start of exports to Tameem were more than offset by a doubling of production at the privately owned plants.
- On the MOE-controlled grid, increased production from the power ships and a higher level of imports were partially offset by decreased production at the MOE's power plants. MOE data also shows demand in the Kurdistan Region increasing at a faster pace than in the rest of Iraq. Compared with the same quarter in 2010, the region's demand rose about 40%, while in the other 15 provinces it increased an average of 18%.⁵⁰¹ Figure 4.22 shows changes in the supply and demand situation in these two areas of Iraq since 2008.

TABLE 4.7
GROWTH IN ELECTRICITY SUPPLY, BY AREA OF IRAQ, 2010–2011

Average Supply, in MW, during April–June Quarters

| | NON-KRG PROVINCES | | | KRG PROVINCES | | | ALL IRAQ | | |
|--------------------------|-------------------|--------------|----------------|---------------|--------------|------------------|--------------|--------------|-----------------|
| | 2010 | 2011 | CHANGE | 2010 | 2011 | CHANGE | 2010 | 2011 | CHANGE |
| Government Power Plants | 4,589 | 4,466 | -123 (-3%) | 158 | 57 | -102 (-64%) | 4,748 | 4,523 | -225 (-5%) |
| Private Power Plants | 21 | 158 | 137 (669%) | 687 | 1,245 | 558 (81%) | 708 | 1,402 | 695 (98%) |
| Net Imports ^a | 596 | 656 | 60 (10%) | 150 | -7 | -158 (-105%) | 747 | 649 | -98 (-13%) |
| Total Supply | 5,206 | 5,280 | 74 (1%) | 996 | 1,294 | 298 (30%) | 6,202 | 6,574 | 372 (6%) |

^a Net imports include the electricity (averaging 7.5 MW over the entire quarter) that was exported from the Kurdistan Region to Tameem; this electricity did not become part of the MOE-controlled grid.

Source: SIGIR analysis based on ITAO/ESD, *Electric Daily Performance Reports*, 4/1/2010–6/30/2011.

al-Qayarah power plant in Ninewa province.

The MOE expects this \$388 million project to be completed by early 2013.⁵⁰²

Once completed, these three engineering, procurement, and construction (EPC) projects will add 2,500 MW of nameplate capacity to Iraq's national grid.

Two other GE Mega Deal EPC projects moved closer to the construction phase this quarter. On June 20, the MOE signed an \$81.3 million contract with Lanco Infratech of India for construction of the 250 MW Akkas plant in Anbar,⁵⁰³ and on July 7, it awarded a \$130 million contract to Baghdad Company to build the 500 MW Haydariya plant in Najaf.⁵⁰⁴

The MOE received bids in February for four other GE Mega Deal projects that it planned to award to independent power producers, but the CoM canceled these projects on May 24. The MOE then converted them to EPC projects, and bids are due during the first 10 days of August.⁵⁰⁵

Other Major Power-plant Projects

On April 25, the MOE signed a \$1 billion contract with China's Shanghai Electric Group to almost double the planned capacity of al-Zubaidiya thermal plant in Wassit. In May 2010, Shanghai Electric began construction of the first phase of the project, a \$924 million effort to install 1,320 MW of nameplate capacity. The second phase, scheduled for completion in 2014, will add two 610 MW generating units and bring the plant's total nameplate capacity to 2,540 MW.⁵⁰⁶

Also this quarter, Iran Power & Water Equipment and Services Export Company (Sunir) completed construction of the first phase of al-Sadr power plant in Baghdad's Sadr City. The project, which began in March 2009, was completed on schedule at a cost of about \$225 million. The plant has two 160 MW Siemens combustion turbines, the first of which was connected to the grid for a test run in April. The MOE anticipates adding two more 160 MW generating units to the plant, which would bring the total nameplate capacity to 640 MW.⁵⁰⁷

U.S. Embassy-Baghdad reports that the MOE has canceled al-Qaryat thermal plant, which it had planned to build in Kerbala.

