

U.S.-FUNDED PROGRAMS IN IRAQ

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STRATEGIC FRAMEWORK AGREEMENT

Signed by the United States and the Government of Iraq (GOI) in November 2008, the Strategic Framework Agreement (SFA) outlines the parameters of the ongoing cooperative relationship between the United States and Iraq in a number of key sectors, such as security, energy, and the rule of law. The joint U.S.-GOI Higher Coordinating Committee has overall responsibility for the SFA, but the work of implementing the agreement is managed by seven sector-specific Joint Coordination Committees (JCCs).

On April 23, almost 30 months after the SFA was signed, the United States and the GOI convened the inaugural meeting of the JCC on Energy in Washington, D.C. The meeting was co-chaired by the Iraqi Deputy Prime Minister (DPM) for Energy, Dr. Hussein al-Shahristani; U.S. Deputy Secretary of Energy Daniel Poneman; and Special Envoy and Department of State (DoS) Coordinator for International Energy Affairs Carlos Pascual. The meeting focused on how the United States would continue to support the development of the Iraqi hydrocarbon sector through assistance to the GOI in the areas of

security, infrastructure rehabilitation, and economic planning. Following the meeting, Deputy Secretary Poneman escorted DPM Shahristani to California, where they toured nuclear-research facilities at the Lawrence Livermore National Laboratory. For more on the outcome of this meeting, see the Economy subsection of this Report.⁸⁸

The first-ever meeting of the Defense and Security JCC was held from May 22 to May 24 at the Pentagon. It was co-chaired by GOI Acting Minister of Defense Saadoun al-Dulaimi, DoS Acting Under Secretary of State for Arms Control and International Security Rose Gottemoeller, and Acting Under Secretary of Defense for Policy James Miller. Among the items discussed were future sales of U.S. military equipment, joint military exercises, and Iraq's strategy to ensure its stability and security. The United States also reaffirmed its commitment to advancing Iraq's stability through the training, equipping, and enhancing the capacity of the Iraqi Security Forces (ISF). The next meeting of the Defense and Security JCC is scheduled to be held in Baghdad this fall.⁸⁹ ♦

On April 23, the United States and the GOI convened the inaugural meeting of the JCC on Energy. The first-ever meeting of the Defense and Security JCC was held from May 22 to May 24.

U.S. MISSION IN IRAQ

Gliding toward Normal

In his June 28 testimony before the Congress, the DoS Under Secretary for Management Patrick Kennedy reported that the transition from a military-led to a civilian-led mission in Iraq had been successful, stating that DoS is now “seeking to streamline and normalize . . . operations in a methodical, phased fashion, which [DoS] refer[s] to as the ‘glide path.’” Major elements of this path include:⁹⁰

- reducing personnel, sites, and programs under Chief of Mission authority
- expanding the primary DoS facilities in Baghdad, Basrah, and Erbil
- transferring several sites to the GOI
- administering a medical contract awarded in June 2011 to provide services for all Chief of Mission personnel in Iraq, including contractors
- reviewing proposals for an operations and maintenance contract slated to begin by the end of 2013
- continuing to rely on two Department of Defense (DoD) programs through 2013: the Logistics Civil Augmentation Program, for general operations, including facility, food, and laundry

As of early July, according to DoS, 15,007 personnel were supporting the U.S. Mission in Iraq.

services; and the Defense Logistics Agency, for the supply of food and fuel (“alternative options” for after 2013 are currently being considered by a twice-monthly working group)

- gradually increasing reliance on regional air-travel services

Under Secretary Kennedy stated that, as of late June, DoS had 38 contracting officers, specialists, and support personnel devoted to contracting efforts in Iraq and Afghanistan.⁹¹

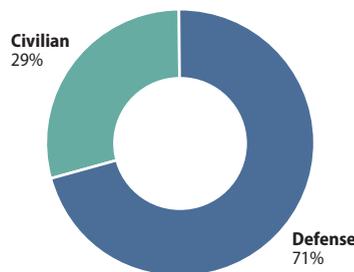
Staffing the U.S. Mission

As of early July, according to DoS, 15,007 personnel were supporting the U.S. Mission in Iraq:⁹²

- 1,235 U.S. government civilian employees (includes full-time and temporary government employees and personal-services contractors)
- 13,772 contractor personnel (U.S., Iraqi, and third-country nationals), 5,737 of whom were providing security services

In a change from its past reporting practice, DoS said that it obtained this quarter’s data on the number and role of contractors from the Synchronized Predeployment and Operational Tracker (SPOT) database maintained by DoD.⁹³ SIGIR also obtained data from the SPOT database that showed 12,477 employees of U.S.-funded contractors and grantees were working in Iraq as of July 2, 2012—1,295 fewer contractor personnel than reported by the Embassy. The data may have been accessed on different dates, but SIGIR does not know if that would completely account for the difference in reported number of contractor personnel. As shown in Figure 3.1 and detailed in the Contracting subsection of this Report, the SPOT data that SIGIR received showed that 71% of the contractor

FIGURE 3.1
DEFENSE VS. CIVILIAN AGENCY CONTRACTORS UNDER CHIEF OF MISSION AUTHORITY, AS OF 7/2/2012



Source: OUSD(AT&L), SPOT Program Support, response to SIGIR data call, 7/2/2012.

personnel supporting the U.S. government in Iraq were working on Defense contracts.⁹⁴

According to DoS, only 6 personnel—the number of staff in the Iraq Strategic Partnership Office—support “reconstruction activities.” DoS estimated that 67 contractors also support reconstruction programs.⁹⁵ However, in its tally of reconstruction personnel, DoS excludes the entire staff of the Office of Security Cooperation-Iraq (OSC-I), which manages Iraq Security Forces Fund (ISFF) projects and the Foreign Military Sales (FMS) and Foreign Military Financing (FMF) programs; DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) personnel working on the Police Development Program (PDP); and personnel working on U.S. Agency for International Development (USAID) programs.⁹⁶ DoS contends that it excludes these individuals because they work on “traditional assistance programs (assistance programs that are found in embassies worldwide).”⁹⁷ However, SIGIR takes the position that Economic Support Fund (ESF) and FMS, for example, are reconstruction programs in Iraq—a position supported in a March 31, 2011, letter by the Chairmen of the House Committees on Oversight and Government Reform and Foreign Affairs to the Secretary of State.⁹⁸

DoS is working to reduce direct-hire staffing by 25%–30% by the end of 2013. Moreover, the Embassy is continuing to hire more Iraqis to fill direct-hire positions, reporting that 240 of the planned 400 were on board, as of June 28. With regard to life-support contractors, DoS’s goal is for 50% of all life-support contractors to be Iraqis. As of late June, Iraqis made up about 24% of life-support contractors.⁹⁹

DoS’s Office of Logistics Management recently posted a public notice to contractors bidding to provide operations and maintenance (O&M) services stating that they must include a staffing plan that would provide for the hiring of Iraqis and the purchase of goods from local suppliers, where practicable. The O&M contract would support the U.S. Embassy in Baghdad, the consulates in Erbil and

Basrah, and other sites throughout Iraq. DoS expects to award the contract in August 2012.¹⁰⁰

Alterations to DoS Facilities

Although the 104-acre New Embassy Compound in Baghdad formally opened in January 2009, substantial upgrades to key infrastructure elements appear still to be needed. This quarter, the DoS Bureau of Overseas Buildings Operations (OBO) requested submissions to pre-qualify firms for upgrades estimated to cost \$60 million–\$80 million and take about two years to complete. Among other things, this project would include:¹⁰¹

- facilities capable of storing underground a 21-day supply of fuel
- a new utility building for the generators and switchgear
- a compound-wide electrical infrastructure
- a waste-heat utilization program
- a compound-wide fire-main replacement and water distribution upgrade
- a compound-wide domestic-water system upgrade
- a compound-wide sanitary-sewer system upgrade
- a compound-wide storm-water system upgrade
- a compound-wide telecommunications system upgrade

The Embassy also confirmed that it plans to transfer Embassy Annex Prosperity to the GOI by the end of 2013. The annex, a former U.S. military base in the western part of the International Zone, is now home to hundreds of security and support contractors, many of whom live in containerized housing units that afford minimal protection from indirect fire.¹⁰²

Other developments affecting the U.S. Mission this quarter included:

- the late April award of two eight-month contracts to Triple Canopy, Inc., for static-security

Although the 104-acre New Embassy Compound formally opened in January 2009, substantial upgrades to key infrastructure elements appear still to be needed.

services for consulate facilities in Basrah (\$5.02 million) and Erbil (\$4.81 million) because the companies originally slated to provide such services (Global Integrated Services and DynCorp, respectively) could not meet the mobilization timeline because of difficulties with the visa process¹⁰³

- the late June confirmation that the OSC-I headquarters will move from its current location at the Security Assistance Annex (formerly called Forward Operating Base Union III) across the street from the Embassy onto the Embassy complex by mid-2013, with Union III being returned to GOI control¹⁰⁴

Closure of Consulate in Kirkuk

The U.S. Consulate in Kirkuk—which has been operational, though not providing most traditional consular services, for about one year—has been scheduled to close by the end of July 2012. The consulate, which had been colocated with the OSC-I site on the grounds of an Iraqi Air Force base, will transfer most of its personnel to the Erbil Diplomatic Support Center (EDSC). To accommodate this move, the EDSC is preparing additional containerized housing-units that will serve as living quarters and office space for those personnel relocated from Kirkuk. About 30 private-security contractors will move from Kirkuk to Erbil as part of this plan. U.S. facilities in Kirkuk had been subject to regular indirect fire attacks since they opened. OSC-I will close its Kirkuk site by the end of September.¹⁰⁵

Operating in Iraq

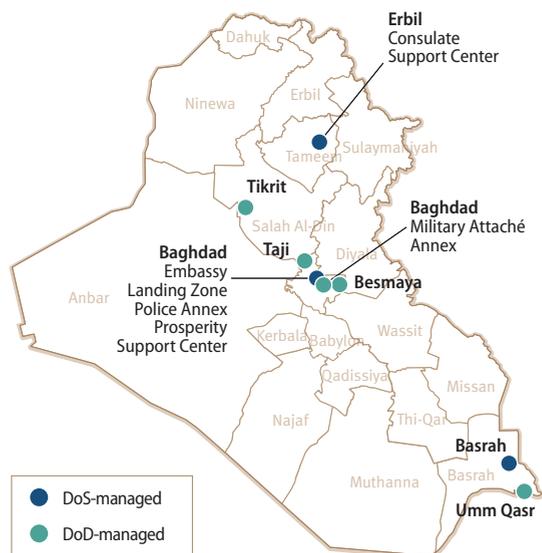
Security and support costs remain the largest expenses for the U.S. Mission.

Security and support costs remain the largest expenses for the U.S. Mission. According to the Government Accountability Office (GAO), these costs accounted for 93% of the DoS and DoD estimated FY 2012 allocation of \$4 billion for the U.S.

Mission. GAO added that DoS and DoD security capabilities are not finalized, with construction of security features not expected to be completed at DoS-managed sites until February 2013 and at DoD-managed sites until September 2013. GAO ascribed these delays, in part, to contractor performance, noting that, to mitigate resulting vulnerabilities, the U.S. Mission frequently employs ad hoc, “field expedient,” measures.¹⁰⁶

Securing formal GOI agreements to use various facilities also continues to be a challenge. As of May, according to GAO, the United States had a presence at 14 sites in Iraq, but DoS held title or had signed land-use agreements or leases for only 5 of them. Moreover, GAO noted that DoS officials had expressed concern about the GOI’s ability to finalize additional agreements. Current plans call for the total number of sites to be reduced to 11 by the end of FY 2013. Figure 3.2 shows the locations of the 14 operational sites.¹⁰⁷

FIGURE 3.2
DoS- AND DoD-MANAGED SITES IN IRAQ



Source: GAO Testimony GAO-12-856T, statement of Michael J. Courts, Acting Director International Affairs and Trade, “Mission Iraq: State and DoD Face Challenges in Finalizing Support and Security Capabilities,” 6/28/2012, p. 3.

Ambassadorial Nominee

On June 18, three months after being nominated by President Obama to serve as Ambassador to Iraq, Brett McGurk withdrew his name from consideration. As of July 15, the White House had not nominated a replacement.¹⁰⁸

Before his withdrawal, McGurk testified before the Senate Foreign Relations Committee on June 6. In response to the Committee's questions, McGurk stated that the U.S. presence in Iraq is too large and that there is "no proportionality... between our size and our influence." He added that the United States expends "a lot of diplomatic capital simply to sustain [its] presence." Agreeing with current DoS proposals to trim the number of personnel under the Chief of Mission by about 25%, McGurk went further, stating that additional cuts could be made.¹⁰⁹

Iraq Strategic Partnership Office

The Iraq Strategic Partnership Office (ISPO) is drawing to a close. When established as a temporary organization by executive order on May 10, 2010, ISPO assumed the remaining functions of the Iraq Transition Assistance Office, including oversight of various reconstruction projects funded by the Iraq Relief and Reconstruction Fund (IRRF) and the ESF. Among other responsibilities, ISPO was tasked with coordinating the drawdown of Provincial Reconstruction Teams and supporting and creating a sustainable Rule of Law mission in Iraq, including the Police Development Program (PDP).¹¹⁰

ISPO's Embassy office was initially staffed by 11 personnel, including three senior consultants, all of whom were expected to depart Baghdad by mid-2011 as ISPO's projects were completed and its ministerial advisory function ended.¹¹¹ This quarter, however, ISPO still had a staff of six, and they were overseeing projects carried out under three programs funded by the ESF:¹¹²

- Provincial Reconstruction Development Council (PRDC)
- Capacity Development/Operations, Maintenance, and Sustainment (CD/OMS)
- Ministerial Capacity Development (MCD)

As shown in Table 3.1, ISPO had 24 open projects at the end of this quarter, all of which were being implemented by the U.S. Army Corps of Engineers (USACE). These projects had an estimated total value of \$66.4 million, and almost \$36.8 million had yet to be expended on them.¹¹³ The majority of the open projects were not expected to be completed until sometime in 2013, and four projects were in the pre-award stage and had not yet been started.¹¹⁴

ISPO's three senior consultants, who have provided technical oversight and liaison with GOI ministries for the reconstruction program, were scheduled to depart Baghdad at the end of July 2012. According to the Embassy, the day-to-day oversight of the remaining ongoing projects will be accomplished by USACE, and the Embassy's Economic Section will provide overall direction for the program.¹¹⁵

Completed and Ongoing Projects

The Embassy reported that ISPO oversaw the completion of one project this quarter: a \$158,000 ESF-funded MCD project to help the GOI prepare for negotiating a water-sharing agreement with neighboring countries. In April, the Embassy reported that six other ISPO projects, collectively valued at almost \$32.2 million, were scheduled for completion this quarter. But all remained ongoing as of June 30. Of the 23 projects that ISPO listed as open at the end of last quarter, completion dates subsequently slipped for 16 of them, and one project was canceled. The "Rusafa Courthouse Latent Defects" project was canceled because the original contractor could not be located. Of the \$30,000 obligated for that project, less than \$2,500 was expended.¹¹⁶

ISPO's three senior consultants were scheduled to depart Baghdad at the end of July 2012.

TABLE 3.1
OPEN ISPO-MANAGED PROJECTS, AS OF 6/30/2012
 \$ U.S.

