

# DEVELOPMENTS IN IRAQ

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## GOVERNANCE

As of October 20, Iraq's Council of Representatives (CoR) had yet to agree on who should be the country's Prime Minister. For information on this protracted process of government formation, see Section 1 of this Report. Notwithstanding the delay in forming a new government, the Government of Iraq (GOI) ministries continue to conduct daily business under the supervision of directors general and other second- and third-level officials.

### U.S. Capacity-development Programs

The United States administers several long-running capacity-development programs aimed at assisting all levels of the Iraqi government—national, provincial, and local. U.S. programs have, for example, worked with the Ministry of Electricity to create an Electricity Master Plan under the Ministerial Capacity Development program, provided support for the March national elections under the Democracy and Civil Society Program, and rebuilt infrastructure through projects overseen by Provincial Reconstruction Teams (PRTs). For information on U.S. election support, see SIGIR's July 2010 Quarterly Report, and for more on the PRT program, see Section 3 of this Report.

#### National Capacity Development

As of September 30, 2010, the United States Agency for International Development (USAID) had expended \$264.65 million of the \$309.43 million allocated from the Economic Support Fund (ESF) to its National Capacity Development program (*Tatweer*, Arabic for "Development"). More than \$14 million was expended during this quarter to strengthen Iraq's national government.<sup>269</sup> USAID reported 225 personnel working on behalf of

*Tatweer* initiatives to develop GOI ministries; more than 70% are Iraqis.<sup>270</sup>

*Tatweer* staff have worked over the last two years with the Ministry of Planning and Development Cooperation (MoPDC) to create a road map for implementing more than 2,800 projects, at an estimated cost of \$186 million, under Iraq's newly approved *National Development Plan (2010–2014)* (NDP). As a complement to this work, *Tatweer* staff have completed automation of the approval form for capital budget projects, which is hosted in Iraq's Government Assistance Database (GAD). The GAD has now been formally instituted at the MoPDC, and all ministries and provinces will be required to use the electronic approval form to initiate capital projects.<sup>271</sup>

USAID and the United Nations Development Programme (UNDP) have entered into a partnership to implement a larger system that would host the GAD module and unify all other capital project databases currently tracked by the MoPDC. The new Iraq Development Management System (IDMS) will also host the Development Assistance Database module, which tracks international donor projects, as well as a new module to track NDP projects.<sup>272</sup>

As the work of *Tatweer* concludes, USAID has announced a new National and Provincial Administration Reform Project. USAID anticipates awarding one cost-plus-fixed-fee contract, valued at approximately \$175 million, to continue capacity building in the GOI. Objectives include support for civil-service reform, national policy management (including oversight of NDP implementation), and administrative decentralization. USAID expects cost-sharing with the GOI to be built in at a 1:1 ratio.<sup>273</sup>

#### Support for Provincial Governments

The current phase of USAID's Local Governance Program (LGP III) continues to support Iraq's

provincial governments in formulating and executing budgets, carrying out effective public outreach, and performing other essential functions. As of September 30, 2010, all of the \$150.96 million in ESF funds allocated to the program had been obligated, and nearly \$84.8 million had been expended—\$25 million during this quarter.<sup>274</sup> According to USAID, the results of LGP III capacity-building activities have begun to be demonstrated by Provincial Council members and other local government officials who are acting to provide more consistent enforcement of policies, increase public participation in decision making, and employ more effective financial management and budgeting processes.<sup>275</sup>

USAID reported that there had been considerable confusion this year about the due dates for Iraqi provincial budgets. When the Ministry of Finance (MOF) finally issued instructions for preparing 2011 budgets, it gave the provinces just two weeks to submit operations and maintenance (O&M) budgets, and deadlines for capital budgets remained ambiguous. Anticipating this, the LGP III provided advisory support to help prepare the budgets.

In 2010, there have been no mass migrations on the scale seen in the wake of the 2006 bombing of the Samarra mosque.

Baghdad province and city governments made sure all their data was in place even before the MOF instructions were released, and they were the only entities to submit both the O&M and capital budgets to the MOF by the June 30 deadline.<sup>276</sup>

### Community Outreach

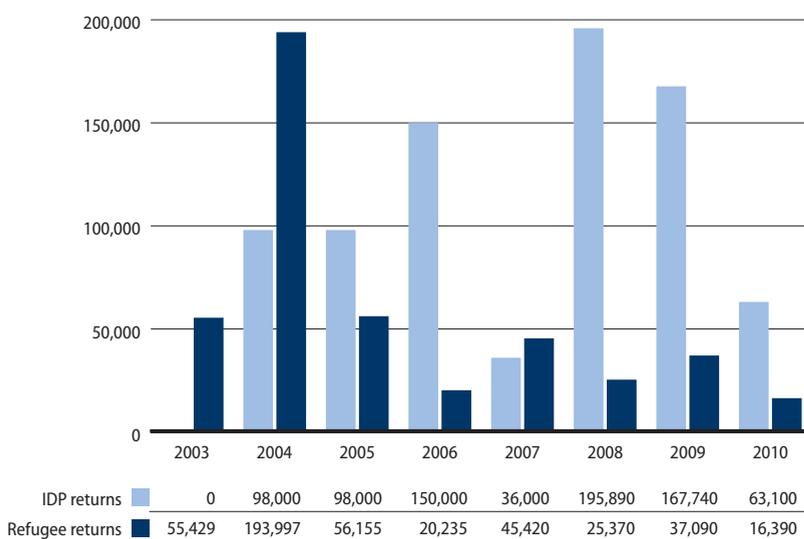
USAID’s current phase of the Community Action Program (CAP III) works to promote citizen participation in local governments. As of September 30, 2010, all of the \$179.90 million in ESF funds allocated to the program had been obligated, and more than \$117.90 million had been expended—more than \$26 million during this quarter.<sup>277</sup> USAID reported providing training this quarter for hundreds of members of the more than 200 Community Action Groups it has established or reinstated to plan and execute community-driven development projects that create jobs for Iraqis. CAP III projects are supported by cost-sharing commitments from local governments and communities, and they include initiatives to support widows, orphans, and minority populations. Additionally, the CAP III carries out projects funded by the Marla Ruzicka War Fund, which benefits Iraqis around the country who have been affected by military operations. This quarter, more than 207 of those projects were completed. USAID reported that the CAP III’s end date has been extended from November 2010 to September 30, 2012.<sup>278</sup>

### Humanitarian Assistance

According to the UN, about 1.8 million Iraqis are refugees and another 1.55 million Iraqis are estimated to be internally displaced persons (IDPs) because they were forced to flee their homes amid sectarian violence.<sup>279</sup>

In 2010, there have been no mass migrations on the scale seen in the wake of the 2006 bombing of the Samarra mosque, but several incidents this year resulted in new displacements. In February and March, the UN reported that 866 families from

FIGURE 4.1  
IDP AND REFUGEE RETURNEES 2003–2010



Note: Information for 2010 is reported as of 7/2010. Numbers affected by rounding.

Source: UNHCR, “Monthly Statistical Update on Return,” 7/2010, [www.iauiraq.org/documents/476/Return%20Update%20IRAQ%20JUL%202010.pdf](http://www.iauiraq.org/documents/476/Return%20Update%20IRAQ%20JUL%202010.pdf), accessed 9/15/2010.

Ninewa province fled to surrounding areas. The UN reported another 941 families displaced from May to July from northern border communities after cross-border bombing raids by the Turkish and Iranian air forces that targeted Kurdish militants. However, the UN reported that most of those displaced during the first two quarters of 2010 have returned home.<sup>280</sup>

Overall, the total number of IDPs and refugees returning to their homes in the first half of 2010 dropped by 29% compared with the first half of 2009. Figure 4.1 shows the number of returnees from 2003 through June 2010.<sup>281</sup> As Figure 4.2 shows, most IDPs and refugees who have returned in the last year have settled in Diyala and Baghdad provinces.<sup>282</sup>

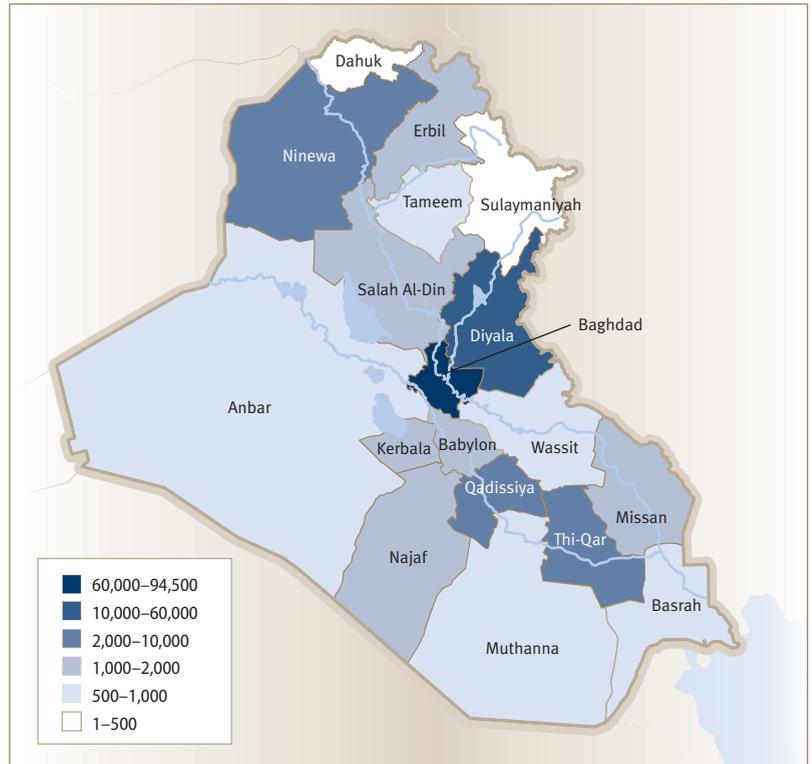
## USAID/OFDA Update

USAID's Office of U.S. Foreign Disaster Assistance (USAID/OFDA) assists IDPs and other vulnerable populations by providing life-saving support, improving living conditions, and mitigating the impacts of conflict-related and natural disasters. Its activities include distributing essential emergency relief commodities and shelter kits; expanding access to water, sanitation facilities, and essential health services; and providing income-generation opportunities and economic recovery support. In FY 2010, USAID/OFDA provided more than \$45 million in humanitarian assistance to vulnerable populations in Iraq, including IDPs. Nearly \$33 million of the total was committed this quarter.<sup>283</sup>

USAID/OFDA support enables grantees to respond rapidly when emergency needs arise in vulnerable communities and areas of insecurity. For example, when Iranian military forces carried out aerial attacks against Kurdish groups in Sulaymaniyah and Erbil provinces in May and June, a USAID/OFDA grantee (International Organization for Migration) provided emergency relief commodities from pre-positioned stockpiles in Erbil province to approximately 500 families, or 3,000 individuals.<sup>284</sup>

In addition, USAID/OFDA funds the International Medical Corps, which supports the

FIGURE 4.2  
RETURNEES BY PROVINCE, 2009–2010



Source: UNHCR, "Monthly Statistical Update on Return," 7/2010, [www.iainiraq.org/documents/476/Return%20Update%20IRAQ%20JUL%202010.pdf](http://www.iainiraq.org/documents/476/Return%20Update%20IRAQ%20JUL%202010.pdf), accessed 9/15/2010.

Ministry of Displacement and Migration (MoDM) in operating Iraq's Return Assistance Centers (RACs). RACs facilitate the safe and voluntary return of IDPs and refugees to areas of origin by connecting them with GOI assistance to which they are entitled. As of June 2010, five RACs and branch offices had registered more than 167,000 returning IDPs and provided legal services to nearly 24,000 people.<sup>285</sup>

## DoS Bureau of Population, Refugees, and Migration Activities

The Program for Human Security and Stabilization, which is implemented by the International Organization for Migration, is an initiative with Iraq's Ministry of Labor and Social Affairs and

The UN reported that most of those displaced during the first two quarters of 2010 have returned home.

MoDM to focus on the socioeconomic reintegration needs of returnees and their host communities. The program works toward reintegration and sustainable income generation by building the capacity of the MoDM and strengthening local authorities. The Department of State (DoS) Bureau of Population, Refugees, and Migration funds program activities in eight provinces: Baghdad, Diyala, Ninewa, Anbar, Babylon, Basrah, Erbil, and Sulaymaniyah.<sup>286</sup>

### Diyala Initiative

The GOI-led Diyala Initiative focuses on facilitating the return and reintegration of persons displaced to and within Diyala province. The U.S. government and international partners support the effort, which is still in the early phase of implementation. Project activities include sector and vulnerability assessments at the village level, community-awareness health campaigns, rehabilitation of shelters in 63 villages, and rehabilitation or construction of schools. Preliminary plans are underway for the expansion of the Diyala Initiative to Baghdad.<sup>287</sup>

### Resettlement in the United States

Since FY 2007, almost 54,000 Iraqis have resettled in the United States—49,996 as refugees and at least 3,946 on Special Immigrant Visas (SIVs) that are awarded to select Iraqi translators and their dependents (DoS only tracks SIV holders who elect resettlement benefits through DoS's PRM).<sup>288</sup> For a historical look at Iraqi admissions to the United States since FY 2007, see Table 4.1.