Fuel Availability Issues

Because natural gas is unavailable to the new al-Sadr plant, it is set up to use diesel fuel. But trucking the needed quantity of fuel—about 2 million liters (more than 500,000 gallons) each day—to the site in northeast Baghdad apparently has proven to be a challenge. Although the plant's current capacity is 320 MW, its average production in June was 42 MW; for the quarter, it was 20 MW.⁵⁰⁸

To overcome this fuel-availability problem, the MOE signed a \$365 million contract on June 30 under which ECG Iran would build a 140-mile-long pipeline to transport natural gas from Iran, through Diyala province, to Baghdad. According to the MOE, the proposed pipeline would serve the Qudas and al-Sadr power plants, and it would provide 25 million cubic meters (almost 900 million cubic feet) per day for five years—enough gas to generate 2,500 MW.⁵⁰⁹

In an apparent move to provide an interim solution for al-Sadr plant, the MOE announced on June 23 that it had signed a one-year contract to purchase 1.5 million liters (almost 400,000 gallons) per day of diesel fuel from Iran's Oil Ministry. The MOE said that Iranian tanker trucks would deliver the fuel and that the volume would be sufficient to generate up to 250 MW of power.⁵¹⁰

The MOE Inspector General has voiced concern that large quantities of diesel fuel en route to power plants are being stolen each month as a result of collusion between trucking contractors and MOE employees. According to the MOE IG, his office has uncovered the theft of fuel from hundreds of fully loaded tanker trucks in Baghdad, Basrah, Baiji, Samarra, and other areas. He estimates that the illegal diversion of fuel has reduced daily electricity production in Iraq by as much as 400 MW, or about 6% of total supply.⁵¹¹

The MOE IG estimates that the illegal diversion of fuel has reduced daily electricity production in Iraq by as much as 400 MW.

Emergency Measures To Increase Electricity Supplies

Most of the large-scale new generating capacity now being developed is not scheduled to come on line until 2013–2015 and will not help Iraq close the supply-demand gap this year or next. The GOI therefore is implementing several emergency measures to increase the availability of electric power.

As described in SIGIR's April 2011 Quarterly Report, the MOE announced in March an expedited program to complete 50 new 100 MW diesel plants by the middle of next year. Since then, the MOE scaled this program down to 40 plants, and it has entered into contracts for all 4,000 MW of new capacity:

- On May 18, the MOE signed a \$2.77 billion contract with STX Heavy Industries of South Korea to build 25 plants.⁵¹² But according to U.S. Embassy-Baghdad, the contract is now on hold because STX has objected to some of its terms.⁵¹³
- On July 2, the MOE entered into a \$1.17 billion contract with Canadian Alliance for Power Generation Equipment (Capgent) for construction of 10 plants.⁵¹⁴
- On July 6, it signed a \$625 million contract with a German company to build five more plants.⁵¹⁵

To make more off-grid electric power available to consumers this summer, the CoM on May 24 approved a plan to provide a limited quantity of free fuel to owners of government and private generators as long as those providers supplied at least 12 hours

of electricity per day at reasonable prices. In doing so, the GOI acknowledged the difficulty it was having supplying consumers via the national grid.⁵¹⁶ Implementation of the plan began on June 1, and the MOE estimates that it could enable consumers to get up to 20 hours of power per day—12 hours from neighborhood generators and 8 hours from the national grid.⁵¹⁷

KRG Expansion Plans

On July 7, the KRG's Ministry of Electricity announced its intention to add 6,000 MW of generating capacity, as well as a new 400 kilovolt (kV) network, to the Kurdistan Region's power system. The new plants would operate on natural gas, heavy fuel oil, and hydropower. The KRG-MOE said it was seeking qualified investors to design, supply, construct, commission, operate, and maintain the new power plants at various locations within the region.⁵¹⁸

Recently Completed and Ongoing U.S.-funded Projects

The U.S. Army Corps of Engineers (USACE) reported that it completed six electricity projects, with a total value of \$42.6 million, this quarter. These included the last remaining electricity project funded by the IRRF: construction of the \$29.1 million substation in Ramadi. Three of the other completed contracts used \$11.6 million from the ESF for equipment purchases. According to USACE, it also had

USACE completed the last remaining electricity project funded by the IRRF.