PROGRAM	PROJECT	ACTUAL OR ESTIMATED AWARD DATE	SCHEDULED COMPLETION DATE	BUDGETED OR ESTIMATED COST	OBLIGATED	EXPENDED	UNEXPENDED BUDGETED AMOUNT
Provincial Reconstruction Development Council (PRDC)	Wazeriya National Training Center	11/2010	8/2012	8,882,254	8,328,656	6,163,432	2,718,823
	Missan Hospital Phase 1	9/2007	7/2012	8,586,413	8,586,413	8,019,269	567,144
	Missan Hospital Phase 2	1/2008	10/2012	7,712,355	7,712,355	7,055,516	656,838
	Basrah Children's Hospital (BCH) Install MRI Scanner	6/2012	1/2013	7,000,000	3,462,500	14,776	6,985,224
	BCH Install CT Scanner	6/2012	1/2013	3,500,000	2,887,500	-	3,500,000
	BCH Linear Accelerator O&M and Training	7/2012	6/2013	3,000,000	60,000	33,196	2,966,804
	Install Equipment for BCH	6/2011	10/2012	2,299,331	2,299,331	1,584,321	715,009
	Facility Management at BCH	11/2011	1/2013	1,408,630	1,373,780	243,681	1,164,949
	Iraq Personal Services Technical Experts	6/2012	6/2013	1,210,000	1,180,000	25,313	1,184,687
	Primary Healthcare Centers Repairs, Central Iraq (MOD)	5/2012	9/2012	550,000	-	-	550,000
	Primary Healthcare Centers Repairs, Southern Iraq (MOD)	4/2012	9/2012	450,000	-	-	450,000
	Buildings, Health, & Education Subtotal			44,598,982	35,890,534	23,139,505	21,459,477
	Rusafa Courthouse Repairs	6/2012	4/2013	1,716,000	1,716,000	-	1,716,000
	Upgrade Rusafa Courthouse, Assessment	2/2012	1/2013	809,875	809,875	783,462	26,413
	Security and Justice Subtotal			2,525,875	2,525,875	783,462	1,742,413
	Al-Musayab Combustion Turbine Commission Units 9 & 10	6/2010	1/2013	4,761,688	4,761,688	161,688	4,600,000
	Electrical Transmission Study & Master Plan	4/2012	1/2013	2,100,684	2,100,684	51,005	2,049,680
	Procure Electrical Coil Winding Machines	6/2012	1/2013	450,000	12,000	10,062	439,938
	Electricity Subtotal			7,312,372	6,874,372	222,755	7,089,617
Falluja Sewer System House Connections	3/2010	5/2013	7,618,379	7,618,379	4,587,379	3,031,000	
Mosul Dam Early Warning System	7/2010	9/2012	1,180,000	1,180,000	179,589	1,000,411	
Falluja Waste Water Treatment Plant O&M, Phase II	1/2012	1/2013	545,000	545,000	78,275	466,725	
Review of Ministry of Water Master Plan	6/2011	8/2013	400,000	400,000	72,029	327,971	
Iraq Watershed Predictive Model	8/2011	6/2013	220,000	220,000	139,812	80,188	
Water Subtotal			9,963,379	9,963,379	5,057,082	4,906,296	
PRDC Projects Total			64,400,608	55,254,160	29,202,804	35,197,804	
Capacity Development/ Operations, Maintenance, and Sustainment (CD/OMS)	OMS Procurement Additional Spare Parts	4/2012	1/2013	1,180,274	1,180,274	17,550	1,162,724
	Mosul Dam SME Advisory Group Support	3/2010	9/2012	514,987	514,987	182,131	332,856
	Rivers and Lakes Study	7/2010	7/2012	344,601	344,601	277,800	66,802
	CD/OMS Projects Total			2,039,862	2,039,862	477,480	1,562,382
All ISPO Projects Total			66,440,470	57,294,022	29,680,284	36,760,186	

Note: Data not audited. Numbers affected by rounding.

Source: U.S. Embassy-Baghdad, response to SIGIR data call, 7/3/2012.



ISPO now expects U.S.-funded work at Missan Surgical Hospital to be completed in October 2012. The contract for construction was first awarded in September 2007, and the original completion date was May 2009. (USACE photo)

ISPO's ongoing projects included construction of the Missan Surgical Hospital (which ISPO separates into two phases with a combined estimated cost of \$16.3 million) and the Wazeriya National Training Center (\$8.9 million), as well as a grant to the Ministry of Municipalities and Public Works for the connection of houses to Falluja's sewer system and construction of a trunk line (\$7.6 million). Although the completion dates were pushed back, ISPO still expected work at the hospital and training center to be completed in 2012.¹¹⁷

May 2013 remained the scheduled completion date for the Falluja project. Both the Embassy and USACE reported that 9,100 houses had been connected to the sewer system as called for under the terms of the grant. But USACE also reported that there was an issue with the pipes that had been ordered for the trunk line and that the grant would need to be increased by \$150,000 to procure odor-removal equipment.¹¹⁸

As shown in the table, five open projects are for work at the Basrah Children's Hospital—primarily for the procurement, installation, operation and maintenance, and training on the use of advanced medical equipment. According to ISPO, these five projects are estimated to cost \$17.2 million. In April, ISPO reported that the cost of purchasing and installing the MRI and CT equipment was expected to be \$7 million. This quarter, ISPO's report listed the MRI and CT equipment as two separate projects with a combined cost of \$10.5 million, a 50% increase from what was reported last quarter.¹¹⁹ USACE, however, reported that the total

authorized cost for the two pieces of equipment was actually less than \$6.4 million (which is the sum of the obligated amounts shown in the table).¹²⁰

During the planning stages for the hospital project, which was conceived in 2003, USAID and Project HOPE signed a memorandum of understanding (MOU) under which the U.S. government was to be responsible for construction of the hospital, and Project HOPE was to be responsible for acquiring advanced medical equipment and training medical staff.¹²¹ In response to SIGIR's inquiry about why the U.S. government was now responsible for equipment acquisition, installation, and training, the Embassy stated:¹²²

The U.S. has since inception of the program provided for overall project management and [been the] principal funding source of the Basrah Children's Hospital. Project HOPE is one of many partners contributing to the program. The planned U.S. expenditures are required to develop the facility into a functional children's oncology hospital. Project HOPE's donations, along with those of other participants, have assisted the program in its progress towards that goal.

In 2006, however, DoS said that the hospital project "is funded mostly by donors. Project HOPE is the key."¹²³

Asset Transfer and Sustainment

The Embassy reported that no ISPO construction projects were transferred to the GOI this quarter.¹²⁴ Procedures for documenting the transfer of U.S.-funded projects were established in an MOU that the Ministry of Planning and Development Cooperation and the Embassy signed

Five open projects are for work at the Basrah Children's Hospital—primarily for the procurement, installation, operation and maintenance, and training on the use of advanced medical equipment.

Although SIGIR requested details about activities carried out under the terms of the MOU during the first six months of 2012, the Embassy stated, “The lists and tables requested are not available.”

in November 2009. The MOU states that “beneficiary ministries ... are to be committed to allocate the necessary funds for ... operation [of projects] as part of the operating budgets” and that “the Government of Iraq is to respond positively to any requests from the U.S. Embassy for conducting visits or evaluating the level of implementation for the projects ... including any information required for the evaluation process.”¹²⁵

According to the Embassy, the GOI has responded positively to requests for site visits to U.S.-funded projects that were transferred pursuant to the MOU, but the GOI’s sustainment of the facilities varies by project and by Ministry. Although SIGIR requested details about activities

carried out under the terms of the MOU during the first six months of 2012, the Embassy declined to provide specifics on information requested by the U.S. government and provided by the GOI relating to the resources provided for the operation of projects, visits that the Embassy requested to make to project sites, and evaluations that the Embassy completed. It stated, “The lists and tables requested are not available. Visits to projects have been made on an as-needed basis and with diminishing frequency since Iraq’s assumption of responsibilities of sovereignty. This transfer also corresponded with the winding down of the Iraq Strategic Partnership Office and the redeployment of U.S. forces.”¹²⁶ ♦

CIVILIAN PROGRAMS

Department of State

Bureau of International Narcotics and Law Enforcement Affairs

INL supports several rule-of-law programs whose stated purpose is to assist the GOI’s law-enforcement, anticorruption, and judicial institutions. As of June 30, 2012, \$1.05 billion from the International Narcotics Control and Law Enforcement (INCLE) account had been obligated in Iraq, including approximately \$134 million that has not yet been expended.¹²⁷

As of June 30, 2012, INL reported that it had 176 personnel in Iraq, including 50 Iraqis.¹²⁸ Table 3.2 provides information on their assignments.

Police Development Program

INL received \$650 million in FY 2010 and \$94.6 million in FY 2011 funding for the PDP, but as of June 30, it had not yet received FY 2012 funds for the program. DoS initially had planned to allocate approximately \$500 million of the FY 2012 INCLE for the PDP and other INL programs

in Iraq. By July 2012, however, DoS reported that it had reduced the planned INCLE allocation for Iraq to \$129.6 million, of which \$76.3 million was for the PDP. Furthermore, DoS officials said that none of this \$76.3 million will be needed until FY 2013 because of the programmatic downsizing discussed below. INL had about \$118.2 million in unspent FY 2010 and FY 2011 funds as of March 31, 2012, and additional FY 2010 and FY 2011 funds were expected to become available for the PDP as more program reductions are implemented.¹²⁹ For further information, see the summary of SIGIR’s most recent audit of the PDP in Section 5 of this Report.

For FY 2013, INL initially requested \$850 million for the PDP and other INL programs that support the rule of law and work to build capacity within the justice sector.¹³⁰

DoS officials said that none of this \$76.3 million will be needed until FY 2013 because of the programmatic downsizing discussed below.

PDP Staffing

As of June 30, INL reported that it had 72 PDP advisors in the country—62 temporarily hired DoS personnel (3161s) and 10 Department of Homeland Security (DHS) employees—working with the MOI in Baghdad and Erbil,

TABLE 3.2
INL PERSONNEL CURRENTLY WORKING IN IRAQ

PERSONNEL TYPE	JUSTICE PROGRAMS	POLICE DEVELOPMENT PROGRAM	PRE-TRIAL DETENTIONS PROGRAM	CORRECTIONS PROGRAM	INL MANAGEMENT AND STAFF	TOTAL
3161 Temporary Hire	1	62	–	–	10	73
U.S. Government	4	10 ^a	1	–	18	33
U.S. Contractor	6	4	8	1	1	20
Iraqi Contractor and Locally Employed Staff	6	36	–	–	8	50
Third-country-national Contractor	–	–	–	–	–	–
Total	17	112	9	1	37	176

^a10 DHS personnel implement PDP programming via an interagency agreement (IAA) between DoS and DHS. Other agencies implementing INL programs via IAAs, including DoJ and the Treasury Department, are included.

Note: Data not audited.

Source: INL, response to SIGIR data call, 7/5/2012.



Inspector General meets with MOI Principal Deputy Minister al-Asadi, May 2012.

INL embarked on this ambitious construction program prior to finalizing a formal land-use agreement with the GOI.

where they were supported by small numbers of Iraqi contractors.¹³¹

Baghdad. 49 advisors (including 8 from DHS) supported by 23 Iraqi contractors

- **Erbil.** 23 advisors (including 2 from DHS) supported by 8 Iraqi contractors

INL reported in early July that it is in negotiations with MOI regarding adjustments to the PDP and will devise a plan “very soon” to reduce the number of PDP advisors, relying on attrition to reduce the advisor ranks (PDP advisors are generally temporary employees hired on 13-month appointments) As of July 16, INL’s provisional plan called for 18 advisors in Baghdad and 18 in Erbil.¹³²

The Cost of Shrinking the PDP Footprint

INL terminated PDP activities in Basrah this quarter, with all PDP personnel returning to the Embassy. This quarter, INL also removed all PDP advisors from its main training complex in Baghdad—the Baghdad Police College Annex (BPAX), formerly called Joint Security Station Shield. INL personnel previously stationed at BPAX have already returned to the Embassy, although MOI has agreed to its continued use for some PDP training

and seminars. INL has submitted a list of potential new training sites in Baghdad to the MOI, which has “agreed to review the options.” In mid-July, MOI reportedly identified two potential training sites in the International Zone, but did not commit to having them ready by a certain date.¹³³

According to INL, OBO originally estimated construction costs for BPAX to be \$150 million. In response to direction from DoS to reduce Embassy staff and costs, INL said it decided to close BPAX. As a result, DoS terminated the construction contract, and OBO now estimates the revised construction costs will be about \$108 million, but INL reported that demobilizing BPAX will result in additional costs.¹³⁴

INL expended \$98 million on Basrah PDP facilities, but asserted that these facilities will continue to be used because they are colocated with Consulate Basrah.

INL added that it will be reducing the scope of the PDP in Erbil, ceasing work with the Kurdistan Regional Government (KRG) Ministry of Interior on 4 of the program’s 16 original subject areas.¹³⁵

MOI Assessment of PDP Activities

In late December 2011, Principal Deputy Minister of Interior al-Asadi ordered the formation of a committee within the MOI to coordinate with INL and manage MOI’s involvement with the PDP. The committee reported that MOI officials held 80 meetings with INL advisors from January 1 to April 1, 2012. (INL reported that it held 517 engagements with MOI personnel during the same three-month period.) In addition, the MOI committee noted that it had rejected 55 meeting requests by INL during the first three months of 2012. The committee characterized 52 meetings with INL as “beneficial,” 21 as “semi-beneficial,” 1 as “non-beneficial,” and did not assess the other 6. The MOI committee also concluded:¹³⁶

- The services it received were subpar when evaluated against the amount of money the INL spent to provide them.
- INL advisors “work separately” from the rest of the U.S. Mission and do not coordinate with other U.S. personnel.
- The optimal number of PDP advisors was 12 for Baghdad (2 of whom would advise on intelligence matters, 3 on general training, 3 on evidence and DNA, 2 on technology, and 2 on unspecified issues).

The MOI review did not address the Erbil component of the PDP.

PDP Activities This Quarter

From April 1 through June 30, 2012, INL stated that it had held engagements with MOI counterparts on 457 separate occasions, 330 of which (72%) were in the relatively secure Kurdish city of Erbil. INL advisors reported conducting engagements at a single forensics lab in Erbil 137 times during the 91-day period (30% of all PDP engagements this quarter). Of the remaining 127 site visits, 123 were to MOI facilities in Baghdad and 4 to MOI locations in Basrah.¹³⁷

Other DoS Bureaus and the PDP

INL reports that it has made \$323.0 million of INCLE funds available to OBO for INL’s portion of construction and facility build-out costs (\$21 million was recently returned to INL as these funds were no longer required) and \$211.8 million to the Bureau of Diplomatic Security (DS) for security support associated with the PDP. OBO and DS have agreed, at the end of the third quarter of each fiscal year, to perform a reconciliation of actual costs against transferred funds to ensure that sufficient funds will be available for anticipated work in the fourth quarter. OBO and DS have also agreed to provide INL with updated cost information for the following year. In addition, there will be a final reconciliation after the end of the fiscal year, after which funds will be returned to INL if

the reconciliations identify surpluses that had been transferred to either bureau. The Bureau of Near Eastern Affairs also provides “Life and Mission” support to PDP personnel and will conduct a similar reconciliation process with INL at the end of the fiscal year.¹³⁸

Anti-Money Laundering Assistance

INL funds two advisors who work on anti-money laundering (AML) and terrorist-financing issues. One AML advisor from the Department of Justice (DoJ) Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT) works exclusively on AML and terrorism-financing issues with several GOI agencies. This quarter, the DoJ advisor worked with the GOI on the Middle East and North Africa Financial Action Task Force’s ongoing evaluation of Iraq’s AML regime. The second INL-funded AML advisor is from the Department of Treasury’s Office of Technical Assistance (OTA). He works with Iraq’s chief anticorruption agency, the Commission of Integrity (COI), on building its capacity to conduct financial investigations, AML matters, and other law-enforcement issues, including asset recovery.¹³⁹

Anti-Corruption Coordination Office

INL’s Anti-Corruption Coordination Office (INL/ACCO) manages \$29.3 million in U.S. assistance to Iraq’s main anticorruption agencies—the COI, Board of Supreme Audit, and inspectors general (IGs). Of the \$29.3 million in anticorruption funds, INL/ACCO provided about \$20.7 million to the United Nations (UN) to implement 5 of the 10 programs it funds, including:¹⁴⁰

- an \$8 million United Nations Development Programme (UNDP) initiative to support Iraqi compliance with the United Nations Convention against Corruption
- a \$6 million UNDP project to train the IGs
- a \$4 million UNDP project to assist the COI with financial investigations
- a \$2 million UNDP project to work with the KRG on improving budget execution

INL reports that it has made \$323.0 million of INCLE funds available for construction and facility build-out costs and \$211.8 million for security support associated with the PDP.