### Progress toward Provincial Self-reliance

Since 2006, U.S. PRTs have been assessing development of provincial government capacities to govern effectively. In July, the latest Maturity Model Quarterly Assessment (MMQA) for 16 provinces was released, providing details of

TABLE 4.1

#### IRAQI ADMISSIONS TO THE UNITED STATES

FISCAL YEAR	NUMBER OF ADMISSIONS
2007	1,608
2008	13,822
2009	18,838
2010 through 9/22	19,674
<b>Total</b>	<b>53,942</b>

Source: DoS, PRM, response to SIGIR data call, 10/3/2010.

progress in five key areas: governance, political development, national unity (political reconciliation), economic development, and the rule of law. Admittedly based on the “subjective evaluations of behavior derived from the consolidated judgments of PRT personnel,” the MMQA rates provincial capacity in each area as beginning, developing, sustainable, performing, or self-reliant.<sup>289</sup>

For an overview of the July 2010 assessment, see Figure 4.3. This quarter, there were few shifts in province rankings:<sup>290</sup>

- **Economic Development.** The MMQA reported increased levels of economic development in Babylon and Basrah provinces, attributable to a more robust banking sector and increased small-business activity. The other assessed provinces remained unchanged.
- **Governance.** Four provinces improved their performance, while the other 12 remained unchanged. In Baghdad, PRT members observed an increased level of media engagement with the Provincial Council and improved budget supervision. In Salah Al-Din, more transparent budget execution processes were reported. In Diyala, the PRT noted increased budget execution activity and more inclusive strategic planning processes. In Tameem, modest improvements were reported in the delivery of essential services and governmental transparency.
- **National Unity.** In assessing a province’s level of “national unity,” PRT members observe how conflicts are resolved among conflicting parties and whether sectarian enclaves are moving toward mixed and reconciled communities.

Since FY 2007, almost 54,000 Iraqis have resettled in the United States.

# DEVELOPMENTS IN IRAQ

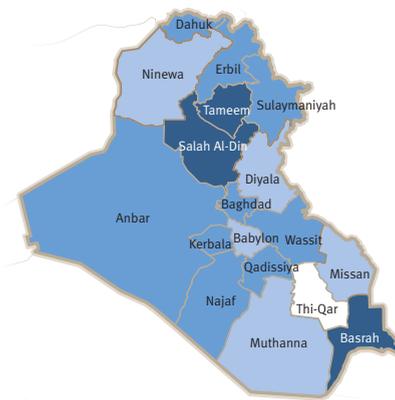
FIGURE 4.3  
PRT MATURITY ASSESSMENTS, BY PROVINCE, AS OF 7/2010

### Economic Development



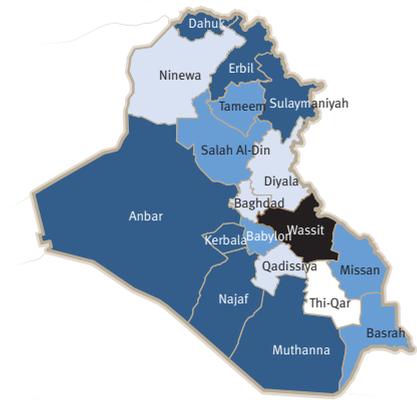
CHANGE FROM 4/2010	PROVINCE
2 ↑	Babylon, Basrah
0 ↓	
14 —	

### Governance



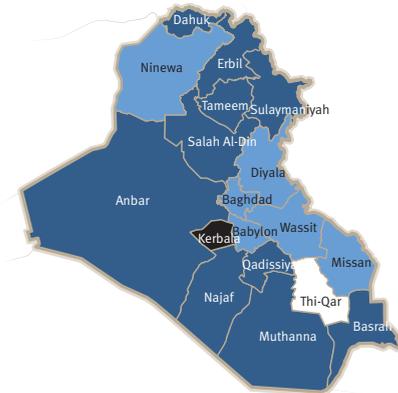
CHANGE FROM 4/2010	PROVINCE
4 ↑	Baghdad, Diyala, Tameem, Salah Al-Din
0 ↓	
12 —	

### National Unity



CHANGE FROM 4/2010	PROVINCE
0 ↑	
1 ↓	Baghdad
15 —	

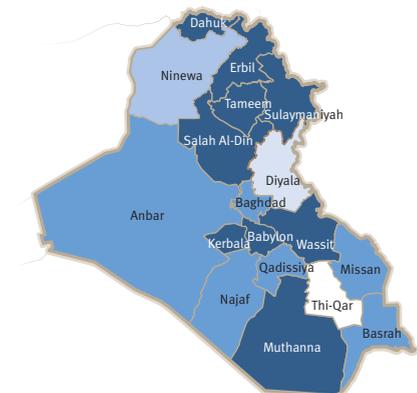
### Political Development



CHANGE FROM 4/2010	PROVINCE
2 ↑	Tameem, Missan
0 ↓	
14 —	



### Rule of Law



CHANGE FROM 4/2010	PROVINCE
2 ↑	Basrah, Tameem
0 ↓	
14 —	

Note: The Regional Reconstruction Team stationed in the Kurdistan Region reports on three provinces (Dahuk, Erbil, and Sulaymaniyah) as one entity.

Source: U.S. Embassy-Baghdad, OPA, response to SIGIR data call, 8/30/2010.

Fifteen provinces remained the same, but Baghdad province declined—from “sustainable” to “developing.” Baghdad’s slide was attributed to acrimonious political wrangling among members of the Provincial Council and the continued segregation of many of Baghdad City’s formerly integrated areas into more distinctly Sunni and Shia neighborhoods.

- **Political Development.** Tameem and Missan provinces demonstrated improvements in political development. In Tameem, the PRT observed a marked increase in the local populace’s engagement in the political process, while in Missan, more incremental improvements were noted.
- **Rule of Law.** Improved rankings in Basrah and Tameem provinces recognized increases in judicial capacities. ♦

## SECURITY

ISF and civilians continue to suffer daunting casualties.

Iraq has remained susceptible to violence and insecurity through the post-election period of negotiations to form a new government, and a higher level of security is unlikely to occur until political progress and development are more fully realized. When the U.S.-Iraq Security Agreement (SA) went into effect on January 1, 2009, the Iraqi Security Forces (ISF) assumed immediate responsibility for ensuring the physical security of Iraqi citizens. On September 1, 2010, U.S. military support for that role transitioned formally to training and stability operations, with nearly 50,000 personnel operating under these mission requirements.<sup>291</sup>

- Advise, train, mentor, and equip the ISF to progress toward assuming a Minimum Essential Capability (MEC) standard.
- Conduct counterterrorism operations that are led by the ISF.
- Provide support to U.S. Embassy-Baghdad, the UN, and other organizations engaged in ministerial and institutional capacity development within the GOI.

These activities, however, are also transitory as the U.S. Forces-Iraq (USF-I) nears the SA deadline for U.S. forces to depart Iraq. Although currently scheduled for the end of 2011, the timing of U.S. redeployment remains subject to security conditions in the coming year, and transition plans for the U.S. Embassy and other agencies of the U.S. government will guide enduring aspects of the U.S. engagement with Iraq.

This quarter, the average number of security incidents per day was up significantly from last quarter (see Figure 4.4), but there was a notable drop in detonated mines and improvised explosive devices (IEDs), and violence coinciding with the Ramadan religious observance (August 11–September 11) was down nearly 18% from last year. Baghdad and provinces to the north, where tensions remain over



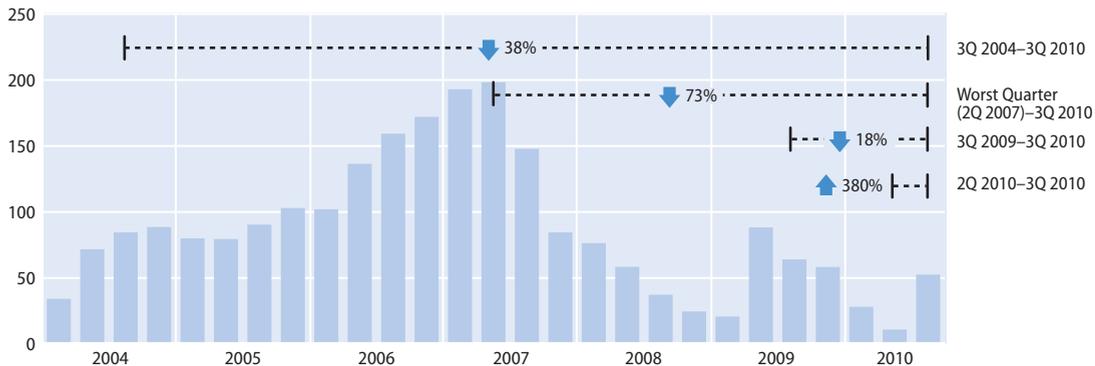
Destruction of unexploded ordnance at a location outside Bassami, Iraq, on July 13, 2010. (U.S. Army photo)

disputed areas, saw the largest drops. Violence was up from last year in Babylon, Basrah, Missan, and Anbar provinces.<sup>292</sup>

Notwithstanding improvement during Ramadan, which has traditionally been a time of increased violence, ISF and civilians continue to suffer daunting casualties. The Department of Defense (DoD) reported that, from June 1 to September 10, 2010, nearly 3,000 Iraqis (2,022 civilians and 904 ISF) were wounded and 784 Iraqis (499 civilians and 285 ISF) were killed. During the same period, 131 U.S. citizens (117 military personnel and 14 civilians) were wounded, and 10 U.S. citizens (8 military and 2 civilians) were killed.<sup>293</sup>

Coordinated, mass-casualty attack campaigns continue, reflecting the fragile state of security in the country. These attacks appear to be ethnosectarian targeting or attacks against GOI institutions and their leadership. Leaders of the Sons of Iraq (SOI) continue to be targeted for assassination. Between July 1 and October 8, 2010, 32 SOI members and leaders were assassinated. According to DoD, insurgent groups, including al-Qaeda in Iraq (AQI), seek to diminish the effectiveness of the SOI through targeted killings and other forms of intimidation, as well as the co-opting of disgruntled SOI members who perceive the GOI has failed to honor its commitments to the program. The extent of infiltration reportedly varies by region.<sup>294</sup>

FIGURE 4.4  
AVERAGE SECURITY INCIDENTS PER DAY, BY QUARTER, 1/2004–9/2010



Sources: MNF-I, responses to SIGIR data calls, 10/6/2008, 7/2/2009, 3/31/2010, and 4/1/2010; CENTCOM, responses to SIGIR data calls, 1/10/2009 and 2/22/2010; USF-I, responses to SIGIR data calls, 3/31/2010, 7/7/2010, and 10/4/2010.

Overcoming the perception among the SOI and public that the GOI is not committed to the SOI program remains one of the biggest challenges. Persistent late pay, transition to menial jobs, lack of adequate ISF protection and support at the checkpoints, and the belief that SOI are being unfairly targeted for arrest all contribute to SOI distrust of the government. USF-I is reportedly working with the GOI to address these issues.<sup>295</sup>

This quarter, the International Zone (IZ), home to most central Iraqi government institutions and U.S. Embassy-Baghdad, came under daily mortar and rocket attacks. SIGIR personnel reported experiencing at least 23 major incidents during the month of September. One of the rockets hit the home of the former speaker of the Council of Representatives, injuring several of his body guards. Alarms sounded regularly at the Embassy compound this quarter.<sup>296</sup>

For an update on security indicators, see Figure 4.5.