The last IRRF-funded electricity project, the \$29.1 million substation in Ramadi, was completed this quarter. (Symbion Power photos)

Iraq's Minister of Transportation announced plans to solicit bids to construct a multibillion-dollar deep-water port along al-Faw peninsula.

five ongoing ESF-funded electricity projects at the end of the quarter, with a total value of \$17 million. The largest was a \$6.8 million project to procure gas-insulated circuit breakers and associated equipment for substations in Diyala. Three of the projects, together valued at \$7.2 million, were for additional work at al-Musayab combustion-turbine plant. The other was for the procurement of \$3 million in equipment for a substation in Ninewa.⁵¹⁹

Transportation

Ports

This quarter, Iraq's Minister of Transportation announced plans to solicit bids by the end of the year to construct a multibillion-dollar deep-water

port along al-Faw peninsula in Basrah province.⁵²⁰ In April 2010, the minister held a cornerstone-laying ceremony to inaugurate plans to build the port, which Iraqis envision as a critical seaport hub for a "dry canal"—a network of railways and roads that they hope will compete with the Suez Canal in the transportation of goods to Europe.⁵²¹ The Italian firm Technital won the contract to create the port designs, which will provide for multiple docks and jetties, a wheat silo, helicopter landing strips, water-treatment units, and security surveillance systems.⁵²²

However, a cornerstone-laying ceremony held this quarter for a Kuwaiti port project on Bubiyan Island rankled Iraqi leaders, who claimed the port would affect the economic and navigational interests of Iraq due to its potential to impede sea travel to the Umm Qasr and al-Zubair Ports and to reduce commercial traffic at al-Faw Port. Iraqi officials traveled to Kuwait to discuss plans for the competing port.⁵²³ Figure 4.23 displays the geographical proximity of al-Faw and Umm Qasr Ports to Bubiyan Island.

Meanwhile, efforts continued this quarter to establish Iraq's presence in the international maritime community, with Iraqi and U.S. Coast Guard officials attending a conference in London to advance Iraq's implementation of and compliance with international maritime conventions and regulations. The delegation also sought to conduct a port survey to establish security procedures at Iraqi ports and to train trainers.⁵²⁴

Aviation

USF-I reported this quarter that the Iraqi Civil Aviation Authority (ICAA) has more than 100 Iraqi air-traffic controllers at various stages of hire, training, or certification. In June 2011, Iraq assumed control over all airspace in the southern third of the country. Elsewhere, the ICAA controls airspace at 15,000 feet and above, and is expected to assume full control of airspace in the northern third of the country in August and in the central third by October of this year.⁵²⁵ USF-I reported that it maintained a presence this quarter at Baghdad, Basrah, and Mosul

FIGURE 4.23
LOCATION OF IRAQI PORTS, AL-FAW PENINSULA, AND BUBIYAN ISLAND



Source: UNSC, S/1994/1111, "Report of the Secretary-General on the United Nations Iraq-Kuwait Observation Mission," 9/29/1994.

International Airports. It expected to end its mission at the Baghdad and Mosul airports in October and at the Basrah airport in December. According to USF-I, the Basrah and Baghdad airport transitions were progressing well, but the transition at Mosul airport was impeded because the ICAA had a limited presence at the airport and did not have qualified technicians or air-traffic controllers there.⁵²⁶

Iraq continued this quarter to expand the number of airlines flying commercial flights to Baghdad and other Iraqi cities. Austrian Air arrived in Baghdad on June 8, and the airline announced plans to operate three flights per week between Vienna and Baghdad.⁵²⁷ In June, Iraqi and Turkish civil aviation authorities signed an agreement to increase flights and launch new flight destinations between the two countries; in July, Turkish Airlines flew its first direct flight between Istanbul and Najaf.⁵²⁸ A similar bilateral agreement was signed this quarter to pave the way for direct flights between Iraq and Italy.⁵²⁹