As of mid-July, INL/ACCO was staffed by 1 DoS employee, 1 contractor, and 3 Iraqis.¹⁴¹

Assistance to the Higher Judicial Council

INL continues to support multiple programs to assist the Higher Judicial Council (HJC), including:¹⁴²

- two grants—a \$4.5 million grant to the National Center for State Courts for improving court administration and a \$1.4 million grant to the Institute for International Law and Human Rights for data archiving
- three UN programs—\$3.8 million to UNDP for data management, \$3.2 million to UNDP for increasing judicial capacity, and a \$1 million pledge to the United Nations Educational, Scientific and Cultural Organization (UNESCO) for media outreach, which remains in abeyance because UNESCO recognized the Palestinian Authority as a member state

INL supports two ongoing judicial-outreach programs as well—the Resident Legal Advisor program (staffed by three DoJ attorneys) and the Justice for Children program (which is administered by the United Nations Children’s Fund and has received more than \$2.3 million in U.S. funds).¹⁴³

Monitoring and Evaluation

INL’s Monitoring and Evaluation (M&E) team tracks the progress of INL criminal-justice programs in Iraq, including the PDP and the Justice, Drug Demand Reduction, and Pretrial Detention Assistance programs. The PDP is supposed to undergo a program review every six months. Other INL-funded programs undergo evaluations according to their program plans, but not more than once per quarter. As of July 6, the team had two staff members; a previously planned third position will not be filled.¹⁴⁴

The M&E team has not issued any reports since its creation earlier this year. INL informed SIGIR

that it planned to publish its first M&E report (on the PDP) sometime after June 30, 2012.¹⁴⁵

ICITAP Corrections Training

An INL-funded Pre-Trial Detention Program implemented by DoJ’s International Criminal Investigative Training Assistance Program (ICITAP) began January 1, 2012. The program was designed to assess certain MOI detention facilities and raise their performance to international standards for housing pre-trial detainees. Between January 1 and June 30, ICITAP advisors conducted three train-the-trainer courses for MOI personnel who will be teaching basic line officers. MOI graduates of the third course conducted a fourth course, with ICITAP advisors on hand as observers. These four courses trained a total of 40 Iraqis. According to INL, the MOI can now provide this training without assistance from U.S. personnel.¹⁴⁶

Office of Weapons Removal and Abatement

Since 2003, the United States has invested more than \$209 million in Iraq for the clearance and safe disposal of landmines, unexploded ordnance (UXO), and excess conventional weapons and munitions. Of the 14 programs in Iraq funded by DoS’s Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) account that conducted at least some activities in 2012, eight either have or were scheduled to conclude by the end of July. Of the six ongoing programs, valued at \$20.5 million, five are conventional-weapons destruction initiatives and the other is a victims-assistance program (a \$1.5 million contract being implemented by the Montgomery Village Rotary Club of Maryland).¹⁴⁷ The Iraq Mine/UXO Clearance Organization executes the largest of the active programs, a \$12.5 million effort in central and southern Iraq that is implemented by 4 U.S. and 265 Iraqi personnel and guarded by 109 private security contractors. For more on the dangers posed

Since 2003, the United States has invested more than \$209 million in Iraq for the clearance and safe disposal of landmines, UXO, and excess conventional weapons and munitions.

TABLE 3.3
FUNDING FOR PRM ASSISTANCE PROVIDED TO IRAQIS
 \$ Millions

FISCAL YEAR	APPROPRIATED			TOTAL	OBLIGATED	EXPENDED
	MIGRATION AND REFUGEE ASSISTANCE	ECONOMIC SUPPORT FUND	IRAQ RELIEF AND RECONSTRUCTION FUND			
2003	40.4	–	27.0	67.4	67.4	66.8
2004	–	–	133.5	133.5	132.3	132.3
2005	–	–	–	–	–	–
2006	–	50.0	–	50.0	50.0	50.0
2007	77.9	–	–	77.9	65.9	56.9
2008	277.9	45.0	–	322.9	277.9	320.7
2009	259.7	–	–	259.7	259.7	255.8
2010	316.1	–	–	316.1	316.1	313.8
2011	280.0	–	–	280.0	273.9	249.9
2012	256.4	–	–	256.4	160.6	91.8
Total	1,508.3	95.0	160.5	1,763.8	1,603.6	1,537.9

Note: Data not audited. Numbers affected by rounding. Migration and Refugee Assistance includes \$39.9 million appropriated in FY 2003 and \$12.0 million appropriated in FY 2007 under the heading “Emergency Refugee and Migration Assistance.”

Sources: NEA-I, responses to SIGIR data calls, 3/27/2012 and 6/29/2012; PRM, response to SIGIR data call, 7/13/2012.

by UXO in Iraq, see the Security and Rule of Law subsection of this Report.¹⁴⁸

Office of Export Control Cooperation

The Office of Export Control Cooperation assists the GOI in developing effective trade control systems and helps ensure those systems meet existing international standards. The U.S. office assists the GOI in its efforts to establish an independent capability to detect, interdict, investigate, and prosecute illicit trade in both weapons of mass destruction and conventional arms. It uses dialogue, training, and the provision of donated equipment as its primary tools.¹⁴⁹

Bureau of Population, Refugees and Migration

More than \$1.76 billion has been allocated to the DoS Bureau of Population, Refugees and Migration (PRM) for programs to support Iraqi refugees and internally displaced persons (IDPs) since 2003. As of June 30, 2012, \$1.60 billion of that amount

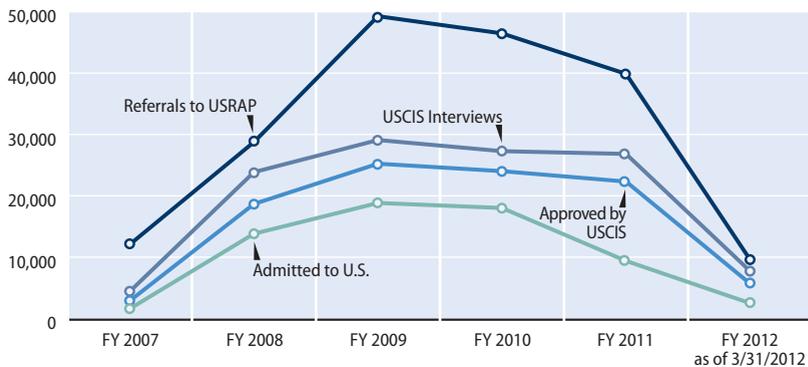
had been obligated, and \$1.54 billion had been expended. According to DoS, \$280 million was provided in FY 2011, and more than \$256 million was made available in FY 2012.¹⁵⁰ For cumulative PRM funding for Iraq activities, see Table 3.3.

As of June 30, 2012, PRM had 21 ongoing contracts and cooperative agreements—all funded by \$39.2 million in obligations of the Migration and Refugee Assistance (MRA) fund; \$14.7 million of this amount had yet to be expended. Most programs work to support the needs of IDPs inside Iraq and refugees living in Syria, Turkey, Jordan, Lebanon, and Egypt. All of these programs are scheduled to be completed by the end of 2012. PRM reported that its review of nongovernmental organization (NGO) proposals submitted for grants of FY 2012 funds is nearly complete.¹⁵¹

For more than five years, PRM has assisted Iraqi refugees, as well as Special Immigrant Visa (SIV) holders who have elected to receive refugee benefits, to resettle in the United States. As of June 30, 2012, more than 67,400 Iraq

As of June 30, 2012, more than 67,400 Iraq refugees had resettled in the United States through the U.S. Refugee Admissions Program since FY 2007.

FIGURE 3.3
USRAP IRAQI REFUGEE PROCESSING, FY 2007–FY 2012



Source: USCIS, "Iraqi Refugee Processing Fact Sheet," 4/25/2012.

Preliminary numbers indicate that 1,733 Iraqis received SIVs this quarter, more than three times the number in the previous quarter.

refugees had resettled in the United States through the U.S. Refugee Admissions Program (USRAP) since FY 2007. The USRAP is a worldwide program managed by PRM. In Iraq, the USRAP is administered by the Refugee and IDP Affairs section at U.S. Embassy-Baghdad. The majority of Iraqi refugees have gained access to the USRAP through referrals from the UN High Commissioner for Refugees (UNHCR), with some referred from U.S. embassies and certain NGOs.¹⁵²

However, the Refugee Crisis in Iraq Act, included in the FY 2008 National Defense Authorization Act, enables Iraqis who worked for the U.S. government, for contractors receiving U.S. government funding, and for U.S.-based media organizations and NGOs, as well as certain family members of those Iraqi employees, to apply directly to the USRAP without a UNHCR or other referral. Because UNHCR does not make in-country referrals, the only Iraqis inside Iraq who can gain access to the USRAP are U.S.-affiliated Iraqis who apply directly to the program.¹⁵³

PRM works closely with U.S. Citizenship and Immigration Services (USCIS) to admit refugees, including Iraqis, to the United States through the USRAP. Once Iraqis have gained access to the USRAP either by UNHCR referrals or by applying directly, they are interviewed

by USCIS officers, primarily in Jordan, Egypt, Turkey, Lebanon, and Iraq. During the interview process, USCIS officers elicit information about the applicant's admissibility to the United States and claim of refugee status. USCIS has conducted more than 119,000 interviews of Iraqi refugees since FY 2007. USCIS officers have been unable to conduct in-person interviews of Iraqi refugee applicants in Syria since February 2011 because of security conditions.¹⁵⁴ For USRAP refugee processing, by fiscal year, see Figure 3.3.

Since October 2006, more than 6,000 Iraqi SIV holders who elected to receive refugee benefits had resettled in the United States under Section 1059 of the Interpreters and Translators Program and Section 1244 of the Iraqi SIV Program. (DoS tracks only the arrivals of SIV holders who seek benefits through PRM.) According to the Bureau of Consular Affairs, which is responsible for the Iraqi SIV programs, preliminary numbers indicate that 1,733 Iraqis received SIVs this quarter, more than three times the number in the previous quarter. Texas has the highest number of Iraqi SIV holders who elected benefits (1,267), an increase of more than 200 since last quarter.¹⁵⁵

Other PRM activities this quarter focused on interagency coordination between DoS and USAID as the Office of Foreign Disaster Assistance (OFDA) transitions out of Iraq. OFDA, along with other USAID/Iraq staff, joined DoS personnel in PRM's NGO proposal review process.¹⁵⁶

Bureau of Democracy, Human Rights and Labor

The DoS Bureau of Democracy, Human Rights and Labor (DRL) has provided nearly \$496 million since FY 2006 to administer foreign assistance programs that are intended to support Iraqi governance, human rights, and civil society. DRL reported that it expects to receive \$22.8 million from the FY 2012 ESF, but as of June 30, 2012, it had not yet received or obligated any FY 2012 funds. DRL reported that it has requested \$17.4 million of the ESF for FY 2013.¹⁵⁷ For cumulative DRL

appropriations, obligations, and expenditures, by fiscal year, see Table 3.4.

This quarter, DRL released its 2011 human rights report, highlighting three problems of critical importance to Iraq: governmental and societal violence, a fractionalized population, and high levels of corruption throughout government and society.¹⁵⁸ For more on the report's findings, see the Governance subsection of this Report.

As of June 30, 2012, DRL had 34 ongoing contracts, grants, or cooperative agreements, valued at approximately \$110.4 million. Twenty-eight projects are funded by the ESF, and six are funded by the Human Rights and Democracy Fund. The largest ongoing project this quarter was a \$14 million ESF grant intended to strengthen Iraqi political institutions. All projects are scheduled to be completed by the end of 2013.¹⁵⁹

Six grant projects, valued at \$32.0 million, were completed this quarter. The largest completed project was a \$15.0 million grant intended to improve governance capabilities. One new project was started this quarter: a \$2.0 million grant for governance initiatives.¹⁶⁰

This quarter, DRL sought grant proposals for six Iraq assistance program areas:¹⁶¹

- \$5 million for the War Widows program
- \$4 million to strengthen human rights protection, including monitoring conditions in prisons and other detention facilities and addressing abuses in the criminal justice system
- \$3 million for the Iraqi Women's Democracy Initiative to support women's political and economic empowerment
- \$2.5 million to determine the prevalence of and knowledge, attitudes, and practices regarding gender-based violence and to assess programs to change attitudes and practices and increase protections for women
- \$1.5 million to improve freedom of the press through creating legal and regulatory frameworks and working with local media advocacy groups

TABLE 3.4
DRL FUNDING FOR ACTIVITIES IN IRAQ, AS OF 6/30/2012
\$ Millions

FISCAL YEAR	APPROPRIATED			OBLIGATED	EXPENDED
	DEMOCRACY FUND	ECONOMIC SUPPORT FUND	TOTAL		
2006	–	85.4	85.4	85.4	85.4
2007	190.0	15.3	205.3	190.0	187.8
2008	75.0	–	75.0	75.0	74.0
2009	0.5	76.5	77.0	76.9	74.4
2010	–	–	–	–	–
2011	–	30.0	30.0	11.3	3.6
2012	–	22.8	22.8	–	–
Total	265.5	230.1	495.6	438.7	425.2

Note: Data not audited. Numbers affected by rounding. Democracy Fund includes \$540,000 appropriated under the heading "Human Rights and Democracy Fund" for FY 2009.

Source: NEA-I, response to SIGIR data call, 7/2/2012.

- \$1.5 million to provide protection for at-risk Iraqis, including women threatened by honor crimes and lesbian, gay, bisexual, and transgender Iraqis

According to DRL, all programs that result from these proposals will be funded by the FY 2011 ESF.¹⁶²

DRL released its 2011 human rights report, highlighting governmental and societal violence, a fractionalized population, and high levels of corruption.