## Security Incidents Up and Mass-casualty Attacks Continue

Overall, the average number of daily security incidents in Iraq has dropped 73% from the height of violence in 2007; but compared with last quarter, that number was up nearly five-fold. And although

mass-casualty attacks are down this quarter from last, DoS reported that AQI continues to carry out coordinated events—primarily against GOI institutions and the ISF—through multiple-device bombings and other methods. AQI’s front group claimed responsibility for a suicide bombing on August 17 that left more than 50 Iraqis dead and at least 100 wounded. The victims had been waiting in line at an Iraqi army recruitment center when the attack occurred. Other attacks in August targeted local government and police forces across the country, and civilian marketplaces were bombed.<sup>297</sup> In an incident on September 19, 2010, six car bombs were set off in Baghdad and Falluja as part of a coordinated attack that killed at least 30 Iraqis and wounded more than 100.<sup>298</sup> On July 29, 2010, at least 16 security officials were assassinated in Adhamiya, a predominantly Sunni district in Baghdad.<sup>299</sup>

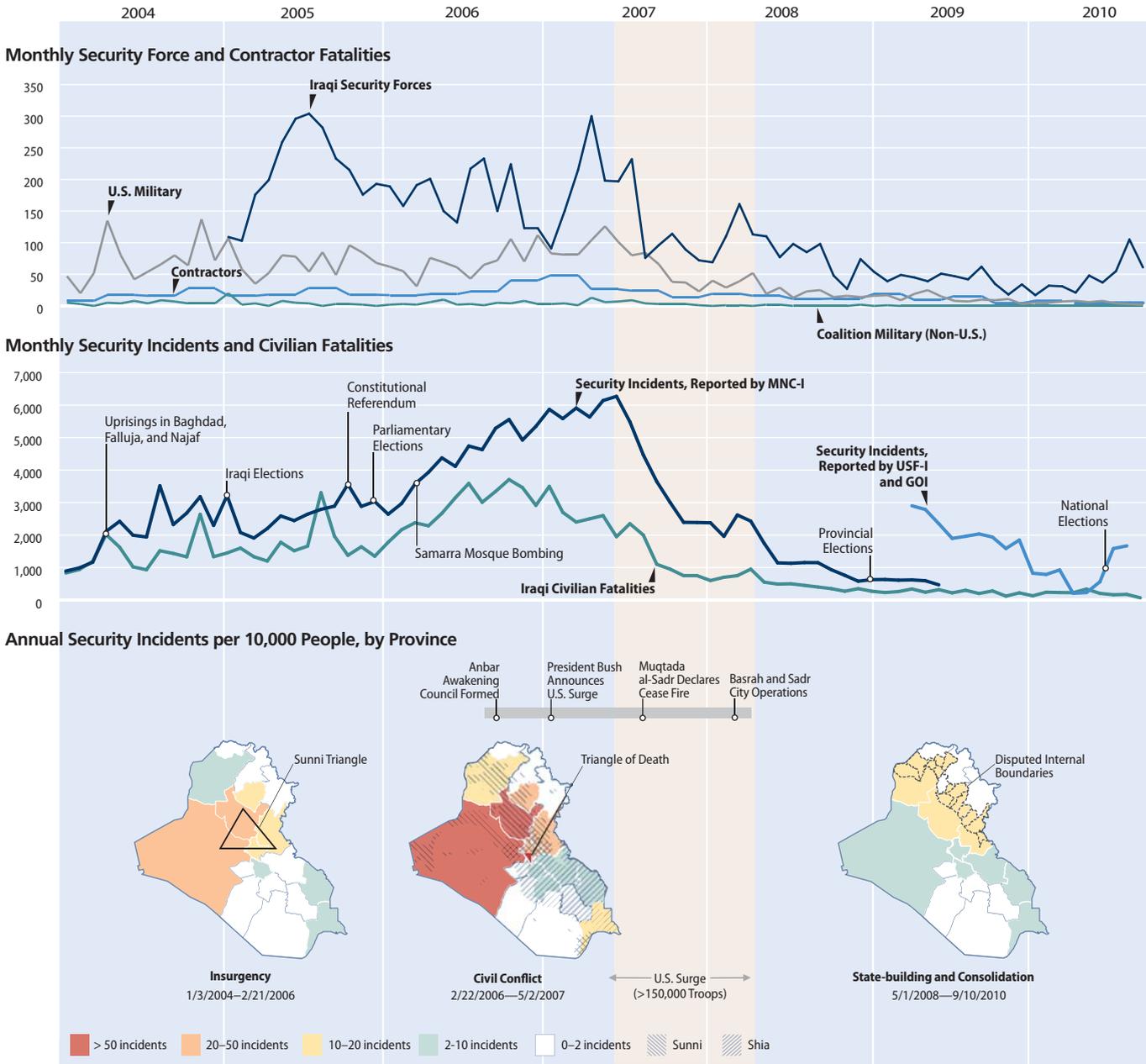
As a result of what appears to be an escalation of attacks on ISF personnel, traffic police this quarter began arming themselves with high-powered weapons.<sup>300</sup>

Alarms sounded regularly at the Embassy compound this quarter.

## Iraqi Security Forces

Although the transition to stability operations with an ISF lead appears to be generally on track, there are indications that the stalemate over government

FIGURE 4.5  
SECURITY INCIDENTS AND FATALITIES IN IRAQ, 1/2004–9/2010



Note: Data not audited. Numbers affected by rounding. "U.S. Surge" denotes period when at least 150,000 U.S. troops were in Iraq. ISF fatality data for deaths that occurred before 1/4/2005 is not available. Security incident data from two sources are displayed: MNC-I, for 1/1/2004–6/24/2009 and USF-I for 4/1/2009–9/10/2010 (USF-I incorporates GOI reports). Security incident data for September 2010 was excluded from the line graph due to incomplete data. Iraqi Security Force fatalities and Iraqi civilian fatalities for September 2010 are totals through 9/23/2010.

Sources: DoD, *Measuring Stability and Security in Iraq, 2/2006–9/2009*; DoL, responses to SIGIR data calls, 11/25/2009, 1/5/2010, 4/12/2010, 7/7/2010, and 10/7/2010; The Brookings Institution, *Iraq Index*, 9/30/2010, pp. 4, 5, and 13; SIGIR, *Quarterly Reports to the United States Congress*, 4/2009, 10/2009 and 1/2010; GOI, response to SIGIR data call, 12/21/2009; MNF-I, responses to SIGIR data calls, 10/6/2008, 7/2/2009, 3/31/2010 and 4/1/2010; CENTCOM, responses to SIGIR data calls, 1/10/2009 and 2/22/2010; USF-I, responses to SIGIR data calls, 3/31/2010, 7/7/2010, and 10/4/2010.

formation has been disruptive to the 2010 Training Plan called for by the SA.<sup>301</sup> Other challenges remain to the establishment of a fully capable ISF. These include the lack of a reliable and sustainable logistics system for the ISF, corruption within the services, and the inefficient allocation of resources (both human and fiscal).<sup>302</sup>

GOI reported that, as of September 30, 2010, nearly 800,000 security force personnel were assigned to the Ministry of Defense (MOD), Ministry of Interior (MOI), and the Iraqi National Counter-Terrorism Force (See Table 4.2).<sup>303</sup>

## Status of the MOD

According to the U.S. Iraq Training and Assistance Mission (ITAM), MOD's ISF units are now regarded as counterinsurgency (COIN)-operation capable, and the Iraqi Army (IA) is now able to generate a sustainable COIN force.<sup>304</sup> More than 197,000 soldiers have been trained and organized under 13 light infantry divisions and 1 mechanized division. An additional 46,500 soldiers have been through programs to prepare them for service as trainers for new soldiers and to manage operations and sustainment support functions.

Considerable work remains, however, for the MOD to achieve the desired MEC standard. Multiple non-commissioned officer (NCO) schools are operating and graduating NCOs—from small-unit leadership programs to weapons-specialty and large-organization leadership programs. ITAM reports that developing and professionalizing the NCO corps remains a challenge because the process of empowering the NCO ranks has faced cultural barriers.<sup>305</sup>

U.S. training for the MOD is conducted at nine centers, which accommodate up to 20,000 students in individual, leader, and group training courses.<sup>306</sup> The current training regime is focused on transitioning the IA from stability operations to external defense. It attempts to build on a train-the-trainer concept that has seen the MOD assume an increasing role in leading the program.

Training in mechanized and specialized equipment is also underway and critical in addressing

TABLE 4.2  
IRAQI SECURITY FORCES, AS OF 9/30/2010

SERVICE	ASSIGNED PERSONNEL	
Ministry of Defense <sup>a</sup>	Iraqi Army (IA)	205,410
	Training and Support	46,500
	Air Force	5,000
	Navy	3,000
	<b>Total MOD</b>	<b>259,910</b>
Ministry of Interior <sup>a</sup>	Iraqi Police	301,286
	Iraqi Federal Police	43,957
	Border Enforcement	60,605
	Oil Police	29,411
	Facilities Protection Service (FPS)	94,000
	<b>Total MOI</b>	<b>529,259</b>
Special Forces	4,120	
<b>Total</b>	<b>793,289</b>	

Note: Numbers affected by rounding.

<sup>a</sup> Assigned numbers illustrate payroll data; they do not reflect present-for-duty totals.

Source: GOI, MOI IG, response to SIGIR data call, 10/5/2010.



Commandos with the 10th Iraqi Army Division load onto U.S. Army helicopters during air assault training at Forward Operating Base Garry Owen, Iraq, on June 28, 2010. (U.S. Army photo)

Iraq's capacity to address external threats. In addition to the ongoing tank training programs (which are planned to stretch into late 2011), proposed training in towed howitzers is projected to run from 2011 until mid-2012. In addition, ITAM-Air Force is currently training 12 instructor pilot candidates to serve as instructors in the T-6A aircraft. The first four instructor pilots are expected to complete training by summer 2011, and the remaining eight by fall 2011.<sup>307</sup>

According to ITAM, IA logistics and sustainment capability will likely fall short of the MEC standard when U.S. forces redeploy in December

2011.<sup>308</sup> Although the commands and bases to support logistics and sustainment are largely in place, ITAM reports that maintaining the equipment and infrastructure built with the Iraq Security Forces Fund (ISFF) and managing the resources to carry out the mission continue to be challenges.<sup>309</sup>

### SIGIR Audit of U.S. Training for Iraqi Special Operations Force

SIGIR's audit of the Iraqi Special Operations Force (ISOF) Program found that the ISOF's demonstrated ability to independently conduct operations and missions and to sustain its equipment and facilities was indicative of the program's success. On the other hand, the long-term success of the ISOF lies in the GOI's handling of two notable challenges. First, the command structure put in place by the Prime Minister raises concerns about how the force will be used in the future. Second, GOI support is uncertain as seen by its lack of a dedicated budget for the ISOF, resulting in poor logistical and recruiting support and irregular payment of specialty pay. Although SIGIR determined that the total cost of the U.S. program is unknown, at least \$237 million of the ISFF was expended to equip and sustain the ISOF.<sup>310</sup>

The command structure put in place by the Prime Minister raises concerns about how the force will be used in the future.

### Kurdish Security Forces

The Kurdistan Regional Government (KRG) continues to make progress in its strategic goal of clarifying the roles of its Kurdish Security Forces, which include: Peshmerga (military), Zervani (police),<sup>311</sup> Asai'ish (internal security), and Parastin/Zenyari (intelligence). The integration of a trained, organized, and equipped Peshmerga into the ISF remains part of the KRG strategy to protect Iraq's borders and provide security along Iraq's disputed internal boundaries. Kurdish officials estimated that there are about 190,000 total Peshmerga personnel, and about 100,000 of them are currently on active duty.