Railroads

This quarter, the U.S. Department of Transportation (DOT) and its Volpe National Transportation Systems Center completed a \$3.7 million project to train Iraqi railway employees to operate and maintain the railways' Digital Microwave Radio Communication Network. The training was part of a \$48.1 million project to create a digital communications system that will be used to operate Iraq's railroads.⁵³⁰

Road Construction

USACE reported that construction of two road projects was ongoing this quarter. The first is the ESF-funded \$4.1 million al-Amarah-al-Maymunah Carriageway, scheduled for completion in August 2011, which will be a two-lane highway roughly 14 miles long with three bridges.⁵³¹ The second project is a \$2.1 million IRRF-funded effort to replace the bridges for a future two-lane highway adjacent to the existing al-Amarah-al-Maymunah Carriageway.⁵³² It is also slated for completion in August 2011.⁵³³

Water and Sanitation

As of June 30, 2011, the United States had obligated \$2.65 billion and expended \$2.57 billion to rehabilitate Iraq's water and sanitation sectors.⁵³⁴ The U.S. Army Corps of Engineers (USACE) reported that it had completed 11 water and sanitation projects this quarter at a combined cost of \$27 million.⁵³⁵ Of these projects, 10 were funded by the ESF, and one was funded by the IRRF. Al-Kibla Sewer and Storm Network was the largest—an \$11.1 million ESF-funded project in Basrah province to design and construct a sanitary sewer and storm-water collection system. The network includes pump stations, force mains, manholes, inlets, and individual house connections.⁵³⁶

USACE reported this quarter that it had completed the "backbone" of the long-awaited Falluja Waste Water Treatment Plant and Collection System, a \$100 million effort comprising multiple smaller projects to develop a waste water treatment plant and collection system for the city of Falluja in Anbar province. The treatment plant, along with primary collection mains and pumping stations, has been completed, but connections to houses are still ongoing. A \$7.6 million U.S. government grant to the Ministry of Municipalities and Public Works, coupled with an \$85 million GOI construction project, is intended to complete the collection system for the entire city of Falluja by 2014. According to U.S. Embassy-Baghdad, there are

USACE reported this quarter that it had completed the "backbone" of the long-awaited Falluja Waste Water Treatment Plant and Collection System.



USACE reported completion this quarter of the Falluja Waste Water Treatment Plant and Collection System in Anbar province. (USACE photo)



Al-Mamoon Exchange and Communications Center in Baghdad was turned over to the GOI on June 30, 2011. (USACE photo)

Iraq boasts one of the fastest growing cell phone markets in the region, with an estimated 23 million subscribers.

currently 4,500 homes connected to the treatment plant, with an additional 4,500 homes expected to be connected by the end of 2011.⁵³⁷

In addition to the grant for house connections in Falluja, USACE reported one other ongoing water project at the end of the quarter—the \$1.3 million ESF-funded Rivers and Lakes Study that entails collecting water samples from the Shatt al-Arab waterway near Basrah, major lakes in Iraq, and 27 tributaries flowing into the Tigris River from Iran. The project is expected to be completed before the end of September 2011.⁵³⁸

Communications

This quarter, USACE reported the \$18.3 million IRRF-funded al-Mamoon Exchange and Communications Center in Baghdad was completed and finally inspected prior to its turnover to the Ministry of Communications (MOC) on June 30, 2011. This seven-story office building will serve as a telecommunications hub for the MOC and is designed to house state-of-the-art equipment to improve radio transmissions, cellular and landline

telephone communications, and high-speed Internet service for the Baghdad area. Completed nearly five years after its originally forecasted completion date of December 2006, the project suffered from sabotage and contracting problems and was re-awarded in 2009.⁵³⁹

DoS reported this quarter that Iraq's telecommunications sector is hindered by poor infrastructure, high operating costs, and policy differences between the MOC and the Communications and Media Commission (CMC).⁵⁴⁰ It remains unclear what roles the MOC and CMC play in the telecommunications industry. The CMC was created by Coalition Provisional Authority Order 65 as a communications regulator, but there is no corresponding Iraqi law establishing the MOC. The MOC has declared that all fiber optics laid in Iraq are owned by the GOI through its state-owned enterprise, the Iraqi Telecommunications and Post Company.⁵⁴¹