U.S. Agency for International Development

USAID's current efforts in Iraq fall into two categories: reconstruction and development programs funded by the ESF and the humanitarian-assistance program administered by the Office of Foreign Disaster Assistance (OFDA) and funded by the International Disaster Assistance (IDA) fund.¹⁶³ As of June 30, 2012, USAID had received \$2.92 billion in ESF funding to support its reconstruction and development programs and, through OFDA, had contributed \$450.8 million in funding for its humanitarian assistance program.¹⁶⁴

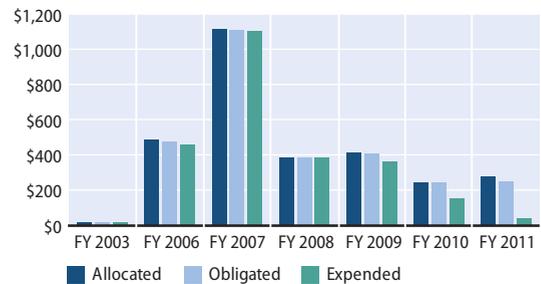
In January 2012, USAID informed SIGIR that it was working on a Country-wide Development Strategy for Iraq and was in the process of

The Agency's current efforts reflect two key lessons learned: the importance of sustainability and the need for greater oversight.

conducting assessments and gathering lessons learned.¹⁶⁵ This quarter, USAID reported that it expects to have the strategy completed by the end of the year.¹⁶⁶ In testimony before the Congress in June, USAID's Assistant Administrator for Middle East Affairs said that the Agency's current efforts reflect two key lessons learned with respect to its Iraq programs: the importance of sustainability and the need for greater oversight.¹⁶⁷ According to USAID's Iraq Mission Director, USAID has "shifted away from the idea of giving [the GOI] 'stuff,'" and instead is providing administrative and technical support.¹⁶⁸

As of June 30, 2012, USAID reported that it had 93 personnel in its Iraq office overseeing the Agency's programs. These personnel included 31 U.S. government employees and 62 contractors (4 U.S., 30 Iraqi, and 27 third-country contractors, as well as 1 private security contractor).¹⁶⁹ USAID reported that it is starting to reduce the number of U.S. direct hires in Iraq and is hiring and training more local Iraqis to perform the functions previously done by third-country nationals.¹⁷⁰

FIGURE 3.4
USAID ESF ALLOCATIONS, OBLIGATIONS, AND EXPENDITURES, BY FISCAL YEAR
\$ Millions



Source: NEA-I, response to SIGIR data call, 6/28/2012.

ESF Programs

USAID's ESF allocations for its reconstruction and development programs in Iraq peaked at \$1.11 billion in FY 2007 and dropped significantly over the next four years (see Figure 3.4). USAID reported that no FY 2012 ESF funds have been allocated to these programs.¹⁷¹ As of June 30, 2012, USAID was managing 11 active ESF programs with a combined contract ceiling of \$1.25 billion, had obligated \$1.04 billion to them, and had expended \$699.4 million.¹⁷² For the status of program funds, see Figure 3.5.

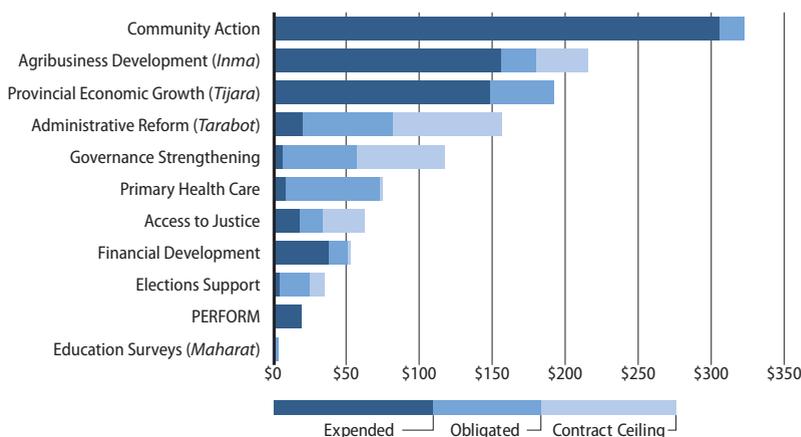
USAID received \$519.7 million in FY 2010 and FY 2011 ESF funding for Iraq. As of June 30, 2012, it had obligated all of the FY 2010 funds and 89% of the FY 2011 funds, for a combined total of \$488.8 million in obligations. USAID had expended \$190.9 million of these funds, leaving nearly \$298.0 million in unexpended obligations.¹⁷³ See Table 3.5 for the status of FY 2010 and FY 2011 funds.

USAID obligated \$89.7 million and expended \$65.5 million in ESF funds from all fiscal-year appropriations this quarter, leaving \$350.5 million in unexpended obligations at the end of the quarter.¹⁷⁴

Program Implementation

As shown in Table 3.6, USAID's implementing partners for its ESF-funded programs employed at

FIGURE 3.5
STATUS OF ACTIVE USAID ESF-FUNDED PROGRAMS, AS OF 6/30/2012
\$ Millions



Sources: NEA-I, response to SIGIR data call, 6/28/2012; USAID, response to SIGIR data call, 7/9/2012.

U.S.-FUNDED PROGRAMS IN IRAQ

TABLE 3.5
STATUS OF USAID FY 2010 AND FY 2011 ESF FUNDING, AS OF 6/30/2012
\$ Millions

APPROPRIATION	ALLOCATED	OBLIGATED	EXPENDED	QUARTERLY CHANGES	
				OBLIGATIONS	EXPENDITURES
FY 2010	242.0	242.0	151.8	–	21.6 (17%)
FY 2011	277.7	246.8	39.1	89.8 (57%)	32.7 (512%)
Total	519.7	488.8	190.9	89.8 (22%)	54.4 (40%)

Note: Data not audited. Numbers affected by rounding.

Source: NEA-1, response to SIGIR data call, 6/28/2012.

least 1,209 program personnel—87% of whom were Iraqis—supported by an additional 582 security contractors—for a total of 1,791 contractor personnel at the end of this quarter.¹⁷⁵

USAID officials also reported that the security situation in Iraq continues to hamper monitoring and evaluation of program activities. USAID staff is only occasionally able to visit project sites.¹⁷⁶

To address this challenge, USAID hired its first Partner Security Liaison Officer this quarter to work with its implementing partners to provide an independent capacity to assess local security “atmospherics” and develop working relationships with the Iraqi police and other GOI security organizations.¹⁷⁷ In addition, USAID and its implementing partners have begun to rely more on

The security situation in Iraq continues to hamper monitoring and evaluation of program activities.

TABLE 3.6
STAFFING LEVELS FOR USAID IMPLEMENTING PARTNERS, AS OF 6/30/2012

PROGRAM	IMPLEMENTING PARTNERS	PROGRAM PERSONNEL				SECURITY CONTRACTORS	TOTAL
		U.S.	IRAQIS	THIRD-COUNTRY	SUBTOTAL		
Community Action	ACDI/VOCA, CHF International, IRD, and Mercy Corps	6	457	16	479	238	717
Administrative Reform (<i>Tarabot</i>)	Management Systems International (MSI)	17	223	17	257	221*	478
Provincial Economic Growth (<i>Tijara</i>)	Louis Berger Group	15	123	29	167	*	167
Agribusiness Development (<i>Inma</i>)	Louis Berger Group	8	86	4	98	*	98
Governance Strengthening	Chemonics International Inc.	4	45	8	57	30	87
PERFORM	The QED Group	–	8	1	9	67	76
Primary Health Care	University Research Co., LLC	4	57	3	64	*	64
Elections Support	Consortium for Elections and Political Process Strengthening	3	7	3	13	26	39
Financial Development	AECOM International Development	11	20	–	31	*	31
Access to Justice	DPK Consulting (ARD)	5	23	3	31	*	31
Education Surveys (<i>Maharat</i>)	Research Triangle Institute	–	3	–	3	*	3
Total		73	1,052	84	1,209	582	1,791

Note: Total personnel does not include 2 staff members and 22 security contractors working under QED’s Manpower contract to provide program office support to USAID.
*Share the same security workforce

Sources: USAID, responses to SIGIR data call, 7/9/2012 and 7/17/2012.

TABLE 3.7
GOI COST-SHARING REQUIREMENTS FOR ONGOING ESF PROGRAMS, AS DETERMINED BY USAID
\$ Millions

PROGRAM	U.S. FUNDING			GOI CONTRIBUTION		
	TOTAL U.S. CONTRIBUTION	ESTIMATED SECURITY COSTS ^a	NET PROGRAM COSTS	EXEMPTED COSTS ^b	REQUIRED GOI COST SHARE ^c	SIGNED MOUS
Community Action (CAP) ^d	323.0	80.7	242.2	242.2	–	–
Provincial Economic Growth (<i>Tijara</i>)	192.5	48.1	144.4	144.4	–	–
Agribusiness Development (<i>Inma</i>)	169.8	42.5	127.4	127.4	–	–
Administrative Reform (<i>Tarabot</i>) ^e	156.0	39.0	117.0	–	117.0	20.0
Governance Strengthening	78.0	19.5	58.5	58.5	–	–
Primary Health Care	74.9	18.7	56.1	–	56.1	56.1
Financial Development ^f	53.3	13.3	40.0	40.0	–	7.0
Access to Justice	43.7	10.9	32.8	32.8	–	–
Elections Support	35.6	8.9	26.7	26.7	–	–
PERFORM - Monitoring & Evaluation	14.3	3.6	10.8	10.8	–	–
Education Surveys (<i>Marahat</i>)	3.7	0.9	2.8	–	2.8	–
Total	1,144.8	286.2	858.6	858.6	175.9	83.1

^aAn estimated 25% of all program costs is attributed to providing security, which DoS guidelines exempt from the GOI's financial participation.

^bDoS guidelines allow exemptions from mandatory GOI cost-sharing requirements for projects that do not benefit the central government, that support the private sector, or that address issues of democracy and human rights or community assistance. Projects that assess the effectiveness of U.S. government programs are also exempted.

^cGOI cost share has been committed as in-kind contributions, such as land or equipment.

^dUSAID reported it is seeking a GOI cost-share commitment of \$159.7 million for this exempted program.

^eUSAID secured a \$20.0 million GOI cost-share commitment for this program—all in-kind contributions, such as land or equipment.

^fUSAID secured a \$7.0 million GOI cost-share commitment for this exempted program—all in-kind contributions, such as land or equipment.

Note: Numbers affected by rounding. USAID reported it is considering seeking a GOI cost-sharing commitment for the following exempted programs: Governance Strengthening, Access to Justice, and Elections Support.

Sources: USAID, responses to SIGIR data call, 7/10/2012 and 7/16/2012.

Iraqi field monitors, who visit project sites regularly to inspect, evaluate, and report on projects and oversee how program activities are implemented at the ground level.¹⁷⁸

GOI Cost Sharing

According to USAID's Deputy Inspector General, weak or non-existent host-nation support for some programs has resulted in the failure of those programs to meet their objectives, which has led USAID to question their long-term sustainability.¹⁷⁹ To ensure long-term Iraqi investment and commitment to the sustainment of new programs, USAID's Assistant Administrator for Middle East Affairs stated that the Agency requires a matching GOI financial contribution and a detailed plan for

transitioning responsibility of USAID projects to the GOI.¹⁸⁰

According to DoS guidelines for GOI financial participation in ESF-funded projects, the GOI must, subject to certain exceptions, contribute 50% of a program's costs. The contribution may be in the form of cash or in-kind contributions, such as "land contributed to attainment of the project."¹⁸¹

According to USAID, as of June 4, 2012, the 11 active ESF programs had a total contract value of \$1.14 billion. Of this amount, USAID identified 8 projects, valued at \$910.3 million (80%), as exempt from the matching requirement based on the DoS guidelines. For the remaining three active projects, valued at \$234.6 million, USAID determined the security costs of each project to be 25%, which it excluded from the financial participation

USAID identified 8 projects, valued at \$910.3 million, as exempt from the matching requirement.

requirement. As Table 3.7 shows, after subtracting the estimated \$58.6 million in security costs, USAID determined that the GOI needed to match \$175.9 million (15%) of total project costs.¹⁸²

USAID also reported that it had secured cost-sharing MOUs with the GOI totaling \$76.1 million—\$20.0 million for the Administrative Reform Project, called *Tarabot* (Arabic for “linkages”), and \$56.1 million for the Primary Health Care Project. USAID stated that these are in-kind contributions and that “the ministries will use their funds to engage in complementary activities consistent with the MOUs.” Additionally, USAID reported it had secured a \$7.0 million cost-sharing MOU for the Financial Development Project, even though it considers this program exempt from the cost-sharing requirement. USAID is also seeking a \$159.7 million cost-sharing agreement for another exempt program, the Community Action Program.¹⁸³

Recent Program Activities

USAID has 10 ongoing development projects that work toward goals in three areas—capacity building, economic growth, and democracy and governance. A separate evaluation project monitors these programs.¹⁸⁴

Capacity Building

USAID’s capacity-building programs aim to increase the capacity of the GOI at the local, provincial, and national level to better respond to the needs of its citizens and improve service delivery through better governance.¹⁸⁵

The four-year, \$156.7 million *Tarabot Administrative Reform project* completed its first year this quarter.¹⁸⁶ Reported activities this quarter included:

- The U.S. government signed an MOU with the Office of the Prime Minister outlining U.S. support for Iraqi efforts to develop a more inclusive and transparent process for developing policies and regulations. (The MOU also established the Office of Policy Development in the Prime Minister’s Office, which is intended to lead



Iraq’s Deputy Minister for Labor and Social Affairs and the USAID Mission Director sign the Cooperation Roadmap, April 18. (USAID photo)

- national-level development and implementation of equitable and transparent government policies.)¹⁸⁷
- The USAID Mission Director and Iraq’s Deputy Minister of Labor and Social Affairs signed a “Cooperation Roadmap” outlining *Tarabot’s* assistance to complete the Social Safety Net program, which aims to automate the distribution of monthly beneficiary payments to approximately 1.4 million poor Iraqis.¹⁸⁸
- In May, the Ministry of Planning and Development Cooperation (MoPDC) and *Tarabot* jointly hosted a conference for the creation of the 2013–2017 National Development Plan. According to USAID, the MoPDC projected Iraq’s revenue will top \$600 billion over the next five years, which will help Iraq meet its National Development Plan goals; however, planning and implementing the programs necessary to achieve these goals will continue to present a significant challenge for Iraq.¹⁸⁹
- In June, *Tarabot* hosted the First Ministries Development Conference, which was attended by more than 150 participants, including ministers and deputy ministers from eight GOI ministries and representatives of the President and Prime Minister. Figure 3.6 presents the 14 recommendations developed by ministry participants to guide USAID assistance to the GOI and improve the delivery of public services.¹⁹⁰

Previously, *Tarabot* finalized plans with the Office of the Prime Minister to launch a

In May, the MoPDC and *Tarabot* jointly hosted a conference for the creation of the 2013–2017 National Development Plan.

FIGURE 3.6
RECOMMENDATIONS FOR TARABOT PROGRAM



First Ministries Development Conference Recommendations
June 10, 2012

- 1- Adoption of the Conference Slogan of "One Vision For Better Service" as a basis and practical application of the mutual work between USAID-Tarabot and the concerned ministries.
- 2- Formation of a "Supreme" Steering Committee which includes representatives from all ministries and affiliated institution to work with the USAID-Tarabot project. This committee should meet periodically, perhaps every 3 months.
- 3- Urge ministry leadership and the steering committees to utilize the cost share mechanism and get the necessary funds from the allocated, budgeted national fund amount of US\$86 Million.
- 4- Specify the problems that each ministry faces through assessments, surveys and set the database and abilities that can be used to solve these problems.
- 5- Set a Plan of Action between USAID-Tarabot and the concerned ministries that can be reviewed periodically (quarterly) by the ministries' respective steering committees in conjunction with USAID-Tarabot.
- 6- Work together to overcome obstacles and implement meaningful administrative reform and decentralization activities at the same time to reach the intended results.
- 7- Identify all directorates belonging to the ministries (central and provinces) whether these in the Central Ministries or in the Provinces and encourage focus group meetings about the USAID-Tarabot project's activities.
- 8- Establish and promote Organizational Development Units in all partner Iraqi Ministries.
- 9- Project a time table of all workshops and training courses proposed by USAID-Tarabot from three months beforehand in order not to intersect or interfere with other international organizations' activities.
- 10- Hold quarterly or twice-annually workshops, seminars, or focus group meetings to review and evaluate what has been achieved.
- 11- Hold Awareness Courses and workshops on the subjects of Service Centers Improvement (the One Stop Shop), Administrative Decentralization, General Policy, and Civil Service Law.
- 12- Pay special attention to the ministries' field employees and facilitate USAID-Tarabot's assessments and surveys for them.
- 13- Hold Monthly or Quarterly follow-up meetings with the target people and explain the relationship between service delivering civil servants and the Iraqi people.
- 14- Hold a Second Ministries Development Conference in Baghdad or another place in March 2013 to review and evaluate the results of the collaborative activities to date.