In addition to patrolling the external and disputed internal borders of the Kurdistan Region, Peshmerga troops have also been called on by the GOI to participate in ISF security operations in



The first 11 of 140 U.S. tanks to be delivered under a purchase agreement with the GOI arrive in Iraq's Port of Umm Qasr on August 7, 2010. (USF-I photo)

Iraq's other 15 provinces. In conversations with SIGIR, the KRG's Minister of Peshmerga Affairs stated that current plans call for raising two new Peshmerga divisions, each numbering about 15,000 troops. He noted that Peshmerga soldiers require more advanced training—especially in intelligence collection and analysis—but the KRG lacks a sufficient budget to fund such programs.<sup>312</sup>

More than 500 soldiers from the ministry began their basic-combat training course in Sulaymaniyah on August 2, 2010. The 11-week course is conducted to IA standards of performance and includes instruction on first-aid, leadership, marksmanship, navigation, and security operations. Once training is complete, the soldiers are slated to return to Qara Anjir, near Kirkuk, for their assignments.<sup>313</sup> ITAM notes that it has one ongoing initiative to assist the integration of KRG forces into the ISF.<sup>314</sup>

### Equipment Capability: Foreign Military Sales

As of September 30, 2010, the GOI reported that 171 cases worth \$5.92 billion had been obligated by a Letter of Offer and Acceptance through the Foreign Military Sales (FMS) program. Iraq has purchased tanks, helicopters, naval patrol boats, training aircraft, and other equipment to improve the capabilities of its army, navy, and air force. To operate and maintain this equipment, Iraq also has used FMS to purchase training, support equipment, spare parts, and maintenance

and repair packages. The value of cases already delivered to the GOI totals more than \$2.8 billion in equipment purchases and nearly \$1.2 billion in other types of purchases, including the Umm Qasr port rehabilitation.<sup>315</sup>

According to a recent Government Accountability Office (GAO) report, the security ministries have used FMS transfers as a means of setting aside funds that remained unspent at the end of the fiscal year. For example, in April 2010, officials at the MOD said that they had received Ministry of Finance approval to transfer \$143 million of its unspent 2009 funds into the FMS account. Similarly, officials from the MOI said that they planned to transfer \$300 million–\$350 million in unspent 2009 funds to the FMS account. If approved, the MOI has said that this would be the fourth consecutive year in which it has executed a transfer after the end of the calendar year. Table 4.3 provides a summary of Iraq’s annual funds transferred to the Federal Reserve Bank of New York for FMS purchases through 2009.<sup>316</sup>

The United States is also using the ISFF to supplement Iraq’s FMS purchases. Under seven arrangements, the United States contributed about \$550 million to purchase equipment and services.<sup>317</sup>

As part of an FMS sales agreement between the U.S. government and the GOI, the first 11 of 140 M1A1 Abrams tanks for the Iraqi Army arrived this quarter. The remaining 129 tanks and seven recovery vehicles are scheduled to be delivered in monthly increments until about December 2011.<sup>318</sup> The GOI also received both aviation and maritime components of its FMS purchase program this quarter. The Iraqi Air Force received three



An Iraqi Air Force training aircraft shuts down after landing at Contingency Operating Base Speicher, near Tikrit, Iraq, on September 21, 2010. (U.S. Army photo)

T-6A Texan II training aircraft—the third group of planes to be delivered since December 2009.<sup>319</sup> Additionally, in conjunction with Navy Day in Iraq (September 26), the MOD oversaw a christening ceremony for Iraq’s inaugural Swiftship patrol boat. Fourteen additional U.S.-built Swiftships are scheduled for future delivery to the Iraqi Navy.<sup>320</sup> The T-6A and Swiftships programs are jointly funded by the two governments; the United States has assumed approximately 55% of the total cost of these two FMS purchase programs.<sup>321</sup>

This quarter, 22 M1-17 Russian-made helicopters were purchased for Iraq through the FMS program—14 funded by the GOI and 8 funded through the ISFF. The first two were delivered in August 2010, and the next four are scheduled for delivery in November 2010. Deliveries are expected to continue through next year.<sup>322</sup>

On September 25, 2010, the U.S. Administration approved Iraq’s request for 18 new F-16 aircraft for Baghdad’s Air Force. Officials said that DoD has notified the Congress of the proposed sale, estimated to be worth \$4.2 billion. The proposed sale would allow the Iraqi Air Force to modernize

The first 11 of 140 M1A1 Abrams tanks for the Iraqi Army arrived this quarter.

TABLE 4.3

### FUNDS SET ASIDE FOR FMS PURCHASES BY THE MOD AND MOI, 2006–2009

\$ Millions

	2006	2007	2008	2009	TOTAL
Ministry of Defense	1,638	1,100	1,551	0	4,290
Ministry of Interior	169	0	671	404	1,244
<b>Total</b>	<b>1,807</b>	<b>1,100</b>	<b>2,223</b>	<b>404</b>	<b>5,534</b>

Source: GAO Report GAO-10-304, “Iraqi-U.S. Cost-Sharing,” 9/2010, p. 22.

its inventory by acquiring Western interoperable fighter aircraft, thereby enabling Iraq to support its air-defense needs and coordinate more effectively with other foreign air forces.<sup>323</sup>

### Status of the MOI

According to DoD assessments, the MOI security force is significantly behind the MOD in the attainment of the MEC standard. Only the Federal Police and Oil Police are currently assessed to be operationally capable, and the Iraqi Police (IP), Department of Border Enforcement, and Port of Entry services have demonstrated a basic capability and improving technical skills. All MOI security forces, however, are expected to have gaps in funding, command and control, and logistical infrastructure through the time of the U.S. forces drawdown in December 2011.<sup>324</sup> DoD has recently raised the concern that, should Iraq's police forces not achieve MEC prior to transition of U.S. training to the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) Police Development Program, starting in July 2011, there could be enduring gaps in police capability.<sup>325</sup>

ITAM conducts MOI training at 36 active training centers, 29 of which are supported by INL-supplied international police advisors. Training centers include police colleges and a range of centers for other services, from River Police and Federal Police training centers to Border Enforcement, Ports of Entry, and Facilities Protection centers.<sup>326</sup> The current focus—in addition to the one-time task of training and integrating the Facilities Protection Service (FPS)—is to have a professionally trained, sufficiently manned police force that is capable of defeating insurgencies, of creating an environment of internal security, and of enforcing the rule of law.<sup>327</sup> ITAM reported that almost 22,000 MOI personnel completed some form of training this quarter.<sup>328</sup>

### SIGIR Audit of Iraqi Police Training

In its recent audit of the Iraqi police training program, SIGIR found that DoD spent \$7.3 billion since FY 2004 to train, staff, and equip the Iraqi



Kurdish Zeravani Police demonstrate hand-to-hand combat skills after completion of a specialized Italian Carabinieri training course at the Iraqi Federal Police Special Training Academy at Camp Dublin, Iraq, on September 27, 2010. (U.S. Army photo)

police. Although DoD reports that more than 400,000 Iraqi police have received training and are on the force, the capabilities of these forces are unknown because no assessments of total force capabilities have been made. SIGIR identified several weaknesses in U.S. program management, including program planning and assessments, communications and coordination between organizations performing the training, and oversight of contract police advisors. For more information, see Section 5 of this Report.<sup>329</sup>

### Status of the Facilities Protection Service

The FPS is tasked with securing and protecting more than 13,000 critical infrastructure locations throughout Iraq. These facilities include government buildings, mosques and religious sites, hospitals, schools and colleges, dams, highways, and bridges. First created by the Coalition Provisional Authority, the FPS comprises contractor and GOI employees who are assigned to particular ministries and operate under priorities set by those individual ministries. On January 1, 2007, the FPS was established as a general directorate, under the MOI. According to DoD, all but the Higher Judicial Council and the Ministries of Oil, Electricity, Industry, and Defense have transferred their FPS personnel to the new directorate.<sup>330</sup>

As of September 30, 2010, the FPS had approximately 94,000 personnel in service, including 17,000

DoD spent \$7.3 billion since FY 2004 to train, staff, and equip the Iraqi police.

full-time FPS police and 77,000 MOI contractors. The differences in employment status (and the related pay differential) have caused multiple problems because contractors earn only about half as much as the full-time police while facing the same hardships and dangers.

USF-I reported that MOI training for 76,000 contractors to join the IP was to start by October 1, 2010, but the plan had not been formally authorized by the Minister of Interior. The training program anticipated that the transition to full IP status for the FPS contractors would occur in 2011.<sup>331</sup> ♦

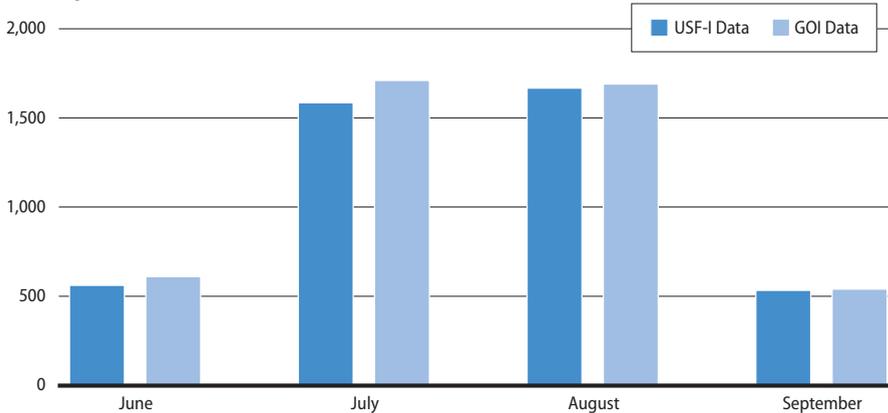


USF-I personnel train Iraqi police. (USF-I photo)

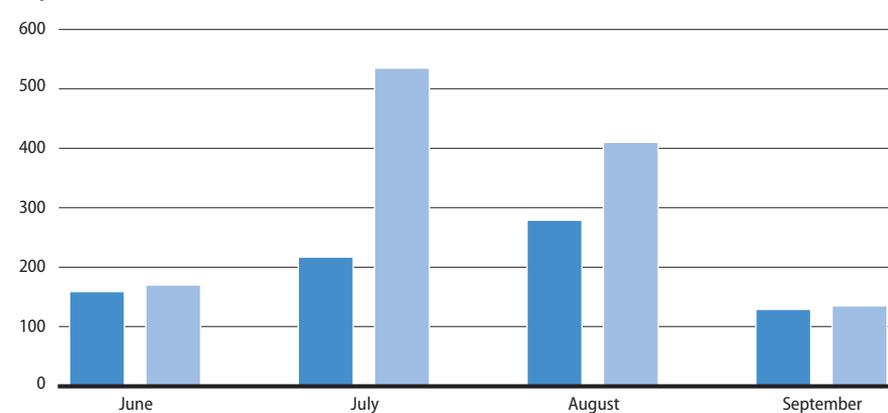
# COUNTING CASUALTIES

## 2010 SECURITY INCIDENT REPORTING, USF-I vs. GOI

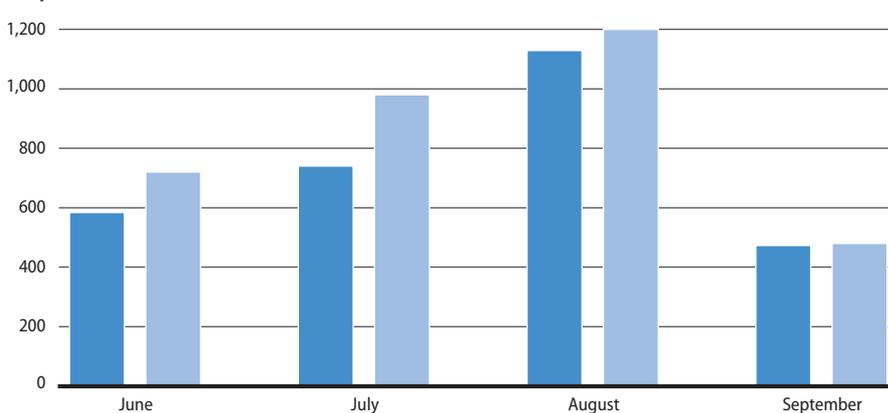
### Security Incidents



### Iraqis Killed



### Iraqis Wounded



**Note:** September GOI data provided by the Ministry of Health; June–August GOI data provided by the Ministry of Interior; September USF-I data is incomplete (killed and wounded figures through 9/23; incidents through 9/10).

