



PREPARING FOR THE WAKE OF WITHDRAWAL

As the U.S. military draws down across Iraq, the capacities, roles, and responsibilities of the civilian reconstruction agencies inevitably will be affected. Moreover, the drawdown will occur against the backdrop of a still-fragile (though markedly improved) security situation and a season of campaigning for Iraq's upcoming parliamentary elections, the most important electoral event in Iraq since 2005.

Minding Potential Gaps: Transition and Its Challenges

In an August 2009 letter to Ambassador Christopher Hill and General Raymond Odierno, the Inspector General identified three crucial transition issues that could affect the continuing U.S. relief and reconstruction effort:

- **Managing remaining reconstruction projects.** The two leading reconstruction management agencies, the U.S. Army Corps of Engineers (USACE) and the Iraq Transition Assistance Office, are rapidly reducing in size. The decrease in their capacities increases the need for close coordination between the Department of Defense (DoD) and Department of State (DoS) on managing remaining reconstruction programs and transitioning them to the Government of Iraq (GOI).
- **Sustaining a provincial presence.** Currently, 23 Provincial Reconstruction Teams (PRTs) operate in Iraq. DoS plans to reduce that number to 16 by August 2010. As U.S. forces depart, the capacity of remaining PRT personnel to engage with local officials may be limited unless there are increases in funding for civilian security-contractor services.
- **Ensuring continuity in police training.** Iraq now has more than 400,000 operational police officers, but many of them have not received adequate training; and more must be recruited and trained. Over the next two years, DoS's Bureau of International Narcotics and Law Enforcement Affairs (INL) will gradually inherit from DoD the mission for overseeing the training of Iraq's police forces. Sustained interagency cooperation during this transition will be essential to securing the recent improvements in Iraqi police performance.

From Democracy to Governance: Iraq's Most Critical New Challenge

In January 2010, Iraq will conduct its first parliamentary election in five years. The citizens of Iraq will seat a new Council of Representatives (CoR) and electorally judge Prime Minister al-Maliki's performance for the first time since he took office in spring 2005. The new CoR will confront several key unresolved issues, including enhancing security, stabilizing relations with the Kurdistan Regional Government (KRG), and developing Iraq's economy.

The security picture in Iraq remains mixed. Although the number of attacks in August 2009 was down 85% from August 2007 levels, 456 Iraqis were killed during the month—the highest total in more than a year. On August 19, terrorists displayed their continuing capacity to strike at the heart of Iraq's government when they detonated two massive car bombs that partially destroyed the Ministries of Finance and Foreign Affairs.

In July, the Kurdistan Region conducted successful presidential and parliamentary elections that saw opposition parties make substantial inroads into the ruling coalition's grip on KRG governance structures. The region's new government is faced with the compelling need to reach an accord with the GOI on how to equitably share oil revenues and how to resolve the Kirkuk problem.

Oil: The Key to Iraq's Economic Development

About 85% of the GOI's revenue is derived from the export of oil. But despite having more proved reserves than Kuwait, Iraq still produces about 20% less oil because of its weak infrastructure. Consequently, attracting foreign investment—particularly in the hydrocarbons sector—is critical to Iraq's economic development. In late October, the GOI cabinet reportedly approved the terms of a joint venture with British Petroleum and the China National Petroleum Corporation to develop the Rumaila oil field in southern Iraq, which contains about 17 billion barrels of oil. If successfully signed and implemented, this deal would be the most significant foreign investment in the Iraqi oil industry in more than a generation. Furthermore, in late 2009 or early 2010, the GOI will invite foreign firms to submit bids to develop 10 more fields. So far, more than 40 firms appear likely to participate, including 7 from the United States and 4 each from the People's Republic of China and Russia. These developments bode well for Iraq's financial future.



More than \$1.7 million in currency seized in the Cockerham case.

SIGIR Investigations: Significant Forensic Progress

Since 2004, SIGIR's investigative work has resulted in 24 arrests, 31 indictments, 24 convictions, and nearly \$50 million in fines, forfeitures, and recoveries. This quarter, several ongoing joint investigations yielded successful results, including the seizure of more than \$1.7 million from a safe deposit box leased by a member of the Cockerham conspiracy, which defrauded the Coalition Provisional Authority of several million dollars. SIGIR's statutorily mandated forensic audit initiative, which is pursuing an investigative review of all funds allocated for reconstruction since 2003, made great strides this quarter: more than \$6 billion has been forensically reviewed, generating six criminal investigations and leads to many more.

Audits: Six New Reports, Some Serious Problems

SIGIR issued six audit reports this quarter. Two audits evaluated large-scale Iraq Security Forces Fund (ISFF) programs supporting the construction of bases for the Iraqi Army and police. SIGIR concluded that increased security expenses and changes in the scope of work caused program costs to balloon from

\$655 million to about \$1.2 billion. In another ISFF audit assessing DoD's Global Maintenance and Supply Services Contract, SIGIR identified about \$4.1 million in potential overbillings and found that the contractor, AECOM, could not provide proper documentation for 31 other transactions involving \$340,000 in costs. In one case, AECOM billed the U.S. government \$196.50 for a package of 10 washers; the package was supposed to cost \$1.22. The washers cost 16,000% more than they should have.

Inspections: Five New Reports, No Serious Problems

This quarter, SIGIR issued an inspection report on the Chamchamal prison in the Kurdistan Region. This \$29 million INL-funded project was designed to house 3,000 prisoners, but the lack of trained guards and reliable electricity supplies had prevented it from opening since it was turned over to the Iraqi Correctional Service in March 2009. As of mid-October 2009, Chamchamal prison was operational, although it continues to lack a steady supply of power from the national grid.

SIGIR's Inspections Directorate also reviewed four other projects this quarter, including a slaughterhouse, an orphanage, an ISF command post, and a document storage facility. Although SIGIR inspectors uncovered some construction deficiencies at each of these projects, U.S. reconstruction managers and the responsible contracting companies took steps to remedy the problems, leading SIGIR to conclude that all five projects met their contractual demands.

Recognition: SIGIR Earns Awards

On October 20, 2009, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) awarded SIGIR's Inspections Directorate with the *Sentner Award for Dedication and Courage*, in recognition of the bravery and commitment demonstrated by SIGIR's inspections team in traveling to more than 150 sites across Iraq to evaluate U.S.-funded reconstruction projects. CIGIE also awarded SIGIR's investigations team with its *Award for Excellence* for the team's outstanding work in fighting complex fraud in Iraq.

Regarding U.S. relief and reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective:

- oversight and review through comprehensive audits, inspections, and investigations
- advice and recommendations on policies to promote economy, efficiency, and effectiveness
- prevention, detection, and deterrence of fraud, waste, and abuse
- information and analysis to the Congress, the Secretary of State, the Secretary of Defense, and the American people

Stuart W. Bowen, Jr., was appointed Inspector General in January 2004. In August, the IG completed his 24th trip to Iraq to review progress on the reconstruction effort.

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