Source: USAID, response to SIGIR data call, 7/15/2012.

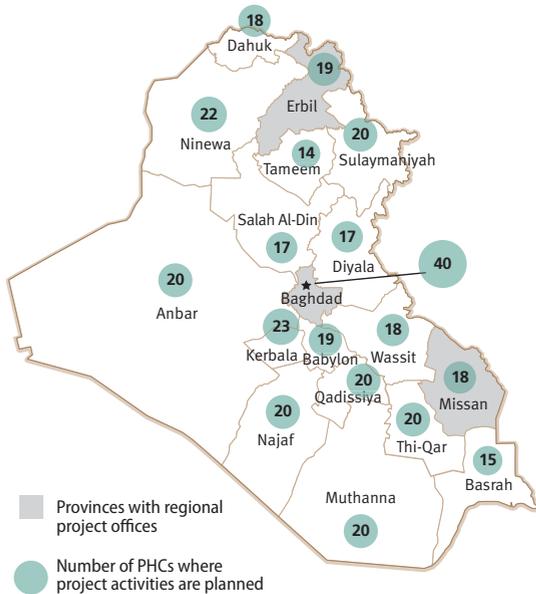
comprehensive program of regulatory reform, focusing on regulations that inhibit economic growth and impede public-sector effectiveness.¹⁹¹ USAID reported that the Iraqi Solutions for Regulatory and Administrative Reform (*ISRAR*) project did not launch this quarter as was originally scheduled. *ISRAR*, Arabic for "determination," is intended to identify and eliminate the most harmful existing laws and regulations affecting business activity, such as new business registration, construction permits, and import licenses. The GOI has decided that *ISRAR* will be administered in liaison with the Prime Minister's Advisory Council. USAID presented the Office of the Prime Minister with a draft MOU formalizing the USAID-GOI relationship with *ISRAR*. USAID anticipated that the MOU would be signed in July.¹⁹²

Last quarter, USAID stated that its five-year, \$117 million **Governance Strengthening Project**, which was launched in October 2011, experienced start-up problems because of the turnover of senior staff and key personnel and security constraints. According to USAID, the program's management resolved the issue this quarter by recruiting experienced Iraqi staff with a long history of working with GOI counterparts and at various Iraqi organizations. In addition, USAID modified the contract to eliminate some specific project requirements, such as a comprehensive baseline report. The program now has offices in four Iraqi provinces. This quarter, USAID's implementing partner reported that this project was facing a new challenge: Based on directives from various political parties, some GOI officials are hesitant to be involved in a project implemented with U.S. funding.¹⁹³

The Governance Strengthening Project has hosted a series of conferences, workshops, and training sessions aimed at improving the ability of local governments to respond to citizens. According to USAID, the most prominent activity was a two-day conference in Baghdad called Local Governments: Centers of Excellence.¹⁹⁴

The four-year, \$74.8 million **Primary Health Care Project in Iraq** began in March 2011 to

FIGURE 3.7
PRIMARY HEALTH CARE PROJECT:
REGIONAL OFFICES AND PRIMARY HEALTH CARE
CENTERS, BY PROVINCE



Source: USAID, response to SIGIR data call, 7/3/2012.

assist the Iraqi Ministry of Health in strengthening primary healthcare services.¹⁹⁵ An additional \$31 million was obligated in support of this program this quarter—the largest amount obligated to any one of USAID’s Iraq programs this quarter—increasing total obligations for this program to \$72.9 million.¹⁹⁶

During its first year, according to USAID, this program was unable to rapidly recruit Iraqi and expatriate staff. This quarter, USAID reported that the implementing partner designed a capacity-development strategy and mentoring program that enabled it to meet its staffing goals by filling some of the national advisory positions with junior staff and using short-term technical assistants to provide additional support.¹⁹⁷

USAID reported that the Primary Health Care Project hosted several multiday workshops and training sessions this quarter. For example, a May workshop brought together 35 representatives from various Ministry of Health technical divisions, as well as provincial leaders from Missan, Basrah, Babylon, and Baghdad, to review a newly proposed overhaul of medical records. According to USAID,

Tijara inaugurated its Iraqi Vulnerable Group Support initiative.

TABLE 3.8
SELECTED ACTIVITIES OF USAID ECONOMIC GROWTH PROGRAMS, 4/1/2012–6/30/2012

PROGRAM	ACTIVITIES
PROVINCIAL ECONOMIC GROWTH (<i>Tijara</i>) PROGRAM DURATION: 1/2008–1/2013 TOTAL CONTRACT CEILING: \$192.5 million (\$16.4 million obligated; \$12.8 million expended this quarter)	<i>Tijara</i> inaugurated its Iraqi Vulnerable Group Support initiative at the Chaldean Cultural Center in Erbil. As of May, according to USAID, this initiative had disbursed \$4.9 million to 1,165 vulnerable borrowers (15% of whom are female) in seven provinces.
FINANCIAL DEVELOPMENT PROGRAM DURATION: 8/2010–7/2015 TOTAL CONTRACT CEILING: \$53.3 million (\$19.6 million obligated; \$2.7 million expended this quarter)	The Financial Development Program-sponsored Bank Training Institute began providing services to the Iraqi banking sector this quarter, training 77 students from 28 banks.
AGRIBUSINESS DEVELOPMENT (<i>Inma</i>) PROGRAM DURATION: 5/2007–11/2012 TOTAL CONTRACT CEILING: \$215.9 million (\$10.0 million obligated; \$6.7 million expended this quarter)	<i>Inma</i> was extended until November 2012 to provide additional technical training to GOI staff, improve understanding of ongoing project activities, and ensure that the project’s impact is sustainable and replicable. USAID reported that enterprises supported and initiated by <i>Inma</i> have recorded \$151.2 million in direct sales with 15,085 employed.

Note: Data not audited. Numbers affected by rounding. Obligations and expenditures are reported as of 6/30/2012.

Sources: Financial data—NEA-I, responses to SIGIR data calls, 9/28/2011, 3/27/2012, 6/28/2012, 6/29/2012, and 7/2/2012; *Tijara*—USAID, responses to SIGIR data calls, 4/2/2012 and 7/3/2012, and “USAID-Tijara Provincial Economic Growth Program, Advancing Private Sector Development in Iraq, May 2012,” p. 7, [tjara-iraq.com/?...usaid-tijara_program_overview_presentation-may2012_web.pdf](http://tijara-iraq.com/?...usaid-tijara_program_overview_presentation-may2012_web.pdf), accessed 6/26/2012; Financial Development—USAID, responses to SIGIR data calls, 4/2/2012 and 7/3/2012; *Inma*—USAID, responses to SIGIR data calls, 4/2/2012 and 7/3/2012.

The Primary Health Care Project has established regional offices in Baghdad, Erbil, and Missan and will ultimately conduct project activities at 360 PHCs throughout the country.

the proposed system, which will be piloted in select primary healthcare centers (PHCs) over three to six months, would improve patient outcomes by reducing duplication and waste and ensuring that healthcare providers have the information needed to make the best decisions for patients.¹⁹⁸ Other workshops focused on promoting better health care for children and working toward an electronic health information system.¹⁹⁹

According to USAID, the Primary Health Care Project has established regional offices in Baghdad, Erbil, and Missan and will ultimately conduct project activities at 360 PHCs throughout the country (see Figure 3.7). As of June 30, 2012, program staff had worked with 339 PHCs.²⁰⁰

The year-long, \$3.7 million **Education Surveys Project** called *Maharat* (Arabic for “skills”), began in October 2011. USAID’s implementing partner is working with the Ministry of Education to administer education surveys to capture information on

essential components of the Iraqi education system in order to improve education-related services and the quality of primary schools. The survey focus is grades one through three. Results of the surveys will assist in a new primary education project in late 2012.²⁰¹

Economic Growth

USAID’s economic growth programs aim to facilitate public-sector reform and private-sector growth, provide better access to financial services, develop private agribusinesses, and create an enabling environment that fosters private-sector development.²⁰² See Table 3.8 for selected program activities this quarter.

Democracy and Governance

The stated purpose of USAID’s democracy and governance programs is to encourage the integration of democratic principles into all levels of

TABLE 3.9
SELECTED ACTIVITIES OF USAID DEMOCRACY AND GOVERNANCE PROGRAMS, 4/1/2012–6/30/2012

PROGRAM	ACTIVITIES
<p>COMMUNITY ACTION PROGRAM DURATION: 8/2008–9/2012</p> <p>TOTAL CONTRACT CEILING: \$323.0 million (\$0.0 million obligated; \$26.3 million expended this quarter)</p>	<p>Delays in obtaining Iraqi visas continue to be a major problem for CAP’s implementing partners. The Chiefs of Party for two implementing partners encountered delays of more than three months, preventing them from traveling to Baghdad. USAID reported that new GOI-controlled checkpoint restrictions have caused additional problems, and U.S. civilians are unable to travel freely to monitor project activities. To address these issues, USAID’s implementing partners have begun employing Iraqis as field monitors. They travel to conferences, construction sites, and other activities, completing standardized forms on each (including narratives and photographs), to help program leaders improve implementation.</p>
<p>ELECTIONS SUPPORT PROGRAM DURATION: 9/2011–9/2014</p> <p>TOTAL CONTRACT CEILING: \$35.6 million (\$0.0 million obligated; \$2.5 million expended this quarter)</p>	<p>This project continues the efforts of the seven-year, \$103 million Electoral Technical Assistance Program, which ended in September 2011. The program provides technical assistance, mentoring, and training to the IHEC, which is responsible for announcing and implementing regulations, rules, and procedures related to referenda and elections.</p>
<p>ACCESS TO JUSTICE PROGRAM DURATION: 9/2010–9/2013</p> <p>TOTAL CONTRACT CEILING: \$62.9 million (\$0.0 million obligated; \$3.7 million expended this quarter)</p>	<p>USAID reported that one focus of the program this quarter was a campaign to increase knowledge about the importance of registering marriages and to improve access to services and entitlements provided by the GOI under the Personal Status Law.</p>

Note: Data not audited. Numbers affected by rounding. Obligations and expenditures are reported as of 6/30/2012.

Sources: Financial data—NEA-I, responses to SIGIR data calls, 9/28/2011, 3/27/2012, 6/28/2012, 6/29/2012, and 7/2/2012; Community Action—USAID, Democracy and Governance, “Program Summaries,” iraq.usaid.gov/node/121, accessed 7/12/2012, and responses to SIGIR data calls, 4/2/2012 and 7/3/2012; USACE, responses to SIGIR data calls, 4/3/2012 and 7/5/2012; OUSD(C), responses to SIGIR data calls, 4/2/2012 and 7/11/2012; USAID, “Testimony of Mara Rudman, Assistant Administrator for the Middle East, U.S. Agency for International Development, House Oversight and Government Reform Subcommittee on National Security, Homeland Defense, and Foreign Operations, Assessment of the Transition from a Military to a Civilian-led Mission in Iraq,” 6/28/2012; Elections Support—USAID OIG, Audit Report No. E-267-12-003-P, “Audit of USAID/Iraq’s Electoral Technical Assistance Program,” 3/22/2012, p. 1; USAID, responses to SIGIR data calls, 4/2/2012 and 7/3/2012, and “Program Summaries,” iraq.usaid.gov/node/121, accessed 7/12/2012; Access to Justice—USAID, responses to SIGIR data calls, 4/2/2012 and 7/3/2012.



USAID-sponsored banking seminar provided training to 77 students from 28 of Iraq's 32 banks. (USAID photo)



Inma technical specialist teaches vegetable-grafting methods to Ministry of Agriculture and nursery personnel. (USAID photo)

Iraqi government—national, provincial, and local.²⁰³ See Table 3.9 for selected program activities this quarter.

Monitoring and Evaluation

The three-year, \$14.3 million **Performance Evaluation and Reporting for Results Management (PERFORM)** program has conducted evaluations of USAID programs, monitoring of projects, and sector assessments. Since its launch in September 2009, the PERFORM program has conducted nine evaluations of USAID programs, undertaken three sector assessments, and monitored both ESF and OFDA projects.²⁰⁴ The PERFORM program is scheduled to end this August; however, USAID stated it may be extended for 90 days without additional cost to complete already started activities. According to USAID, a new performance-management program is being developed for implementation starting in January 2013.²⁰⁵

Foreign Disaster Assistance

Last quarter, OFDA closed out its staff presence at the USAID Mission in Iraq, and this quarter, it closed out four of its Iraq programs.²⁰⁶

As of June 30, 2012, OFDA maintained three active FY 2011-funded programs: the two humanitarian assistance programs that distributed emergency relief commodities, helped develop

local emergency response capacity, and worked to strengthen coordination and information sharing among relief agencies supporting internally displaced persons; and a monitoring and evaluation program. According to USAID, OFDA does not plan to provide FY 2012 program funding, but had committed more than \$54,000 in administrative costs for the year, as of June 30, 2012.²⁰⁷

USAID reported that, even though OFDA closed its office in March, it maintains the ability to quickly respond to potential emergencies within Iraq through established working relationships with relief agencies on the ground, such as the International Organization for Migration.²⁰⁸

Other Civilian Agencies

Table 3.10 highlights activities conducted this quarter by the many other U.S. civilian agencies working in Iraq, including:

- Department of Justice
- Department of Homeland Security
- Department of the Treasury
- Department of Transportation
- Department of Commerce
- Department of Agriculture
- Export-Import Bank
- Overseas Private Investment Corporation

Last quarter, OFDA closed out its staff presence at the USAID Mission in Iraq, and this quarter, it closed out four of its Iraq programs.