**Sources:** GOI, MOH, response to SIGIR data call, 10/2/2010; USF-I, response to SIGIR data call, 10/4/2010.

In early August 2010, USF-I publicly disputed the GOI’s claim that July 2010 was the deadliest month for Iraqis since 2008.<sup>332</sup> According to USF-I data, 222 Iraqis were killed in July,<sup>333</sup> or less than half the 535 reported by the GOI. These discrepancies could be the result of several factors, including the still-uncertain security situation in Iraq, the smaller U.S. footprint, and the chaotic nature of the Iraqi health care system.<sup>334</sup>

This quarter, the GOI announced that the Ministry of Health will act as lead agency on casualty data, aggregating its own information on Iraqi civilians with information from the Ministry of Interior (for police casualties) and Ministry of Defense (for military casualties).<sup>335</sup> Although it is not clear whether the three ministries have uniform data-collection and reporting processes, USF-I has said that its officers will continue to work with Iraqi mid-level military officials to improve the accuracy of these reports.<sup>336</sup>

Acknowledging the difficulty of gathering timely and accurate information, USF-I’s deputy commander for U.S. Division-Center stated that while he is “pretty comfortable” with the statistics collected by USF-I, they are not likely to be as accurate as they were when the United States had six or seven brigades in Iraq.<sup>337</sup> In September 2010, USF-I began reporting the Iraqi casualty numbers collected by GOI’s Ministry of Health as its key source for Iraqi casualty information.<sup>338</sup> ♦

## RULE OF LAW

INL, the Department of Justice (DoJ) and its Federal Bureau of Investigation (FBI) and Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), and other U.S. government agencies work with various GOI entities to reconstitute essential law enforcement and security institutions throughout Iraq. Members of the Iraqi judiciary, the Higher Judicial Council (HJC), MOI, and the Ministry of Justice (MOJ) are part of this collaborative effort. Within U.S. Embassy-Baghdad, the Office of the Rule of Law Coordinator (ORoLC), led by a DoJ official in Iraq, is responsible for coordinating these rule-of-law activities.<sup>339</sup>

As part of the RoL program, INL provides the necessary funding for U.S. federal prosecutors to serve as Office of Overseas Prosecutorial Development and Assistance Training (OPDAT) Resident Legal Advisors and to lead PRT rule-of-law activities, which focus on strengthening judicial capacity, security, and law-enforcement capabilities, as well as advancing commercial and property law. Other PRT RoL initiatives focus on improving anticorruption awareness and addressing detention and rehabilitation challenges for adults and juveniles. INL has managed courthouse security upgrades, developed data management systems with GOI partners, and provided funding for the Judicial Development Institute (JDI), which trains judges, administrative staff, and HJC security personnel.<sup>340</sup>

### Iraqi Justice System

Following the 2009 bombing of the MOJ, which was home to Iraq's judiciary, the HJC relocated some of its operations. The Central Criminal Court of Iraq (CCC-I) was moved to the JDI in Baghdad, and the HJC assumed principal responsibility for the operational costs of the CCC-I earlier this year.<sup>341</sup>

With the drawdown of U.S. forces, the USF-I liaison to the CCC-I has merged into and is now headed by the Law and Order Task Force (LAOTF). LAOTF continues to facilitate hearings and trials at CCC-I for detainees accused of terrorism and related crimes. LAOTF personnel act as liaisons to the judges and facilitate the prosecution of insurgents' cases. LAOTF coordinates the transportation of the detainees to court and also delivers evidence and available witnesses. Although it remains a challenge arranging for witnesses to appear in court to give testimony, the use of video conferencing between Iraq and the United States allows investigative judges to receive testimony of U.S. military members who are no longer in theater.<sup>342</sup>

### Courts

Iraq's court system continues to be overburdened by detainee cases. Civil and other cases outside the criminal system are proceeding almost normally except to the extent judges are diverted to handle the backlog in the criminal system, an effect that is difficult to measure. The HJC reported a backlog of 10,872 cases at the Karkh court and 11,557 cases pending at Rusafa court, as of June 2010. Between the first and second quarters of the year, docket backlog reportedly increased at Karkh by almost 9%; at Rusafa, the backlog grew nearly 13%.<sup>343</sup>

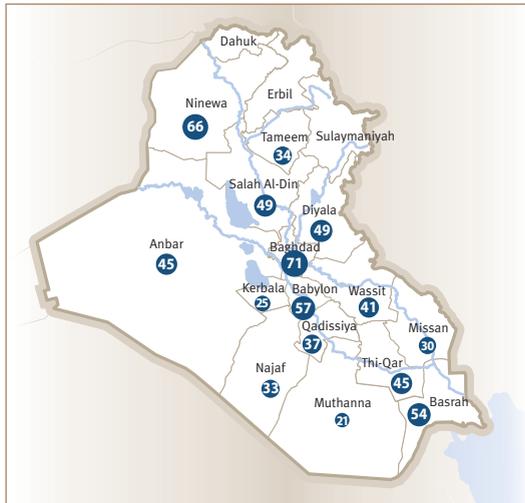
For the number of courts handling these cases around Iraq, see Figure 4.6.

### U.S.-funded Reconstruction at the Palace of Justice

The Rusafa Palace of Justice has been open for operation since September 2008. At the time of its opening, this \$11.6 million Iraq Relief and Reconstruction Fund (IRRF) project was considered a key element in a rule-of-law complex that would serve as a model for other provinces. The facility was built by the TAMA Company under contract

Iraq's court system continues to be overburdened by detainee cases.

FIGURE 4.6  
COURTS IN IRAQ



Note: The Higher Judicial Council did not provide the KRG court count.

Source: GOI, HJC, response to SIGIR data call, 10/2/2010.

The need for stronger judicial security remains critical.

to the U.S. Army Corps of Engineers (USACE), Gulf Region Division (GRD), according to the same design specifications used to build U.S.-funded courthouses at Karkh and Basrah.<sup>344</sup>

Almost immediately after opening, PRT Baghdad received reports of problems at the facility indicative of poor design, construction, and materials—many identified by Iraq’s Chief Justice. According to the PRT, its attempts to bring GRD’s attention to the issue and enforce the warranty on work performed there were unsuccessful. The PRT reported that GRD repaired some obvious problems but declined to address others, and the continuing deterioration of the courthouse has become a serious impediment to PRT engagement with the Chief Justice.<sup>345</sup> However, USACE reported that it was not contacted about warranty issues until after the warranty period had expired, and it had observed modifications by the occupants of the facility that precluded further work by USACE.<sup>346</sup>

To address these issues, as well as problems posed by a lack of maintenance, the Iraq Strategic Partnership Office (ISPO) is undertaking an

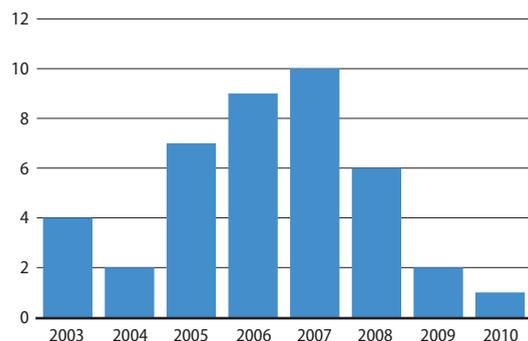
engineering study with USACE to ascertain all necessary corrective actions, along with their cost. Based on the results, ISPO plans to work with the HJC to determine which remedies would best be handled by USACE and which should be handled by the GOI.<sup>347</sup>

### Judicial Protection

INL funds and oversees a wide range of judicial development programs in Iraq, including a judicial security program that assists the GOI in providing secure judicial housing and training for the personnel who protect its facilities. INL has also completed upgrades to more than 20 courthouses and conducted a nationwide assessment to help the GOI develop its own capacity to enhance judicial and court security in the provinces.<sup>348</sup>

Notwithstanding these efforts, the need for stronger judicial security remains critical. See Figure 4.7 for the number of judges assassinated annually since 2003. In September 2010, INL was advised that the buildings at the JDI are being used to house senior judges in light of a recent national increase in attacks on judges. The HJC has responded by increasing staffing and other subsistence and security support for the full-time use of the facility.<sup>349</sup> In August 2010, the HJC began using security training materials that INL developed to train its new security staff at the JDI.<sup>350</sup>

FIGURE 4.7  
JUDGES ASSASSINATED, 11/13/2003–10/2/2010



Source: GOI, HJC, response to SIGIR data call, 10/2/2010.

## Prisons

GOI prisons are overseen by the MOJ, with the Iraqi Corrections Service (ICS) conducting daily operations. As of September 30, 2010, the ICS prison population included 11,750 pre-trial detainees and 12,269 convicts. The KRG operates its own corrections service, with a reported total prison population of approximately 2,223.<sup>351</sup>

At the end of this quarter, 219 detainees remained in U.S. custody. Since January 1, 2010, U.S. forces have released 405 detainees and transferred approximately 5,591 detainees to GOI custody.<sup>352</sup> During the quarter, four Iraqi detainees with alleged links to AQI escaped from U.S. custody at a Baghdad detention facility.<sup>353</sup> And in August, the escape last year of British aid worker Margaret Hassan's killer from an Iraqi-controlled prison was finally announced.<sup>354</sup>

A report published by Amnesty International in September highlighted many of the most pressing human rights issues confronting Iraq, including the status of detainees held by U.S. military forces and the ISF. The report's chief concern involved "thousands of detainees who have already spent considerable time in prison without charge or trial and who may be at risk of torture and other ill-treatment in Iraqi custody." Although Iraq's 1971 Criminal Procedure Code provides for the rights of detainees to humane treatment and speedy adjudication, Amnesty International argued that these safeguards have gone largely ignored, and the officials responsible for upholding them operate with impunity. The report strongly objected to the transfer of Iraqi detainees held in U.S. military custody to the GOI under arrest warrants or other agreements, warning that these prisoners may face torture, prolonged incarceration without fair hearing, and death sentences.<sup>355</sup>

The U.S. Embassy's ORoLC has initiated a Case Processing Working Group to study how to improve the investigation and processing of pretrial detainees in GOI detention facilities. Additionally, the Ministerial Committee on the Rule of Law for Detentions met in late September to continue its

efforts to bring together judges and investigating police, whose coordination remains critical to preparing and reviewing cases for adjudication.<sup>356</sup>

In an August 2010 meeting between Iraq's Deputy Minister of Justice and DoD, the GOI raised lingering concerns about prisons constructed by the U.S. government:<sup>357</sup>

- **Chamchamal Prison.** Last year, SIGIR inspected this \$29 million INL-funded facility and found that, although adequately constructed, Iraqi delay in staffing the facility prevented it from opening more quickly than would have otherwise happened. Although the MOJ participated actively in site visits and design reviews, the MOJ said this project is indicative of the U.S. government's failure to talk with and involve the GOI before building infrastructure projects.<sup>358</sup>
- **Basrah Prison.** On October 5, the Basrah Prison was turned over to the MOJ. This \$9.3 million prison has about 1,200 beds. For the first time, the MOJ engaged its own engineers in a prison closeout process, thus accelerating the handover of this facility. INL reported that it worked with advisors of DoJ's International Criminal Investigative Training Assistance Program to incorporate MOJ concerns into the final work requirements.<sup>359</sup>
- **Taji Prison.** MOJ officials explained that Taji prison personnel were having difficulty with re-fueling operations because the Taji facility is not equipped with any fuel storage tanks. DoD explained that the U.S. government preferred to use fuel trucks when the USF-I was operating the facility.<sup>360</sup>

During the quarter, four Iraqi detainees with alleged links to AQI escaped from U.S. custody at a Baghdad detention facility.

## Anticorruption

In March, the GOI's Joint Anti-Corruption Council released Iraq's *National Anti-Corruption Strategy for 2010–2014* (NACS), which outlines Iraq's anticorruption priorities and tasks specific GOI agencies with responsibility for detailed sets of goals. Preparation of the NACS was carried out

with assistance from the UNDP under a grant managed by the U.S. Embassy’s Anti-Corruption Coordination Office (ACCO).<sup>361</sup> This quarter, SIGIR conferred with officials from Iraq’s three main anticorruption institutions—the Commission of Integrity (COI), ministry inspectors general (IGs), and the Board of Supreme Audit (BSA)—all of whom emphasized the centrality of the NACS to their organizations’ work.

**U.S. Anticorruption Efforts**

As of September 30, 2010, ACCO had spent more than \$22 million in support of the GOI’s anticorruption efforts. ACCO continues to engage with the GOI’s main anticorruption institutions and work with USAID, the U.S. Department of Treasury, and the UNDP on anticorruption initiatives in Iraq. For example, of the \$8 million committed by the UNDP to support the COI’s public-education campaign, \$3.5 million came from funds controlled by ACCO.<sup>362</sup>

This summer, ACCO began operating under INL, with a staff of 8 that is scheduled to be reduced in 2011. This reduced staffing will be offset in part by two new local staff hires and additional administrative and management support from INL.<sup>363</sup>

**New Anticorruption Training Academy**

In November, the GOI is scheduled to open a national anticorruption academy in the International Zone, and it has reached preliminary agreement with Austria’s new International Anti-Corruption

Academy (IACA) to provide training support for Iraqi anticorruption officials. The IACA is a joint effort by the United Nations Office on Drugs and Crime and other stakeholders to support anticorruption training programs in participating nations. Iraq’s Council of Ministers reports that the COI will take the lead in administering the anticorruption academy, which is being set up in a USACE-built facility originally constructed for the Ministry of Health.<sup>364</sup>

**Dismissal of Charges Against Former Minister of Trade**

Earlier this year, the GOI’s former Minister of Trade was acquitted by a trial court in Baghdad, in one of the two corruption cases brought against him by the COI. The charges alleged that the former minister and his brother orchestrated a scheme to steal millions of dollars from Iraq’s Public Distribution System, which hands out basic foodstuffs to most Iraqi citizens. Immediately following the acquittal, the COI appealed the verdict, but on September 2, 2010, it was announced that Iraq’s Federal Appeals Court had upheld the lower court’s verdict dismissing the case. As of October 2, 2010, the COI’s other case against the former Minister of Trade remains pending.<sup>365</sup>

**Commission of Integrity: 2010 Mid-year Review**

This quarter, the COI published a list of 15 key achievements and indicators for the first six months of 2010. Among them, the COI reports issuing 2,360 arrest warrants against GOI employees, including 52 against officials holding the rank of director general.<sup>366</sup> Moreover, in the first two quarters of 2010, the Iraqi judiciary rendered guilty verdicts against 202 officials brought before the courts as a result of COI’s investigative work.<sup>367</sup> Figure 4.8 summarizes the sentences received by these individuals.