After years of neglect and an absence of a mobile phone market prior to 2003, Iraq boasts one of the fastest growing cell phone markets in the region, with an estimated 23 million subscribers serviced by three companies—AsiaCell, Zain, and Korek.⁵⁴² Last quarter, the MOC announced plans to issue a fourth mobile phone license, to be auctioned by the end of 2011.⁵⁴³ However, companies complain of military jamming of mobile phone frequencies and high operating costs—as much as \$700 per megabyte to operate local circuits, compared with \$50 to \$80 per megabyte in the United States and Europe.⁵⁴⁴

DoS reported that the use of landlines has also steadily risen in Iraq. Since 2003, an estimated 1.2 million homes and businesses have subscribed to landline service. Internet penetration has lagged behind, with only 3% of the homes or businesses having access to the Web.⁵⁴⁵ Iraq's Minister of Communications said this quarter that he intended to use \$3.5 billion to quadruple the number of fixed-line phones from 2 million to 8 million in the next five years.⁵⁴⁶ DoS reported Iraqi plans to increase Internet usage by 25% over the next five years as well.⁵⁴⁷

Health Care

This quarter, USACE continued construction of the \$12.6 million ESF-funded Missan Surgical Hospital, an 80-bed facility in Missan province, which is scheduled for completion in October 2011. The Basrah Children's Hospital, a \$165 million facility opened in October 2010, still does not have oncology services available, but USACE has begun to install donated medical equipment. Meanwhile, the \$8 million Ba'quba General Hospital has been turned over to the GOI, and all essential services (including electricity) were hooked up this quarter. USACE also completed upgrades at the \$3.5 million Ibn Sena Cardiac Center in Mosul.⁵⁴⁸

Education

GOI Efforts To Improve Education

Iraqi officials focused this quarter on increasing both the number of schools in operation and the ability of its teaching staff to educate students. Overcrowding continues to be a major concern, as is the quality of teachers, according to Iraq's Ministers of Education and Higher Education. While Iraq boasts 25 universities (including 6 in the Kurdistan Region) and 40 technical institutes, there is a shortage of space to accommodate incoming students. In some cases, 10 higher education students are vying for every 4 seats.⁵⁴⁹

GOI officials noted a shortage of school building at the elementary and high school levels as well. In an interview with SIGIR, the Minister of Education estimated that Iraq needs more than 7,000—and

ideally 13,400—new elementary and high schools immediately and about 600 new schools annually after that to accommodate population growth. Since 2003, the minister estimates there have been 2,600 new schools built, including 244 constructed by the MOE.⁵⁵⁰ At the end of 2010, USACE reported it had completed 1,166 construction projects in the education sector.⁵⁵¹

The Minister of Education emphasized additional education challenges: outdated curricula, underpaid and insufficiently trained teachers, high illiteracy, and low achievement among students. He said curricula date back to the 1970s and 1980s and characterized improvements made since then as “superficial.” He estimated that about 70% of Iraq's 442,000 teachers lack proper training and noted that his ministry lacked the budget to execute plans to train 100,000 teachers per year. Iraq's students, he said, need more discipline, better food, better tutoring, and more private-school options. He described Iraq's illiteracy rates as “appalling.”⁵⁵² In May, the CoR's Education Committee released a statement estimating that the number of illiterates in Iraq had reached 5 million.⁵⁵³

U.S.-funded Education Projects

USACE reported that the \$940,000 ESF-funded Semel School in Dahuk province was completed this quarter. It also reported that construction of the \$1.1 million ESF-funded Halabja school in Sulaymaniyah province and the \$550,000 ESF-funded Nuaymia school in Anbar province was ongoing. Halabja was scheduled for completion in July 2011, and Nuaymia was slated for completion by October 2011.⁵⁵⁴ ♦

The Minister of Education described Iraq's illiteracy rates as “appalling.”