TABLE 3.10
OTHER CIVILIAN AGENCIES, STAFF LEVELS AND SELECTED ACTIVITIES, 4/1/2012–6/30/2012

AGENCY	ACTIVITIES THIS QUARTER
DEPARTMENT OF JUSTICE (DoJ) STAFF: 15	DoJ monitored GOI legal proceedings against Hezbollah operative Ali Musa Daqduq, who was accused of organizing a 2007 attack in southern Iraq that killed five U.S. servicemembers. Daqduq was acquitted at trial, based on lack of evidence. DoJ then filed an extradition request, which is pending.
DEPARTMENT OF HOMELAND SECURITY (DHS) STAFF: 10	The U.S. Coast Guard’s two positions in Iraq were eliminated this quarter. USCG support of Iraqi efforts to certify the Umm Qasr port and offshore oil platforms to international standards has been transferred to the USCG International Port Securities Liaison Department in Rotterdam. The U.S. Customs and Border Protection Service began an assessment of MOI cargo surveillance equipment at Iraqi ports, including highly sophisticated non-intrusive rapid scanners that can detect contraband, including weapons of mass destruction or for use in terrorism attacks. According to DHS, the MOI needs, but has not yet developed, a long-term maintenance and repair plan for the equipment. Moreover, anecdotal evidence suggests that some scanners are not used because of insufficient operator training. In another case, a scanner could not be started because the keys had been lost. DHS Homeland Security Investigations conducted a two-week training course for GOI personnel on cross-border financial investigations, including cases of money laundering and document fraud.
DEPARTMENT OF THE TREASURY STAFF: 7	The Economic Crimes Team assisted the Commission of Integrity (COI) in recovering Saddam-era assets that had been moved out of the country: \$116 million from France, \$100 million from Kuwait, and \$1 million from Lebanon. The team also supported an investigation that led to the arrest of five suspects linked to a December 2011 bombing of the COI investigative office at Rusafa that claimed the lives of 28 COI employees. The Revenue Team continued to assist the General Commission of Taxes to broaden Iraq’s tax base and boost government revenue through consultation, coaching, and on-the-job training. The Banking Team assisted the Central Bank of Iraq to improve its data-automation technologies and build oversight capacity.
DEPARTMENT OF TRANSPORTATION (DoT) STAFF: 3	DoT’s aviation advisor verified expanded flight procedures and upgraded navigational aids at Baghdad and Basrah International Airports. The maritime/ports advisor helped Iraqi counterparts to improve port operating efficiency and train personnel.
DEPARTMENT OF COMMERCE STAFF: 4	U.S. Commercial Service officers liaised with relevant business organizations and conducted due-diligence checks to help U.S. companies find potential Iraqi business partners, agents, or distributors. The agency also completed “Doing Business in Iraq: 2012 Country Commercial Guide for U.S. Companies,” a guide for trading, investing, and operating in Iraq.
DEPARTMENT OF AGRICULTURE STAFF: 7	USDA offered three fellowships for Iraqis to attend courses in the United States. In the coming months, in-country staff will focus on promoting U.S. exports and will be managed from a regional office in Cairo.
EXPORT-IMPORT BANK STAFF: 0	The United States outlined a potentially greater role in Iraq for both the Export-Import Bank and the Overseas Private Investment Corporation (OPIC) this quarter. However, the Ex-Im Bank concluded that the lack of viable financing structures in the country would likely continue to constrain growth of activity in the short and medium term. The Bank agreed to outline the financial terms it could offer if the GOI were able to develop a viable credit structure and complete an analysis to determine if a guarantee backed by the Ministry of Finance and the Council of Ministers could serve as a sovereign guarantee. It has also begun exploring other alternatives, including the possible use of escrow accounts, partial collateral, and forward oil sales. The Ex-Im Bank concluded that conducting business with Iraq’s small, privately owned banks was “years away.” The Ex-Im Bank this quarter also authorized one short-term insurance policy in the amount of \$1.2 million to cover the export of equipment from Baltimore-based Ellicott Dredges, LLC.
OVERSEAS PRIVATE INVESTMENT CORPORATION STAFF: 0	OPIC approved a \$27 million loan to Claremont Erbil LLC to build 900 affordable housing units in Erbil and disbursed a \$1.5 million loan to the Iraq Middle Market Development Foundation, which provides financial support to Iraqi-owned companies. A Claremont Group application for a \$15 million loan submitted in 2011 to build 200 serviced apartments in Erbil under Hilton Worldwide’s DoubleTree Suites brand remained under consideration.

Note: Data not audited. Staff numbers reflect those based in Baghdad, including U.S. nationals, third-country nationals, and locally employed Iraqis.

Sources: DoJ, meeting with SIGIR, 6/4/2012, and information provided to SIGIR, 7/11/2012 and 7/12/2012; DHS, meeting with SIGIR, 5/31/2012; and information provided to SIGIR, 7/19/2012; USCG Rotterdam, information provided to SIGIR, 7/13/2012; U.S. Treasury, response to SIGIR data call, 7/5/2012; DoT, meeting with SIGIR, 6/5/2012, and response to SIGIR data call, 7/3/2012; U.S. Commercial Service, meeting with SIGIR, 6/3/2012, “Doing Business in Iraq: 2012 Country Commercial Guide for U.S. Companies,” p. 2, and response to SIGIR data call, 7/3/2012; USDA, meeting with SIGIR, 5/31/2012, and response to SIGIR data call, 7/3/2012; DoS, Office of the Spokesperson, press release, “Joint Statement of the U.S.-Iraq Joint Coordinating Committee on Energy,” 4/23/2012, www.state.gov/r/pa/prs/ps/2012/04/188295.htm, accessed 6/21/2012; OPIC, response to SIGIR data call, 7/3/2012, and Director, Portfolio on Services, information provided to SIGIR, 7/3/2012; Export-Import Bank, response to SIGIR data call, 7/9/2012.

DEFENSE PROGRAMS

Office of Security Cooperation-Iraq

OSC-I manages U.S. security interests in Iraq with responsibilities beyond typical security assistance programs around the world, including a wide range of protective security and defense-contractor activities—from supporting in-country processing requirements of the GOI to serving as the principal reporting authority for security activities and incidents.²⁰⁹ OSC-I has functional oversight of nearly 8,900 military and DoD civilian contractor personnel, or more than 70% of all contractors serving under Chief of Mission authority.²¹⁰

OSC-I's security assistance program focuses on the delivery of equipment and services through the Foreign Military Sales (FMS) program and remaining balances of the expiring Iraq Security Forces Fund (ISFF) appropriation. This quarter, SIGIR issued an audit reviewing ISFF expenditures and OSC-I's plans to obligate available balances before September 30, 2012.²¹¹ For a summary, see Section 5 of this Report. With the ISFF expiring on September 30, 2012,²¹² OSC-I is developing a spend plan for the \$850 million Foreign Military Financing (FMF) program in Iraq made available beginning in FY 2012.²¹³

As of June 30, 2012, OSC-I was managing 159 FMS-related cases with a collective value of \$8.1 billion, including 75 cases funded by \$1.4 billion of the ISFF and 84 GOI-funded cases valued at nearly \$6.7 billion. In addition, OSC-I manages one direct contract, the ISFF-funded War Fighter Focus program, valued at nearly \$164.3 million (including unexercised options).²¹⁴

OSC-I Sites

OSC-I, under Chief of Mission authority, currently manages six sites in Iraq, although an ongoing assessment by DoS and DoD is expected



SIGIR officials meet with the OSC-I Chief, Lieutenant General Robert Caslen, in May 2012.

to result in a smaller OSC-I footprint.²¹⁵ As Figure 3.8 shows, OSC-I currently supports a broad range of FMS-related cases and prospective security-cooperation activities.

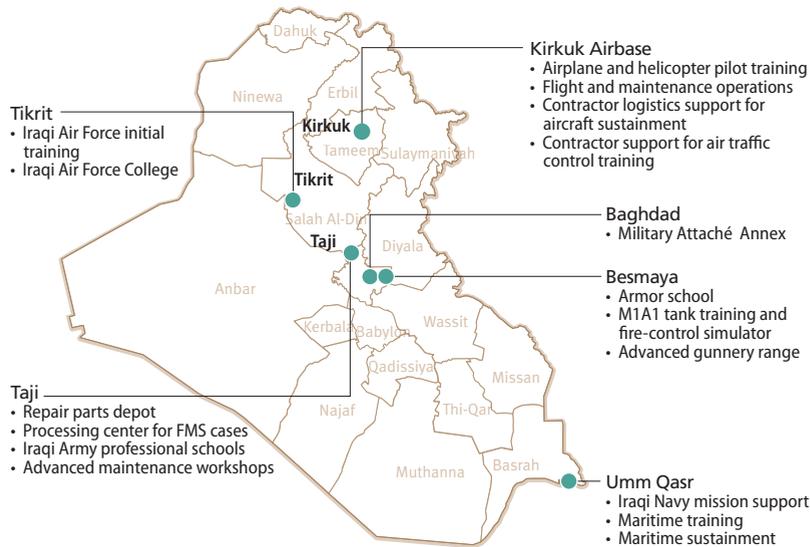
Although all OSC-I sites are to be transferred to the GOI by the end of FY 2013, some of the facilities at these locations do not meet the security and occupancy requirements for ongoing U.S. activities and are being upgraded:²¹⁶

- At Besmaya and Tikrit (the former Camp Speicher), a \$55.0 million USACE contract to design and construct protective overhead covers for the dining facilities, as well as other site improvements, is expected to be completed by October 2013.²¹⁷
- At Umm Qasr, a \$2.3 million USACE project set to be awarded in August would provide an overhead cover for the dining facilities and upgrade the entry control point by April 2013.²¹⁸
- At Tikrit Air Base, a \$1.2 million project to renovate and upgrade housing facilities is expected to be completed by January 2013.²¹⁹

OSC-I is a significant customer of USACE's Iraq Area Office, which anticipates a continuing workload in Iraq of up to three more years. About half of USACE's current projects are FMS cases, including several involving the U.S. Air Force

As of June 30, 2012, OSC-I was managing 159 FMS-related cases with a collective value of \$8.1 billion, including 75 cases funded by \$1.4 billion of the ISFF and 84 GOI-funded cases valued at nearly \$6.7 billion.

FIGURE 3.8
DoD-MANAGED SITES IN IRAQ, AS OF 6/2012



Security Cooperation—All DoD interactions with foreign defense establishments to build defense relationships that promote specific U.S. security interests, develop allied and friendly military capabilities for self-defense and multinational operations, and provide U.S. forces with peacetime and contingency access to a host nation.

Security Assistance—Group of programs authorized by the Foreign Assistance Act of 1961, as amended, and the Arms Export Control Act of 1976, as amended, or other related statutes by which the United States provides defense articles, military training, and other defense-related services by grant, loan, credit, or cash sales in furtherance of national policies and objectives. Security assistance is an element of security cooperation funded and authorized by DoS to be administered by DoD/Defense Security Cooperation Agency.

Source: DoD OIG, statement of Special Deputy Inspector General for Southwest Asia before the House Subcommittee on National Security, Homeland Defense and Foreign Operations, House Committee on Oversight and Government Reform, “The Transition from a Military to a Civilian-Led Mission in Iraq,” 6/28/2012.

OSC-I reported that it maintains weekly or biweekly “standing meetings” with the Minister of Defense, the Secretary General, and Director General of Armaments and Supply to refine priorities of ongoing sustainment and training cases. OSC-I advisors liaise with numerous ISF entities across a range of services and echelons (see Table 3.11).²²⁴

Although OSC-I reports that its activities serve to strengthen relationships with Iraq’s security ministries, DoD has indicated that aspects of its operations are perceived to be hindered by the absence of a post-2011 Security Agreement or Status of Forces Agreement (SOFA). Such agreements typically support defense relationships that promote specific U.S. security interests and lead to development of a host nation’s military capabilities for self-defense and multinational operations, while providing U.S. forces with strategic peacetime and contingency access. A SOFA carries the additional benefit of clarifying GOI support for day-to-day OSC-I operations, which can influence longer-term relationship building.²²⁵

The largest ongoing OSC-I training activity as of June 30, 2012, was the ISFF-funded War Fighter Focus program, conducted by 7 DoD military personnel and 178 Security Assistance Team (SAT) contractors at Besmaya and Taji. This quarter, 2,070 Iraqi Army (IA) soldiers received training through the programs, which include:²²⁶

- **Maneuver Collective Training.** At Besmaya, a battery and company training program for M113, M1A1, and M198 armored vehicles

Sources: GAO Testimony GAO-12-856T, statement of Michael J. Courts, Acting Director International Affairs and Trade, “Mission Iraq: State and DoD Face Challenges in Finalizing Support and Security Capabilities,” 6/28/2012, p. 3; DoD OIG Report DODIG-2012-063, “Assessment of the DoD Establishment of the Office of Security Cooperation-Iraq,” 3/16/2012; OSD, response to SIGIR data call, 10/3/2011.

Materiel Command for projects that support the Iraqi Air Force.²²⁰ USACE has contracts for projects at existing facilities in various locations that directly support OSC-I operations outside of the FMS program.²²¹

OSC-I Activities

OSC-I is actively engaged with GOI officials at all levels of the Ministry of Defense (MOD) and Ministry of Interior (MOI). In the area of security assistance, OSC-I manages both the obligation and expenditure of U.S. funds to support the GOI’s security capability and GOI purchases of military equipment and services. Concomitant with these program responsibilities, OSC-I has assumed responsibility for managing a wide range of relationships with the GOI—from facilitating defense contractor work authorizations and visas²²² to tracking and managing protective security-contractor incidents in coordination with the Chief of Mission.²²³

The largest ongoing OSC-I training activity was the ISFF-funded War Fighter Focus program, conducted by 7 DoD military personnel and 178 Security Assistance Team contractors.

TABLE 3.11
OSC-I ADVISOR ENGAGEMENTS, AS OF 6/30/2012

OSC-I GROUP	ISF SUPPORT ACTIVITIES
Air Force Section	13 officers and 1 enlisted servicemember based in Baghdad and Tikrit provide support for Iraq's Air Force College and communicate, advise, mentor, and train the ISF from the ministerial level down through the line personnel on issues such as command and control and maintenance and logistics (including assessments and training).
Army Aviation	1 officer and 2 enlisted personnel based in Baghdad and Taji provide liaison with senior Iraqi Army Aviation officials on all training, exercises, maintenance, and command and control activities. One serves as a weapon training advisor for the Iraqi Army's Scout Helicopter.
Army Section	9 officers and 5 enlisted personnel based in Baghdad, Besmaya, and Taji provide a wide range of support activities for the IA, both at the ministerial level and as training advisor for the senior NCO program, providing technical expertise to support training, sustainment, logistics and maintenance for the IA's armor, small-arms, lift-helicopter, and communications systems.
Engagements	11 officers based in Baghdad provide support for engagements with senior GOI ministry officials and officer corps.
Logistics Section	8 officers based in Baghdad and Taji provide supply, maintenance, and logistics management support to the GOI and security ministries.
Navy Section	7 officers based in Baghdad and Umm Qasr provide a range of training, maintenance, sustainment, engineering, and communications support to GOI and Iraqi Navy.
OSC-I HQS	4 officers, 1 enlisted servicemember, and 1 civilian employee based in Baghdad manage OSC-I operations.
SOF Training	23 officers and 8 enlisted personnel based in Baghdad advise, assist, and train Iraqi Special Operations Forces in all aspects of operating, sustaining, and maintaining operations.
Training Management	1 officer based in Baghdad maintains liaison with COM/OSC-I and external DoD entities and maintains DoD requirements of OSC-I missions.

Source: OSC-I, response to SIGIR data call, 7/3/2012.

prepares officers for force integration and the modernization of division battle staffs that will be trained at the Taji Joint Training Center beginning in October. Training includes the lethal effects of direct and indirect-fire and exposes junior leaders to operating as part of a Battalion Task Force.

- **Maintenance Training.** Maintenance Assistance Instruction Teams at Besmaya train IA mechanics with the intent to establish a self-supporting maintenance capability. The final stage of M88A1 recovery vehicle training at both Besmaya and Taji is expected to begin in September 2012.
- **Advanced Skill Training and Professional Military Education.** Advanced training is offered through the U.S.-based M1A1 and Artillery Advanced Gunner Courses, Artillery Leaders Course, Battle-Staff Training, Doctrine Development, Artillery and Armor School curriculum

development, Cadre and Instructor training, and institutional advise-and-train activities to IA institutions, including at the War College, the National Defense University, the Ethics Center, and the Lessons Learned Center.

FY 2011 ISFF Spend Plan

The appropriation-to-expenditure cycle of the final tranche of the ISFF, provided in FY 2011, has been encumbered by a protracted appropriation process—stretching from the Administration's request in early 2010 through the final (reduced) appropriation in April 2011²²⁷—and by the transfer of fund responsibility from the U.S. Forces-Iraq (USF-I) to OSC-I while the appropriation process was still underway. As the size of the appropriation was reduced from the President's request during the budget process, new requirements were added, encouraging a GOI match for uses of FY 2011 ISFF.²²⁸

The appropriation-to-expenditure cycle of the final tranche of the ISFF has been encumbered by a protracted appropriation process and by the transfer of fund responsibility from USF-I to OSC-I.