Despite these investigative accomplishments, the COI’s anticorruption efforts are still hampered by certain provisions in Iraq’s Criminal

In November 2010, the GOI is scheduled to open a national anticorruption academy in the International Zone.



Classroom inside the new Iraqi anticorruption training academy.

Procedure Code—most notably Article 136(b). Under this article, a minister can halt criminal proceedings against a subordinate. Twice repealed and twice reinstated since 2003, Article 136(b) remains operative, and the COI reported that it was invoked at least 95 times in the first half of 2010 in cases involving potential misconduct related to about \$920,000.<sup>368</sup>

According to MOI's IG, Article 136(b) was recently invoked to halt an inquiry into the conduct of the MOI general responsible for purchasing supposed "bomb detectors" from a company in Great Britain—devices that were little more than antennas connected to metal boxes (often derisively referred to as "magic wands").<sup>369</sup>

## Commission of Integrity: 2009 Report

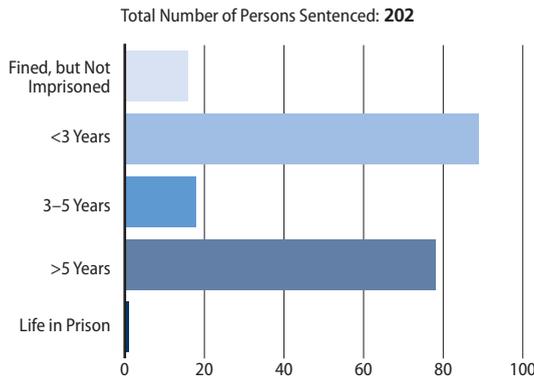
In August 2010, the COI issued its *Annual Report for 2009*. According to the report, the COI received 7,797 allegations of corruption in 2009, 53% of which were filed anonymously, and referred 1,084 individuals to the courts for adjudication.<sup>370</sup> Figure 4.9 shows the number of cases referred annually by the COI for judicial action since 2004.

According to the COI, 296 people were convicted on corruption charges in 2009 as a result of its investigations; 39 held the rank of director general or higher.<sup>371</sup> This marked a three-fold increase over the 97 convicted in 2008.<sup>372</sup> Of those convicted in 2009, sentences had to be rendered in absentia for 41% of cases (121 persons).<sup>373</sup> As Table 4.4 indicates, most 2009 sentences were for crimes of forgery and embezzlement.

Other highlights from the *Annual Report for 2009* include:<sup>374</sup>

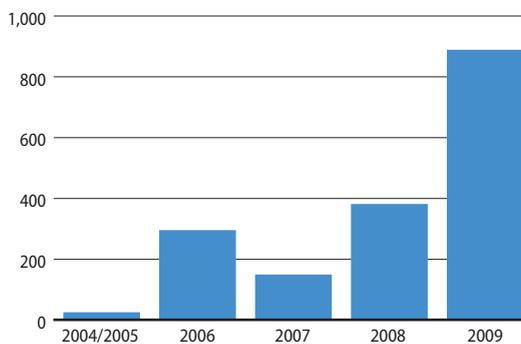
- **Freezing overseas accounts.** For the first time, the COI detected and froze a significant amount of money—approximately \$5 million—that was embezzled and subsequently smuggled out of Iraq, ending up in banks in Jordan and Lebanon. Activities to follow up with officials in those nations continue as the COI attempts to recover those funds and return them to the Iraqi national treasury.

FIGURE 4.8  
CORRUPTION SENTENCES, 1/1/2010–6/30/2010



Source: GOI, COI, "COI Key Achievements and Indicators from January 1, 2010 to June 30, 2010," [www.nazaha.iq/en\\_body.asp?field=news\\_en&id=188](http://www.nazaha.iq/en_body.asp?field=news_en&id=188), accessed 9/22/2010.

FIGURE 4.9  
COI CASES REFERRED FOR JUDICIAL ACTION, 2004–2009



Note: The COI began operations in the second half of 2004. In September 2007, COI's first Commissioner sought refuge in the United States because of threats against his life. Cases with multiple defendants are often reported as a single case; thus the number of individuals brought before the bar as a result of COI investigations is higher than the number of cases referred.

Source: GOI, COI, *Annual Report for 2009*, [www.nazaha.iq/pdf\\_up/189/p05-1.pdf](http://www.nazaha.iq/pdf_up/189/p05-1.pdf), accessed 9/22/2010.

- **Credential fraud.** 282 arrest warrants were issued against Provincial Council candidates for forging their educational certificates. Of those accused, 17 were sentenced to various terms of imprisonment.
- **Article 136(b).** The Ministry of Municipalities and Public Works used 24 waivers under Article

For the first time, the COI detected and froze a significant amount of money that was embezzled and subsequently smuggled out of Iraq.

TABLE 4.4  
CORRUPTION VERDICTS RENDERED IN 2009, BY OFFENSE

TYPE OF CRIME	NUMBER OF PERSONS CONVICTED	EXAMPLES OF ACTIONS RESULTING IN CONVICTIONS
Forging and/or Using Official Document	90	Forging a diploma or official certificate
Embezzlement	65	Stealing weapons, contract fraud, or failure to follow proper contracting procedures
Sabotage of Public Monies	39	Paying salaries to suspended employees
Aggravated Mistake	22	Professional negligence
Bribery	8	Accepting bribes
Overstepping Bounds of Authority	8	Transferring land via use of a forged deed
Making False Statements	5	Receiving two salaries
Failure to Appear in Court	4	Failure to appear before a judge
Other	17	Disobeying orders or impersonating an official

**Note:** This table summarizes information provided by the COI on 256 persons convicted in 2009. Information on others convicted in 2009 was not available. Verdicts resulting in convictions for more than one crime are included under each offense category. In some instances, individuals committing the same underlying offense are charged under different provisions of the Iraqi Penal Code. For purposes of this table, SIGIR has treated them as having committed the same type of crime.

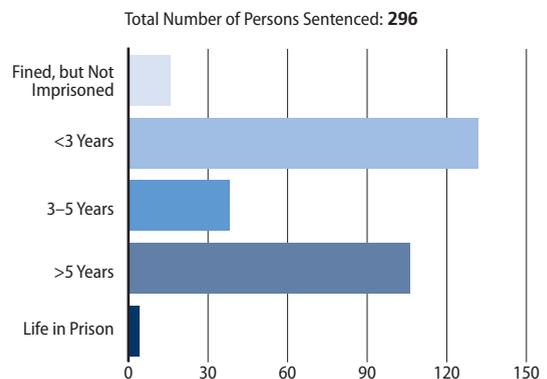
**Source:** GOI, COI, *Annual Report for 2009*, [www.nazaha.iq/pdf\\_up/189/p05-1.pdf](http://www.nazaha.iq/pdf_up/189/p05-1.pdf), accessed 9/15/2010.

136(b)—more than any other ministry. Overall ministers stopped legal proceedings against 54 GOI employees in 2009 by invoking Article 136(b) or taking other actions.

- **Inspectors general.** The COI reviewed 37 IG candidates in 2009; 26 were deemed unqualified, and 10 were ultimately appointed to IG positions within their ministries. (COI authority for reviewing IG candidates originates from CPA Order 55, but reviews have been sporadic since 2003).
- **Oversight of ministries.** The Ministries of Justice, Municipalities and Public Works, Interior, and Oil had the most arrest warrants issued against their employees in 2009. But the Ministry of Defense had more warrants issued against high-ranking officials (41) than any other ministry.

The GOI’s anticorruption efforts continue to confront significant challenges. The COI’s report revealed that most cases are still based on documents (for example, diploma fraud), suggesting that the COI’s ability to conduct proactive investigations remains limited. Figure 4.10 presents COI criminal conviction data for 2009.<sup>375</sup>

FIGURE 4.10  
CORRUPTION SENTENCES, 2009



**Source:** GOI, COI, *Annual Report for 2009*, [www.nazaha.iq/pdf\\_up/189/p05.pdf](http://www.nazaha.iq/pdf_up/189/p05.pdf), accessed 9/22/2010.

**Iraq’s Inspectors General: Two Profiles**

Iraq’s IGs are appointed by the prime minister and serve renewable five-year terms. However, turnover has been frequent, and while some IGs are nearing the end of their full term in office, others are new to the position and only just becoming acclimated to the office. For example, the MOI IG has occupied his post for nearly five years, but the IG for the Ministry of Electricity (MOE) has only been on the job for about four months. This quarter, SIGIR

The Ministries of Justice, Municipalities and Public Works, Interior, and Oil had the most arrest warrants issued against their employees in 2009.

met with both of these men, whose experiences illustrate the challenges confronting the broader IG community as a whole:

- The MOI's IG has oversight of approximately 700,000 MOI employees. The IG had maintained offices in the 15 provinces outside of the Kurdistan Region, but recently worked with Kurdish officials to establish an IG office there. The MOI is the only ministry to have an IG with at least nominal oversight over activities in all 18 provinces. In 2009, the IG's auditing arm uncovered more than 250 billion Iraqi dinar that was improperly used, up from 3 billion Iraqi dinar in 2007.<sup>376</sup>
- The MOE's IG reported having only 71 of the 250 personnel he believes are needed to adequately conduct audits, inspections, and investigations, although he plans to hire 100 more in the near future. The IG contended that, although he lacks essential equipment, the largest problem his office faces is obtaining the information necessary to properly assess the MOE's performance and uncover waste, fraud, and abuse. According to the IG, most corruption is found in procurement contracts, whether between the MOE and local contractors or between the MOE and international firms.<sup>377</sup>

## Status of GOI Anticorruption Leaders

DoS reported that, for the last several years, neither a single IG nor the heads of the COI and BSA have been submitted to the CoR for confirmation, meaning they are acting officials serving at the pleasure of the Prime Minister. Moreover,

according to DoS, the COI Commissioner was appointed in late 2007 by a means not supported under current law. DoS maintains that these factors leave the anticorruption institutions politically vulnerable and their independence compromised.<sup>378</sup>

## Anticorruption Efforts in the Kurdistan Region

The KRG maintains anticorruption institutions distinct from those found in the rest of Iraq, including the Public Rights Board and the Kurdistan Parliament Integrity Committee.<sup>379</sup> Until 2007–2008, the KRG also had two BSA offices, but the Kurdistan Parliament passed a law merging the 2 BSAs into one entity that is charged with auditing public funds and reporting its findings to the Kurdistan Parliament.<sup>380</sup>

In late September, SIGIR officials traveled to the Kurdistan Region to confer with Judge Amin Rizgar of the KRG's Judicial Council. The investigative judges of the Judicial Council focus on enforcing anticorruption laws. Judge Rizgar cited the KRG's hiring of unqualified civil servants and the opacity of many governmental processes as two of the main aggravating factors driving corruption in the Kurdistan Region. To ameliorate these problems, he advocated:<sup>381</sup>

- increasing anticorruption education for public-sector employees
- enhancing prosecutorial independence
- amending laws and regulations governing the expenditures of public funds
- re-evaluating all KRG employees to ensure they are qualified for the positions they hold ♦

For the last several years, neither a single IG nor the heads of the COI and BSA have been submitted to the CoR for confirmation.

## ECONOMY

Legal and regulatory reforms intended to promote Iraq's economic development remain on hold as negotiations to form a government continue.<sup>382</sup> Nevertheless, there are tangible signs of economic progress this quarter. Iraq's hydrocarbon potential has led international oil companies to enter into a series of agreements (generally favoring Iraq) to develop oil and gas fields, as well as related infrastructure.<sup>383</sup> Some progress to create opportunities in the non-hydrocarbon sector is also apparent, and a comprehensive Iraqi plan has been advanced to address the restructuring of State-owned Enterprises (SOEs).

### Key Economic Trends and Developments

The Iraqi economy and government remain largely dependent on the oil sector, as they will for the foreseeable future. This quarter, the GOI received \$11.26 billion in oil exports receipts, \$771 million (6%) less than last quarter. Assuming that oil export receipts for the final three months of the calendar year are equal to the average monthly receipts for the first nine months of 2010, the GOI would receive \$47.47 billion in total annual oil receipts for the year.<sup>384</sup> Those projected oil receipts represent 66% of the GOI's 2010 budget and 56% of Iraq's projected gross domestic product (GDP).<sup>385</sup> For details on the close relationship between oil price, GOI oil receipts, and Iraqi GDP, see Figure 4.11.