Based on this quarter's ISFF obligations and GOI cost-share contributions, the exception to cost sharing appears to have become the rule.

OSC-I's plans to execute the delivery of equipment and services funded by the ISFF have been affected by the relatively short time period for assuming full authority over the funds, for establishing a relationship with GOI counterparts, and for obligating the remaining funds ahead of the September 30, 2012, expiration of authority.²²⁹ While OSC-I has attempted to ramp up the obligation of the ISFF over the past three quarters, GOI contributions to projects have slowed, and over one-third of the reduced FY 2011 ISFF appropriation was unobligated as of June 30, 2012—three months before it expires.²³⁰

Through the first two quarters of FY 2012, less than 15% of FY 2011 ISFF was obligated, and 11% was expended. The pace of obligation and expenditure quickly picked up during the third quarter.²³¹

Coordination with GOI Officials

As required by the FY 2011 National Defense Authorization Act,²³² with the exception of items on the U.S. Munitions List (USML), ISFF funds “may not cover more than 80% of the item or service”; therefore, it was anticipated that the GOI and/or other sources would provide at least a 20% cost share. Additionally, the Secretary of Defense was to certify the GOI's commitment to logistics, maintenance, and sustainment to show an institutional capacity to maintain and sustain U.S.-pur-

chased equipment, before any ISFF funding above \$1.0 billion was made available.²³³

Based on this quarter's ISFF obligations and GOI cost-share contributions, the exception to cost sharing appears to have become the rule as the marginal increase in GOI cost share (0.4%) is dwarfed by the increase in ISFF obligations and commitments (124%). This relative decline in the GOI cost share occurred as OSC-I noted improved U.S.-Iraqi coordination.²³⁴ Although the OSC-I anticipates the availability of the set-aside for FY 2011 ISFF amounts above \$1.0 billion in its spend plan and “assesses that GOI has made a commitment to sustainment,”²³⁵ the Secretary of Defense has yet to provide the Congress with the requisite certification. SIGIR has reported numerous times on the need to ensure that the GOI fully supports and plans to sustain U.S.-provided goods and projects, and on the failure of the GOI to do so.²³⁶

Final FY 2011 ISFF Spend Plan

On June 11, 2012, OSC-I released a final spend plan for the FY 2011 ISFF,²³⁷ incorporating significant changes from the February 2012 draft spend plan.²³⁸ As Table 3.12 shows, the June spend plan more than doubles the proposed outlays for sustainment activities while reducing funding for training by almost 40% and equipment purchases by 9%. The reprioritization of the spend plan on sustainment activities underscores a long-standing oversight concern about the GOI's lag in developing self-sustaining maintenance and logistics capabilities. As DoD noted in 2010, the lack of such capabilities presents “significant consequences with respect to ISF [Iraqi Security Forces] ability to provide for Iraq's internal and external defense” that could “also result in the [GOI's] inability to sustain the substantial investment made by the international community.”²³⁹

Consistent with prior spend plans, the projects in the final spend plan are meant to “sustain, equip and train the ISF in order to reach Minimum Essential Capability [MEC]”²⁴⁰—a long-standing goal of U.S. assistance that was originally intended to

TABLE 3.12
ISFF SPEND PLAN, BY SUB-ACTIVITY GROUP: % CHANGE FROM DRAFT PLAN (2/2012) TO FINAL PLAN (6/2012)
\$ Millions

	DRAFT PLAN	FINAL PLAN	% CHANGE
Sustainment	274.8	554.7	102%
Equipment and Transportation	533.6	485.7	-9%
Training	186.6	113.5	-39%
Related Activities	5.0	1.0	-80%
Total	1,000.0	1,155.0	16%

Note: Numbers affected by rounding

Sources: OSC-I, “Iraq Security Forces Fund (ISFF), FY 2011 Financial Activity Plan (Spend Plan) P.L. 112-10,” draft report, 2/2012, and “Iraq Security Forces Fund (ISFF), FY 2011 Financial Activity Plan (Spend Plan) P.L. 112-10,” 6/11/2012.

have been reached before the end of the USF-I mission last December.²⁴¹

FY 2011 ISFF Obligations and Commitments

During this quarter alone, \$424.2 million in FY 2011 ISFF funding was obligated and committed, or almost 37% of the available ISFF appropriation.²⁴² Of the fully available \$1.15 billion appropriation, \$766.2 million had been obligated and committed as of June 29, 2012. For the remaining unobligated and uncommitted FY 2011 ISFF, OSC-I plans 14 purchases, including aircraft logistics support, armored vehicles, a reconnaissance and surveillance system, and training.²⁴³ Any funds not obligated or reprogrammed by September 30, 2012, will expire and will not be available for obligation on new projects.

The increased pace in obligations this quarter and the spend plan's anticipation of continuing obligations before the end of the fiscal year occurred as OSC-I leadership indicated a high level of engagement of the MOD in prospective ISFF cases. Letters of request from the GOI for possible ISFF-funded activities were said to have exceeded available funds.²⁴⁴ Moreover, OSC-I told SIGIR that it anticipates "every penny" of the ISFF will be obligated by September 30, 2012.²⁴⁵ OSC-I reported there is "low risk" that GOI approval and funding will not be completed before the September 30 deadline.²⁴⁶ The timing of the delivery of cost-share letters of offer and acceptance to the GOI and expeditious GOI confirmation of such letters are key to fully obligating the FY 2011 ISFF.

The surge in ISFF obligations and expenditures this quarter did not involve activities with GOI cost-share commitments. With one exception, all of the most recent ISFF obligations were for USML cases, which are exempt from the requirement.²⁴⁷ As Table 3.13 shows, the GOI's overall cost share decreased from almost 27% of combined program obligations and commitments, as of March 20, 2012, to 14% as of June 29, 2012. In the final quarter of FY 2012 (assuming the release

of amounts above \$1.0 billion), OSC-I estimates that the GOI will contribute a cost share of \$62.4 million on 8 of the final 14 ISFF purchases (14% of total outlays).²⁴⁸

The equipment and transportation sub-activity group saw the largest increases this quarter, rising from \$26.8 million obligated or committed as of March 20 to nearly \$408.5 million obligated or committed as of June 26—a 1,400% increase.²⁴⁹ The largest case obligated this quarter was a \$168.88 million purchase of equipment for the Kurdistan Regional Guard Brigade, including radios, generators, support, major end-items assistance, vehicles, sustainment items, and other supplies.²⁵⁰ Other obligations appear to fall outside of the February draft spend plan and apparently were executed to support an existing FMS case: \$19.0 million obligated for M1A1 tank munitions and \$1.02 million obligated for M1A1 training "support."²⁵¹ As Figure 3.9 shows, the sustainment and training sub-activity groups increased by substantially smaller margins this quarter.

GOI contributions to ISFF activities have been focused on sustainment, where 31% of obligations for activities have been borne by the Iraqis (see Figure 3.10). On the other hand, reflecting the cost-share exclusions for USML cases, the GOI has made no monetary commitments to the funding of ISFF equipment and transportation cases.²⁵²

Foreign Military Sales Program

According to information reported as of June 30, 2012, the FMS program in Iraq had processed 453 separate cases valued at \$11.96 billion since 2005—206 cases funded by the GOI for \$9.00 billion and

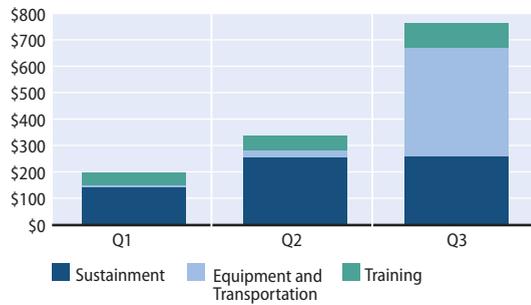
Of the fully available \$1.15 billion appropriation, \$766.2 million had been obligated and committed as of June 29, 2012.

TABLE 3.13
GOI COST SHARE FOR FY 2011 ISFF PROJECTS
\$ Millions

	AS OF 3/20/2012	AS OF 6/29/2012	CHANGE (%)
ISFF Obligations and Commitments	\$342.1	\$766.2	124%
GOI Share	\$124.7	\$125.2	<1%
GOI Share as % of Total	27%	14%	

Sources: OSC-I, information provided to SIGIR Audits, 3/2012 and 6/2012.

FIGURE 3.9
FY 2011 ISFF OBLIGATIONS AND COMMITMENTS,
BY SUB-ACTIVITY GROUP, 10/1/2011–6/26/2012
 \$ Millions



Note: Q1 covers data from 10/1/2011 to 12/31/2011; Q2 covers data from 1/1/2012 to 3/20/2012; Q3 covers data from 3/21/2012 to 6/26/2012.

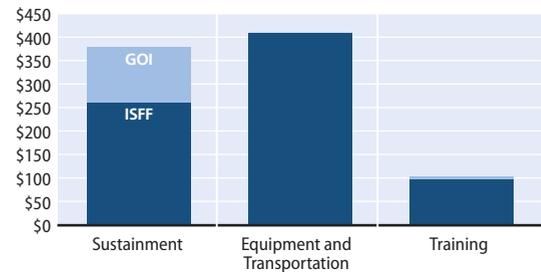
Sources: OUSD(C), responses to SIGIR data calls, 1/6/2012, 4/2/2012, and 7/2/2012.

247 cases funded by the U.S. government for \$2.96 billion (see Table 3.14).²⁵³

Cases for which letters of offer and acceptance were issued by the U.S. government this quarter included a variety of equipment and training purchases:²⁵⁴

- \$105.2 million for eight Rapid Avenger air-defense systems together with forward-deployed detection and command-and-control radar systems with associated equipment, training, and logistics support
- \$68.2 million for items in support of the M1A1 tank program, including six M1A1 tanks and eight M88A2 recovery vehicles
- \$33.8 million for .50 caliber M2, M3, and M85 heavy machine gun ammunition for IA operations and training
- \$18.5 million for the MOI to create an Iraqi Intelligence Sharing Initiative to provide the Iraqi

FIGURE 3.10
GOI CONTRIBUTION TO FY 2011 ISFF ACTIVITIES,
BY SUB-ACTIVITY GROUP, AS OF 6/26/2012
 \$ Millions



Sources: OSC-I, information provided to SIGIR Audits, 3/2012 and 6/2012.

intelligence community with its first interagency intelligence analysis database

- \$6.0 million for M1A1 tank driver trainer instruction
- \$4.1 million to provide Offshore Support Vessel onboard training classes for two crews aboard the vessel before it leaves its manufacturer site in the United States

This quarter, the GOI submitted letters of request for several other potential cases, including two for non-invasive inspection equipment to provide the ability to scan for contraband. A \$200 million request for 130 cargo scanners and 70 mobile vehicle scanners is awaiting a U.S. letter of offer and acceptance. An additional \$35 million request is to purchase and refurbish 51 cargo-scanning “backscatter” vans and repair and provide maintenance on 49 backscatter vans the MOI currently owns.²⁵⁵

Two potential cases involving more sensitive equipment are in process, but are subject to U.S. government approval and GOI delays in identifying qualified participants for the training programs. A GOI request for short- and long-range weapon-locating radar is subject to congressional notification and is currently under review. With approval, the systems would be delivered to Iraq in mid-2014.²⁵⁶ Cases to provide 10 unmanned aerial vehicles to the Iraqi Navy (with ancillary equipment and training) were initially expected to

A GOI request for short- and long-range weapon-locating radar is subject to congressional notification and is currently under review.

TABLE 3.14
STATUS OF FMS CASES, AS OF 6/30/2012
 \$ Millions (% Quarterly Change)

	DELIVERED	COMMITTED
GOI-funded	\$1,491.3 (1%)	\$9,003.7 (14%)
U.S.-funded	\$987.7 (2%)	\$2,957.4 (16%)

Source: OSC-I, response to SIGIR data call, 7/3/2012.



The air-defense radar for the Rapid Avenger missile system automatically detects tracks, identifies, classifies, and reports airborne threats. (Thales/Raytheon photo)



Eight units of the lightweight, short-range Rapid Avenger air-defense system will be funded by the ISFF and delivered through the FMS program. (U.S. Army photo)

have operational capability in early 2013. According to OSC-I, the GOI has been unable to provide qualified English speakers, which suggests that the marine drone program will be further delayed.²⁵⁷

OSC-I reported that the current delay in processing FMS cases is a significant concern for the GOI. While U.S. state-of-the-art equipment is attractive to the ISF, there is a concern that the FMS process is neither timely nor user-friendly when compared to that of a direct commercial sale. Payment terms are frequently disadvantageous to the GOI. For example, a requirement that the full value of the FMS sale is due at contract signing can tie up GOI funds for extended periods.²⁵⁸ The concern is shared among FMS contractors, who note that even for simple, single-item cases, the time from order to delivery and training may stretch as long as three years. Delivery of complex cases (such as the F-16 fighter case, including separate weapons,

avionics, and communication systems) are seen as being significantly more challenging.²⁵⁹

Some contractors have expressed concern about the capacity of both the U.S. government and GOI infrastructure to manage the large pipeline of FMS cases. In addition to the long period between order and delivery, the relatively small number of facilities operated by OSC-I leads to equipment and training being ultimately delivered directly by contractors to the ISF in the “Red Zone.”²⁶⁰ As both the staff and equipment associated with FMS cases grow larger, plans are already underway to require contractors to operate independent of OSC-I sites by the end of 2014. New FMS contracts currently in negotiation require bidding companies to factor in the costs of providing all life support, security, and logistics needs for their Iraq-based personnel.²⁶¹

Another U.S. government capacity constraint is driven by the low tempo of military flights into Iraq, reportedly resulting in exposed stockpiles of equipment on the tarmac in Kuwait. According to U.S. contractors working there, no commercial alternative to delivery by U.S. transportation exists because no ports or warehouses in Iraq have a base level of security, and Iraqi processes do not yet support the staging of bonded goods, which impedes a range of logistics management processes.²⁶² With the development of secure port facilities at Umm Qasr estimated to be one to two years

There is a concern that the FMS process is neither timely nor user-friendly when compared to that of a direct commercial sale.

FMS Request—Offer and Accept Letters

Letter of Request—A formal written communication from a recognized official governmental representative requesting defense articles, military construction, and/or services from the U.S. government. A letter of request may also request rough pricing data if the foreign government is not ready to review a more formal offer from the U.S. government.

Letter of Offer and Acceptance—The government-to-government agreement that identifies the defense articles and services that the U.S. government proposes to sell a foreign government to meet the requirements identified in a letter of request. The letter of acceptance spells out all of the terms and conditions that will apply.

Source: DCSA, *Security Assistance Management Manual*, Customer Guide, updated 9/28/2006.

out,²⁶³ the near-term prospects for freight forwarders and bonded warehouses in Iraq do not appear to be a viable alternative.

Foreign Military Financing Program

This quarter, OSC-I began planning future purchases under the Foreign Military Financing program. Acting as the Defense Security Cooperation Agency’s agent in Iraq, OSC-I is charged with administering FMF grants and loans to help Iraq purchase U.S.-produced weapons, defense equipment, defense services, and military training. FMF purchases may be administered through the FMS program or through direct commercial sales. FY 2012 funds available for the FMF for Iraq total \$850 million, and the Administration has requested \$911 million for Iraq in FY 2013.²⁶⁴

According to DoS, the Iraq FMF program is intended to “support the continued development of the Iraqi military until the Iraqis become self-sufficient, which is critical to Iraq’s full assumption of security responsibilities” and “will be focused on closing gaps in the ISF’s minimum essential capabilities, supporting the development of enduring logistics capabilities and institutions to sustain U.S. and Iraqi post-war investments, and strengthening the United States’ long-term strategic partnership with Iraq.”²⁶⁵ DoS states that “the core objectives of the program include helping the ISF to . . . defend itself against internal and external threats, and building associated enduring sustainment capabilities. . . . Additionally, FMF may be used to promote

the development of Iraqi logistics and maintenance structures, and to support sustainment and training that will ensure a modernized and professional Iraqi military interoperable with U.S. forces.”²⁶⁶

OSC-I’s forecast for FMF expenditures—based on current letters of request and letters of offer and acceptance for FMS cases—would provide funding for activities that were previously subsidized by the ISFF and that support existing FMS cases. As of June 29, 2012, OSC-I had identified 36 cases to be funded by \$1.65 billion of the FMF, of which \$615.4 million (37%) is anticipated to be provided by the GOI.²⁶⁷ Table 3.15 provides a breakdown of the FMF spend plan, by GOI service.

The top 10 cases in the forecasted FMF spend plan have a combined value of \$1.08 billion, 65% of the \$1.65 billion total FMF requirement currently anticipated. These cases fund sustainment (57%) and equipment (43%) purchases.²⁶⁸

- **Sustainment**—\$611 million for sustainment activities, including heavy-vehicle sustainment (3 years), tank sustainment (3 years), T-6 airplane sustainment (3 years), C-130J airplane sustainment, training, and support (3 years); C-130E airplane sustainment, with logistics training and support (3 years)
- **Equipment**—\$464 million for purchases of M1A1 tank simulators, T-6 airplanes and simulators, C-12 airplanes and simulators, Navy C4ISR equipment and training, marine mine countermeasures detection

As of June 30, 2012, none of the \$850.0 million in FMF program funding for FY 2012 had been made available to OSC-I.²⁶⁹

U.S. Army Corps of Engineers

USACE manages construction projects for both OSC-I and ISPO. U.S. funding for the ongoing OSC-I projects comes from the ISFF and from the Operations and Maintenance, Army (OMA) account. However, the majority of USACE’s work for OSC-I—as well as half of all its work in Iraq—is

OSC-I’s forecast for FMF expenditures would provide funding for activities that were previously subsidized by the ISFF and that support existing FMS cases.

TABLE 3.15
FMF SPEND PLAN: CASES BY GOI SERVICE, AS OF 6/29/2012
\$ Millions

GOI SERVICE	CASES	FMF AMOUNT	GOI COST SHARE	TOTAL REQUIREMENT
Air Force	18	\$517.7	\$259.2	\$776.9
Army	8	\$406.2	\$255.8	\$662.0
Army Aviation	5	\$37.5	\$42.0	\$79.5
Navy	5	\$71.5	\$58.5	\$129.9
FMF Spend Plan Total	36	\$1,032.9	\$615.4	\$1,648.3

Source: OSC-I, response to SIGIR data call, 7/3/2012.

now on GOI-funded FMS projects. All of USACE's ongoing ISPO projects are funded by the ESF.²⁷⁰

USACE reported that it completed one project this quarter, was managing 33 ongoing projects at the end of the quarter, and had an additional 14 in the pre-award stage.²⁷¹

As of June 30, 2012, USACE's Iraq Area Office was staffed by 10 U.S. government employees—9 in Baghdad and 1 in Tikrit—down from about 45 at the same time last year. The Taji project office closed in May. In addition, 39 Iraqis provided on-site monitoring, quality assurance, and related services under USACE's construction management support contract with Versar. These local citizens are able to visit project sites without U.S. security escorts, and they do most of the field monitoring. Although USACE civilian personnel are still able to make on-site inspections, such visits are less frequent than in the past. USACE reported that its government personnel visited 11 project sites this quarter, several multiple times, for a total of 34 visits.²⁷²

Completed and Ongoing Projects

The one project completed this quarter was a \$22.3 million ISFF-funded electricity generation and distribution project at Camp Taji. The work included repair and expansion of power plants, construction of a substation, and completion of components of the distribution system. The contract was awarded in September 2009, and work was originally scheduled for completion in October 2010.²⁷³

The 33 projects ongoing at the end of the quarter were collectively valued at \$330 million, and \$193 million of this total had not yet been expended. In terms of contract value, 50% of the funding for ongoing projects was provided by the GOI for FMS projects, and 33% of the funding came from the ESF and the ISFF (including ISFF funding for one FMS project cost-shared with the GOI). The OMA-funded project accounted for the remaining 17%. Because most of the contract value of the ESF and ISFF projects had been expended, those

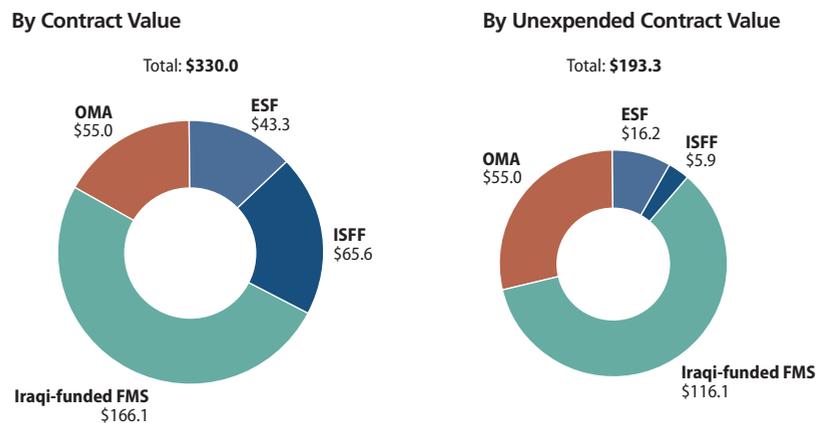
projects represented less than 12% of the unexpended contract value of ongoing work at the end of the quarter. Figure 3.11 shows the breakdown of ongoing projects by funding source.²⁷⁴

In all, 17 projects supported by U.S. funds were underway at the end of the quarter—3 ISFF projects valued at \$56.4 million, 1 cost-shared FMS project funded with \$9.2 million from the ISFF, 12 ESF projects valued at \$43.3 million, and 1 OMA-funded project expected to cost \$55.0 million. The OMA project, USACE's largest ongoing effort in Iraq as of June 30, is for the installation of protective overhead covers at Besmaya and the former Camp Speicher in Tikrit. Perini Management Services was awarded the contract in February, and work is scheduled to be completed by October 2013.²⁷⁵

The second-largest ongoing project continued to be the \$48.0 million ISFF-funded Federal Police Sustainment Brigade complex in Baghdad. Last quarter, USACE reported that it expected this project to be completed in April, but this quarter reported that the completion date had been moved to the end of August 2012, almost two years later than

Although USACE civilian personnel are still able to make on-site inspections, such visits are less frequent than in the past.

FIGURE 3.11
FUNDING SOURCES FOR ONGOING USACE PROJECTS, AS OF 6/30/2012
\$ Millions



Note: Data not audited. Numbers affected by rounding. ISFF includes the U.S. portion of one cost-shared FMS project.

Source: USACE, response to SIGIR data call, 7/5/2012.



The ISFF-funded Federal Police Sustainment Brigade complex in Baghdad is now scheduled for completion in August 2012. (USACE photo)

14 projects in the pre-award stage are together expected to cost about \$328 million.

the originally scheduled date.²⁷⁶ USACE reported that 16 of its ongoing projects, collectively valued at \$156.9 million, were funded completely by the GOI through the FMS program. Half the cost of an additional FMS project—the \$18.4 million project to plan and build a facility for the GOI’s Directorate of Counter-Terrorism—is also being paid for with

GOI funds, which brings the GOI funding total to \$166.1 million. The contract for this cost-shared project was awarded in September 2009, and work was to be completed in January 2011. USACE now expects the project to be completed in June 2013. According to USACE, the work is 56% complete, and the contractor has already been paid almost \$10.4 million.²⁷⁷

Upcoming Projects

USACE reported that the 14 projects in the pre-award stage are together expected to cost about \$328 million. Two FMS projects—a \$225 million project to provide infrastructure for the F-16 aircraft being purchased by the GOI, and a \$73.5 million project to build a new headquarters complex for the Iraqi Navy at al-Zubair—constitute more than 90% of the estimated value of these projects. Ten of the projects in the pre-award stage are non-FMS projects that will be paid for with U.S. funds, but they represent just 5% of the total anticipated contract value.²⁷⁸ ♦

CONTRACTING

U.S.-funded Contractors and Grantees in Iraq

While contractors and grantees have played, and continue to play, a major role in U.S. relief and reconstruction activities in Iraq, determining just how many contractor personnel are working in Iraq has been a challenge.

The Synchronized Predeployment and Operational Tracker (SPOT) database, administered by DoD, was developed to provide a central source of information on contractor personnel working to support contingency operations. Contractor companies are required to enter employee information into SPOT, and government representatives use SPOT for oversight of the contractor personnel

Determining just how many contractor personnel are working in Iraq has been a challenge.

TABLE 3.16
CONTRACTOR AND GRANTEE PERSONNEL IN IRAQ, BY AGENCY AND NATIONAL ORIGIN, AS OF 7/2/2012

AGENCY	THIRD-COUNTRY NATIONAL	U.S. CITIZEN	IRAQI NATIONAL	TOTAL	QUARTERLY CHANGE
Department of Defense					
Department of the Army (Army)	4,502	2,047	1,750	8,299	-1,080 (-12%)
U.S. Transportation Command (USTRANSCOM)	41	1	124	166	-368 (-69%)
Army and Air Force Exchange Service (AAFES)	57	7	45	109	-44 (-29%)
Department of the Air Force (Air Force)	2	106		108	-84 (-44%)
Defense Contract Management Agency (DCMA)	4	72		76	-74 (-49%)
Defense Information Systems Agency (DISA)	1	54		55	1 (2%)
CENTCOM Contracting Command (C3)	25	13		38	-1,017 (-96%)
Department of the Navy (Navy)	1	15		16	-6 (-27%)
Defense Logistics Agency (DLA)	4	11		15	-45 (-75%)
Defense Contract Agency (DCA)		2		2	
Department of Defense (DoD)		1		1	-31 (-97%)
Space and Missile Defense Command (SMDC)		1		1	
Defense Microelectronics Activity (DMEA)		1		1	
U.S. Special Operations Command (USSOCOM)					-17 (-100%)
Missile Defense Agency (MDA)					-5 (-100%)
Defense Intelligence Agency (DIA)					-4 (-100%)
Subtotal	4,637	2,331	1,919	8,887	-2,774 (-24%)
Other					
Department of State (DoS)	1,201	2,206	58	3,465	-1,707 (-33%)
U.S. Agency for International Development (USAID)	58	48	1	107	-3 (-3%)
General Services Administration (GSA)		18		18	7 (64%)
Department of Justice (DoJ)					-19 (-100%)
Subtotal	1,259	2,272	59	3,590	-1,722 (-32%)
Total	5,896	4,603	1,978	12,477	-4,496 (-26%)

Note: Data not audited. Numbers affected by rounding.

Sources: DoD, OUSD(AT&L), SPOT Program Support, responses to SIGIR data calls, 4/5/2012 and 7/2/2012.

they deploy. According to the SPOT database, 12,477 employees of U.S.-funded contractors and grantees supported DoD, DoS, USAID, and other U.S. agencies in Iraq as of July 2, 2012. This represents a 26% decrease from the 16,973 registered as of April 1, 2012.²⁷⁹ For a summary of contractor personnel data according to SPOT, by both agency and national origin, see Table 3.16.

This quarter, in what it stated was a change from its past practice for reporting data on contractors, U.S. Embassy-Baghdad also provided SIGIR with SPOT data. In its most recent report, the Embassy said that 13,772 contractor personnel were under Chief of Mission authority as of June 30, 2012—a difference of 1,295 from the SPOT data obtained by SIGIR. The difference between the reported numbers could, at least in part, be explained by the data having been accessed on different dates. Of the 13,772 contractor personnel reported by the Embassy, 5,737 were private security contractors.²⁸⁰

There continue to be other differences between SPOT data and agency-reported contractor personnel numbers. For example, the data provided this quarter by USAID again differed significantly from the data SIGIR obtained from SPOT. As detailed in the USAID subsection of the Report, USAID reported that it had 62 contractor personnel in its Iraq office helping to oversee the agency's programs as of June 30, plus another 1,815 contractor personnel working for its implementing partners—for a total of 1,877. But the SPOT database showed just 107 USAID contractors working in Iraq as of July 2. USAID explained that its numbers take into consideration all nationalities working directly under its programs, including U.S. nationals, third-country nationals, and Iraqi nationals, while SPOT only accounts for U.S. nationals and third-country nationals. However, SPOT data obtained by SIGIR indi-

cates that at least some Iraqi nationals are included in the total number of contractor personnel.²⁸¹

Most Active Contractors

Reflecting the evolving scale and priorities of the U.S. reconstruction program, the size and scope of U.S. reconstruction contracts have changed markedly over the years. When ranked by total unexpended obligations—basically, the unpaid value of contracted work—the list of top contractors in July 2006 comprised primarily engineering and construction companies working on large, IRRF-funded infrastructure projects. Bechtel was the largest contractor at that time, with \$279 million in unexpended obligations, and a Washington Group International/Black & Veatch Joint Venture was the tenth largest, accounting for \$63 million in unexpended obligations.²⁸²

In July 2012, however, the contracts are more in line with strengthening Iraq's economy and key institutions, and the size of the contracts are much smaller. In terms of unexpended obligations, Louis Berger Group (LBG), the implementing partner for USAID's *Tijara* (Provincial Economic Growth) and *Inma* (agribusiness) programs, was the largest reconstruction contractor at the beginning of July 2012. LBG accounted for \$68 million in total unexpended obligations, while the tenth-largest contractor, The QED Group (Manpower), accounted for only \$14 million in unexpended obligations. Perini Corporation, the only engineering and construction firm on the 2012 list, was fourth, with \$55 million in unexpended obligations.²⁸³

For a comparison of the ten largest contractors in July 2006 and July 2012, see Table 3.17.♦

The data provided this quarter by USAID again differed significantly from the data SIGIR obtained from SPOT.

U.S.-FUNDED PROGRAMS IN IRAQ

TABLE 3.17
TOP RECONSTRUCTION CONTRACTORS, BY UNEXPENDED OBLIGATIONS, 7/2006 VS. 7/2012
 \$ Millions

JULY 2006		JULY 2012	
CONTRACTOR	UNEXPENDED OBLIGATIONS	CONTRACTOR	UNEXPENDED OBLIGATIONS
Bechtel	278.6	Louis Berger Group	67.7
Kellogg, Brown & Root Services, Inc.	243.1	University Research Co., LLC	64.0
Parsons Iraq Joint Venture	216.1	Management Systems International	62.3
Parsons Global Services, Inc.	199.6	Perini Corporation	55.0
Fluor/AMEC, LLC	181.4	Chemonics International, Inc.	50.7
Washington Group International	100.6	Raytheon Technical Services Company	37.9
Symbion Power, LLC	79.1	AECOM International Development	32.0
Siemens	78.6	Consortium for Elections and Political Process Strengthening	20.5
Research Triangle Institute	69.2	DPK Consulting (ARD)	15.7
Washington Group International/Black & Veatch	63.2	The QED Group (MANPOWER)	13.8

Sources: CEFMS, *Non-Construction Detail*, 6/30/2006, and *Construction Detail*, 6/30/2006; USAID, *Activities Report*, 7/10/2006, and responses to SIGIR data call, 7/3/2012 and 7/9/2012; CENTCOM, responses to SIGIR data call, 7/2/2012 and 7/5/2012; NEA-I, response to SIGIR data call, 6/28/2012; INL, response to SIGIR data call, 1/5/2012; USACE, response to SIGIR data call, 7/5/2012.