#### Inflation

Inflation again remained steady this quarter. As of August 2010, the latest month for which inflation data is available, the core inflation rate was 1.7% and the overall inflation rate was 1.9%<sup>386</sup>—both considerably less than the estimated 2010 Middle East average of 6.6%.<sup>387</sup> Since the Central Bank

of Iraq (CBI) began using data from *Iraq Socio-Economic Survey*—published by the GOI's Central Organization for Statistics and Information Technology (COSIT)—to calculate inflation rates in January 2010, the core and overall inflation rates have tracked very closely with each other. Since the beginning of this year, core inflation has ranged between 1.8% and 3.8%, and overall inflation has ranged between 0.6% and 3.4%. For details, see Figure 4.11.<sup>388</sup>

The CBI has pegged the exchange rate at 1,170 Iraqi dinar per U.S. dollar since January 2009,<sup>389</sup> and has held its policy rate at 6% since April 2010.<sup>390</sup>

#### Employment

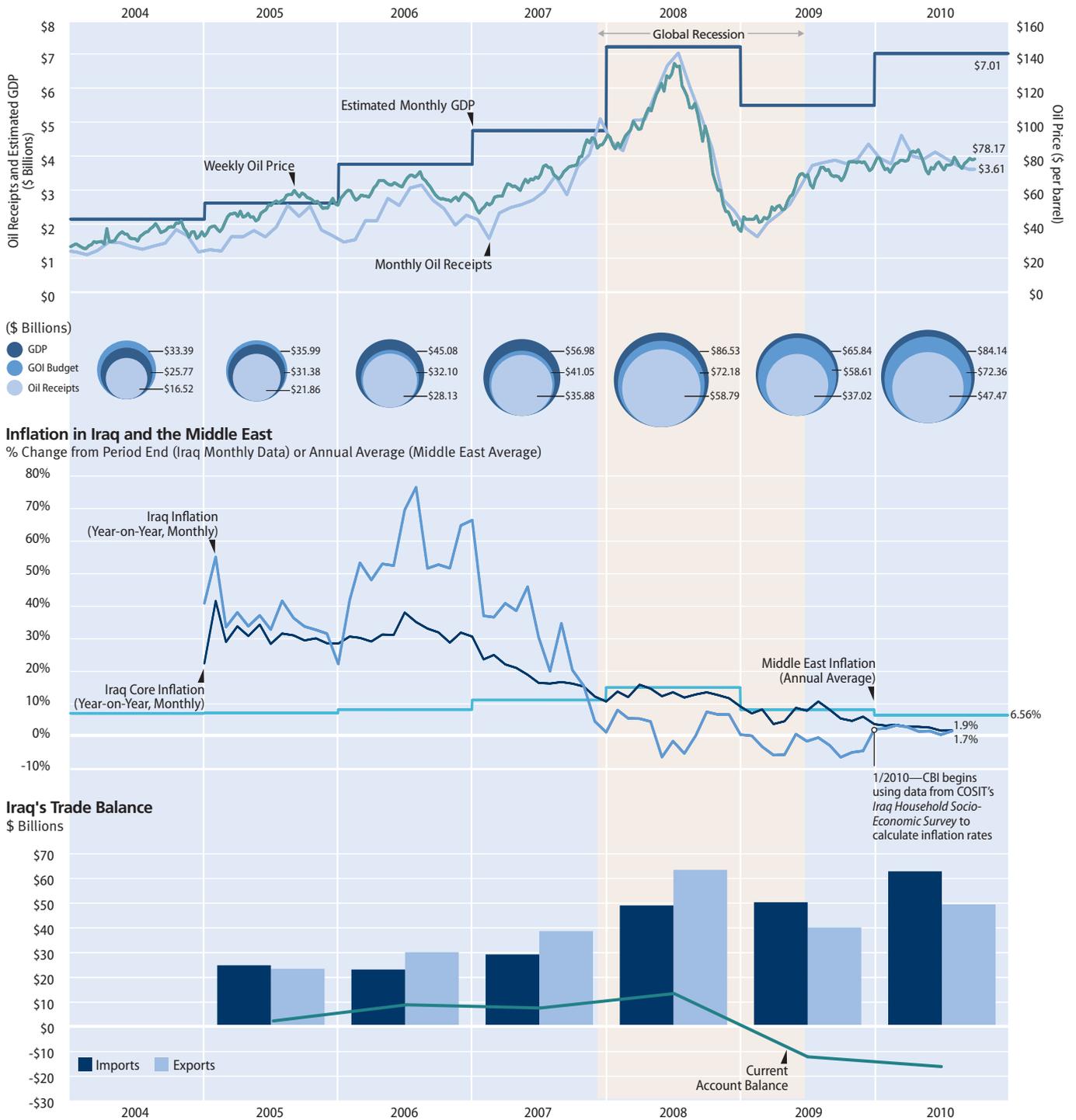
The structural challenge to Iraq's sustainable economic development is that basic civil, commercial, and human capital infrastructure has yet to recover from the effects of decades of sanctions and conflict. Iraqi wages are largely dependent on the GOI budget, which funds more than 60% of full-time employment, and the GOI remains a key driver of the country's economic development.<sup>391</sup> According to a UN labor force analysis of January 2009, the Iraqi economy is unable to generate employment opportunities for 28% of the active labor force. This includes an estimated 18% unemployed and an additional 10% who are part-time workers seeking full-time employment.<sup>392</sup> Moreover, almost a quarter of a million young Iraqis enter into the job market each year, and the country's principal source of revenue (oil exports) provides a disproportionately small number of employment opportunities.<sup>393</sup>

As shown in Figure 4.12, oil represents more than half of GDP but less than 2% of all employment. All other economic sectors, including agriculture, manufacturing, and services, contribute less than half of GDP, “but nearly all jobs, and by extension, the welfare of the very large population that is directly dependent on those jobs.”<sup>394</sup> As stated in

Oil represents more than half of GDP but less than 2% of all employment.

# DEVELOPMENTS IN IRAQ

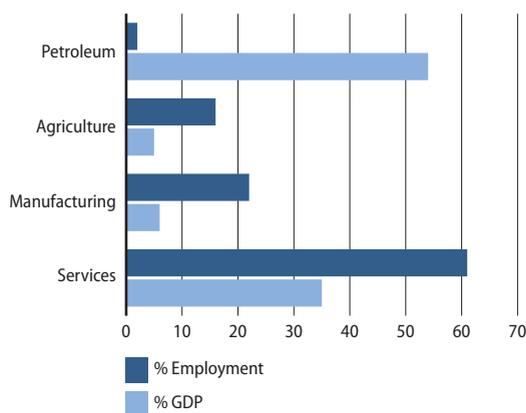
FIGURE 4.11  
THE IRAQI ECONOMY, 2004–2010  
Oil Price, Iraqi Oil Receipts, and GDP



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

Sources: U.S. Treasury, responses to SIGIR data calls, 6/8/2010, 7/13/2010, and 10/13/2010; IMF, *World Economic and Financial Surveys: World Economic Outlook Database*, 10/2010, [www.imf.org/external/pubs/ft/weo/2010/02/weodata/index.aspx](http://www.imf.org/external/pubs/ft/weo/2010/02/weodata/index.aspx), accessed 10/12/2010, and *Regional Economic Outlook: Middle East and Central Asia*, 10/2009, pp. 55–57, and 5/2010, pp. 59–61; EIA, “Weekly Iraq Kirkuk Netback Price at U.S. Gulf,” [www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WEPCKIRK&f=W](http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WEPCKIRK&f=W), accessed 10/12/2010; GOI, CBI, “Key Financial Indicators,” 10/6/2010, [www.cbi.iq/documents/key\\_financial.xls](http://www.cbi.iq/documents/key_financial.xls), accessed 10/12/2010.

FIGURE 4.12  
**SHARE OF IRAQI EMPLOYMENT AND SHARE OF GDP, BY SECTOR**



Source: GOI, MoPDC, response to SIGIR data call, 10/17/2010.

the *UN Development Assistance Framework for Iraq 2011–2014* (UNDAF), “Iraq faces a critical period during which economic diversification and development of the private sector must be undertaken.”<sup>395</sup>

## Lack of an Adequate Financial Management System

International donors have long viewed implementation of a transparent financial management system as important to their support of the GOI. Given the level of donor participation sought under the new Iraqi NDP, the stakes are even higher, but the GOI continues to operate without the benefit of the U.S.-funded Iraq Financial Management Information System (IFMIS). SIGIR reviewed the IFMIS program early in its development and identified fundamental challenges to its implementation.<sup>396</sup> A report released by USAID’s Office of Inspector General (USAID OIG) this quarter revealed that many of those deficiencies remain, and the U.S. investment of \$37.4 million may be at risk for waste.<sup>397</sup>

Although U.S.-funded work on the IFMIS project has ended, the GOI’s Ministry of Finance (MOF) informed USAID OIG that the IFMIS was not fully delivered and significant components were not

completed—including budget and purchasing modules that would have solved many of the difficulties in executing Iraq’s budgets.<sup>398</sup>

The IMF reported in its latest review of the Stand-By Arrangement (SBA) for Iraq that the GOI has committed to assess the functionality of the IFMIS and make the changes required to ensure that the system is operational in 2011.<sup>399</sup> A World Bank study also released this quarter expressed the hope that the IFMIS would be implemented,<sup>400</sup> and the MOF Director General of Finance has indicated that the GOI has been in discussions with the system’s software vendor to see if some of the benefits of the IFMIS could be salvaged.<sup>401</sup>

An IMF staff report reviewing the SBA makes clear that GOI spending units “will be required to submit comprehensive spending reports to enable the MOF to better track implementation and strengthen cash management.”<sup>402</sup> In practice, however, USAID OIG found that the GOI continues to use a legacy system because IFMIS does not allow for users to perform critical accounting functions (see Table 4.5).<sup>403</sup>

TABLE 4.5  
**FUNCTIONS THAT GOI REPORTEDLY CANNOT PERFORM USING THE U.S.-FUNDED IFMIS SYSTEM**

Enter invoices with unique invoice numbers.
Provide information needed to perform bank reconciliations.
Provide for more than one bank account.
Provide automatic opening balances that were based on closing balances from the previous accounting period.
Provide a work-around for offline data entry.
Produce useful reports for individual ministries and offices.
Produce accurate and complete trial balances.
Add a supplemental budget for mid-year increases to the budget.
Add new accounts to the chart of accounts.
Automatically save entered transaction data.
Inform users when budget ceilings are exceeded.
Transmit information quickly through the system.

Source: USAID OIG Audit E-267-10-002-P, “Audit of USAID/Iraq’s Implementation of The Iraq Financial Management Information System,” 7/19/2010, p. 6.

The GOI continues to operate without the benefit of the U.S.-funded Iraq Financial Management Information System.

## Oil and Gas

On October 4, Iraq’s Minister of Oil announced that the ministry had raised its estimate of the country’s proved reserves of crude oil by 24%—from 115 billion barrels to 143.1 billion barrels.<sup>404</sup> The most significant revisions reportedly were for the West Qurna field (increasing from 21.4 billion to 43.3 billion barrels) and the Zubair field (increasing from 4 billion to 7.8 billion barrels).<sup>405</sup> The revised estimate would move Iraq ahead of Iran on most lists of countries’ proved reserves, leaving it behind only Saudi Arabia and, perhaps, Canada.<sup>406</sup>

Although hydrocarbon resources dominate Iraq’s economy, their potential to generate government revenue—as well as to meet domestic energy needs—has been limited by conflict, sanctions, and the consequent underinvestment in those resources. As shown in Figure 4.13, production of crude oil has remained relatively flat since the beginning of 2008, rarely exceeding 2.5 million barrels per day (MBPD). Furthermore, vast amounts of natural gas continue to be flared because of the lack of infrastructure to deliver it to where it can be productively used. But these conditions could start to change in the coming years as a result of the contracts signed with international

oil companies, as well as agreements that currently are being negotiated or proposed.

### Crude Oil Production and Field Development

Over the past year, Iraq’s crude oil production each quarter was either about the same as or slightly below what it was the preceding quarter. This quarter’s production averaged 2.33 MBPD, a 2% decrease from last quarter and a 7% drop from the post-invasion record of 2.49 MBPD achieved during the July–October quarter of 2009.<sup>407</sup> These figures do not include crude oil production in the Kurdistan Region, which currently averages about 40,000 barrels per day (BPD).<sup>408</sup>

About 71% of Iraq’s proved reserves of crude oil and 72% of current production are in the oil fields of southern Iraq,<sup>409</sup> where most new development activity is taking place or being planned. In September, the Ministry of Oil’s South Oil Company and its international partners set quarterly production targets that aim to increase southern production from this quarter’s average of 1.68 MBPD to 2.285 MBPD by December 31, 2011.<sup>410</sup> The Ministry of Oil’s goal is to eventually expand the country’s overall production to more than 12 MBPD, and the winners of last year’s bidding rounds for

The revised estimate would move Iraq ahead of Iran on most lists of countries’ proved reserves.

FIGURE 4.13  
**CRUDE OIL PRODUCTION AND EXPORTS, BY MONTH, 10/2003–9/2010**  
 Million Barrels per Day



Sources: NEA-I, responses to SIGIR data calls, 6/4/2010, 7/6/2010, and 10/4/2010.

field-development contracts are at various stages of planning, deployment, and field work.<sup>411</sup>

Although ExxonMobil and Occidental Petroleum were the only U.S. firms on consortia that won contracts in last year's bidding rounds, other U.S.-based companies are establishing a presence in Iraq to provide oilfield services. For example, Halliburton reported it has completed construction on the first phase of its 400-person base in al-Burjisiyah in Basrah province.<sup>412</sup> Baker Hughes, Schlumberger, and Weatherford also have set up base camps in Basrah.<sup>413</sup> Industry developments this quarter included the following:

- Halliburton announced that Shell had awarded it a letter of intent for the development of the Majnoon field and that Eni had awarded it a contract to provide a range of energy services to support the redevelopment of the Zubair field. Work on the Eni contract has already started, but the contract with Shell must be approved by the GOI before work can begin on the Majnoon field. Halliburton will serve as project manager for the Majnoon development work, in affiliation with Nabors Drilling and Iraq Drilling Company.<sup>414</sup>
- Baker Hughes signed a three-year strategic alliance to supply wireline technologies to the South Oil Company and other Iraqi oil and gas producers as well as to help develop local Iraqi wireline logging capabilities.<sup>415</sup> Wireline logging helps determine where oil and gas is likely to be found.<sup>416</sup>
- Lukoil began the tender process for construction of key facilities on the West Qurna-2 field, and China National Petroleum Corporation announced a series of tenders related to development of the Halfaya field.<sup>417</sup>

To help coordinate the expansion efforts, the ministry invited the winning consortia and local government officials to a symposium in Baghdad on July 18 and 19. Industry representatives reportedly voiced concerns about obstacles slowing the movement of personnel and equipment into Iraq. In response, the Minister of Oil said that the

Ministry of Interior would start issuing visas to company employees at airports and that the GOI was also working to open new border crossings for oil equipment to compensate for the current shortage of dock space at Umm Qasr. The minister also acknowledged that every type of transportation infrastructure—including roads, airports, and pipelines—would need to be improved or expanded to handle the expected development activity.<sup>418</sup> ExxonMobil apparently was confronted with an additional challenge as it started work at the West Qurna-1 field: to obtain adequate water supplies, it had to build water infrastructure.<sup>419</sup>

### Crude Oil Exports and Capacity Expansion

Crude oil exports averaged 1.85 MBPD, about the same as last quarter's level and 7% below what they were a year ago—roughly coinciding with the trend in production. Of this quarter's total exports, about 1.47 MBPD was shipped from the southern port facilities in Basrah, about 0.37 MBPD was transported via pipeline north through Turkey to the port of Ceyhan, and a small amount was trucked to Jordan.<sup>420</sup>

As crude oil production increases in the coming years, more oil will be available for export. Iraq's NDP estimates that crude oil exports could reach 3.1 MBPD in 2014 (see Table 4.6). How much is actually exported, however, could be constrained by the capacity of Iraq's pipelines and export facilities. The Ministry of Oil has been working on several fronts to increase export capacity:

- **Southern Exports.** On September 28, the Council of Ministers (CoM) approved a \$733 million agreement with Leighton Offshore to build a 1.8 MBPD floating oil terminal in Basrah, as well as pipelines that connect oil fields to the new terminal. The GOI's 2010 budget reportedly already includes \$175 million for the project.<sup>421</sup> The Ministry of Oil's previously announced plans call for building three new offshore pipelines in Basrah with a combined capacity of 4.5 MBPD, and it announced in September that it expects those

The minister also acknowledged that every type of transportation infrastructure would need to be improved or expanded to handle the expected development activity.

TABLE 4.6  
NDP ESTIMATE OF OIL EXPORTS, 2010–2014

YEAR	EXPORTS (MBPD)	PRICE/ BARREL (\$US)	POTENTIAL REVENUE (\$US Billions)
2010	2.15	60	47.09
2011	2.30	63	52.89
2012	2.50	68	62.05
2013	2.80	68	69.50
2014	3.10	68	76.94

Note: Numbers affected by rounding.

Source: GOI, MoPDC, *National Development Plan (2010–2014)*, 12/2009, p. 24.

pipelines to be ready by the end of 2011.<sup>422</sup> U.S. officials, however, have told SIGIR that they do not expect the offshore pipeline capacity to reach 4.5 MBPD until the end of 2013 at the earliest.<sup>423</sup>

- **Northern Exports.** On September 19, the Minister of Oil signed an agreement with Turkey to ensure continuation of exports through the Iraq-Turkey pipeline for another 15 years. The deal allows for a 1 MBPD increase in flow through the pipeline.<sup>424</sup> There also are reports that the ministry is considering additional pipeline capacity for exports to Turkey.<sup>425</sup>
- **Western Exports.** Iraq and Syria signed a memorandum of understanding this quarter to build two transnational oil pipelines and one gas pipeline. The pipelines would have the capacity to transport more than 2 MBPD of oil and an unspecified amount of gas from Iraq's northern fields to Syrian ports. The Ministry of Oil has determined that constructing new pipelines would be more cost-effective than attempting to rehabilitate Iraq's existing, but no longer used, pipeline to Syria.<sup>426</sup>

## Refineries and Petroleum Products

Compared with the same quarter in 2009, domestic production of gasoline, diesel fuel, kerosene, and liquefied petroleum gas (LPG), as well as the total supply of each of those petroleum products, was up. Refinery output of diesel fuel increased by 39% over that period, gasoline by 27%, kerosene

by 7%, and LPG by 4%. As shown in Figure 4.14, Iraq produced more of these fuels than it imported. While its imports of kerosene and diesel fuel were negligible, Iraq imported 13% of this quarter's LPG supply and 31% of the gasoline supply.<sup>427</sup>

According to the Ministry of Oil, gasoline consumption reached record-high levels in the May–July period as use of private household and neighborhood generators increased to help offset electricity shortages on the national grid. Demand for gasoline reportedly was 18% higher than it was during the same time period in 2009. In Baghdad, up to 7 million liters of gasoline were consumed each day.<sup>428</sup>

The ministry plans to expand the existing Doura and Basrah refineries and to build four new refineries with a combined capacity to refine 740,000 BPD of crude oil. In August, KBR announced it had been awarded two contracts to provide licensing and basic engineering services for the construction of a fluid catalytic cracking unit and a solvent deasphalting unit at one of those new facilities—a 150,000 BPD refinery in Missan province.<sup>429</sup>

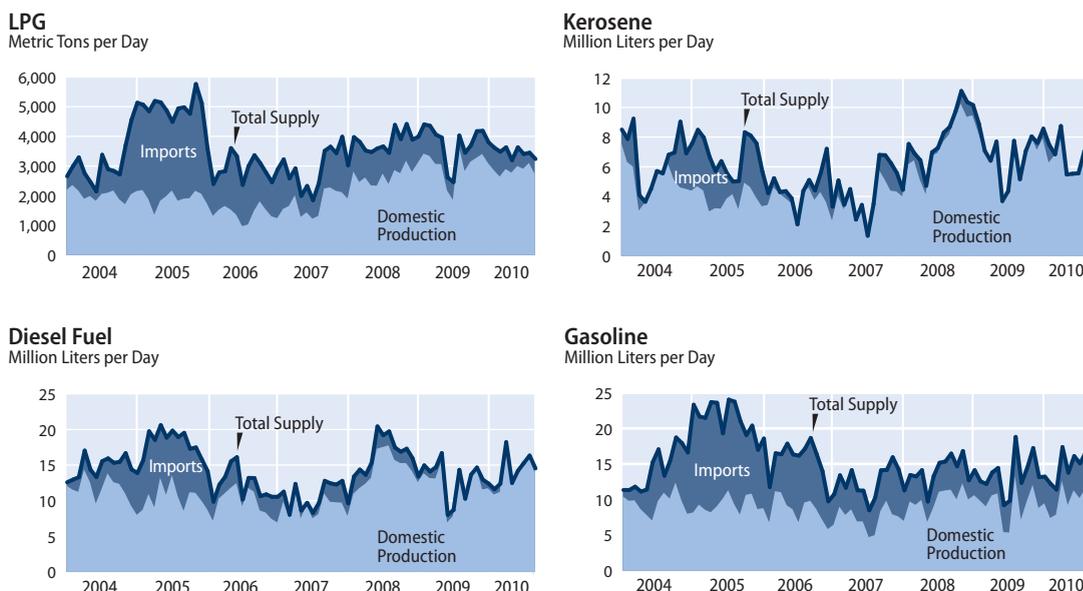
## Natural Gas

According to the Ministry of Oil, production of associated natural gas averaged 1,385 million cubic feet (MCF) per day during the first eight months of 2010, and half of that amount was flared.<sup>430</sup> There were no reported developments this quarter on the proposed deal with Shell and Mitsubishi to form a joint venture with the ministry's South Gas Company to capture and distribute associated gas in Basrah.

After having been rescheduled twice, the bidding round for the development of three non-associated gas fields was finally held on October 20. The auction was for the Akkas gas field in Anbar province, the Mansouriya field in Diyala, and the Siba field in Basrah. As was the case in the December 2009 auction for oil service contracts, company representatives placed their sealed bids for each field into a clear box designed to symbolize the transparency of the process. They did so after the ministry put a sealed envelope into the box

Gasoline consumption reached record-high levels in the May–July period.

FIGURE 4.14  
REFINED FUEL PRODUCTION AND IMPORTS, BY MONTH, 2004–2010



Sources: NEA-I, responses to SIGIR data calls, 6/4/2010, 7/6/2010, and 10/4/2010.

TABLE 4.7  
RESULTS OF GAS BIDDING ROUND

FIELD	WINNING CONSORTIUM	ESTIMATED RESERVES (TCF)	FEE BID (\$/Barrel of Oil-equivalent)	PRODUCTION PLATEAU TARGET (MCF/Day)
Akkas	Kogas (50%), KazMunaiGaz (50%)	5.6	5.50	400
Mansouriya	TPAO (50%), KEC (30%), Kogas (20%)	4.5	7.00	320
Siba	KEC (60%), TPAO (40%)	1.5	7.50	100
<b>Total</b>		<b>11.6</b>		<b>820</b>

Source: U.S. Embassy-Baghdad, response to SIGIR data call, 10/22/2010.

containing the maximum acceptable remuneration fee for the field. As shown in Table 4.7, a consortium of Korea Gas Corporation (Kogas) and Kazakhstan’s KazMunaiGaz was the successful bidder for the Akkas field; Turkey’s TPAO, Kuwait Energy Company (KEC), and Kogas won the bidding for the Mansouriya field; and KEC and TPAO submitted the winning bid for the Siba field. A Ministry of Oil company will have a 25% share in each project. The CoM must approve the deals before they are final. If the production plateau targets are achieved,

the new contracts could potentially raise gas production by 820 MCF per day.<sup>431</sup>

In the Kurdistan Region, Dana Gas and Crescent Petroleum reported that they have invested more than \$850 million since 2007 to develop the region’s natural gas resources. In their October 5 announcement, the two companies say they have reached an overall production and processing capacity of 200 MCF per day and are currently supplying up to 180 MCF per day to the region’s two privately operated power plants in Erbil and

Sulaymaniyah. They expect daily production capacity to reach 300 MCF by 2012.<sup>432</sup>

## GOI-KRG Tensions over Oil and Gas Exports

The KRG's and GOI's differing viewpoints on the development and marketing of hydrocarbon resources in the Kurdistan Region publicly resurfaced this quarter after the KRG signed an agreement with German company RWE for the design and development of gas-transportation infrastructure within the region. Under the agreement reached in August, RWE would help design not only a domestic distribution network that would pipe gas to households and businesses in the region, but also the infrastructure that could potentially enable gas produced in the region to be exported via the proposed Nabucco pipeline. In announcing the deal, the KRG's Minister of Natural Resources said that transporting this gas through the Nabucco pipeline is "a priority for us, and will also serve to cement our already good relations with Europe and Turkey."<sup>433</sup>

First conceived in 2002 but still in the planning stage, the Nabucco pipeline would connect the Eastern border of Turkey to a distribution hub in Baumgarten, Austria, thereby providing a way to transport gas from the Caspian region and the Middle East to Europe. Figure 4.15 shows the route of the proposed pipeline, as well as the anticipated feeder line from the Kurdistan Region. On September 6, the international consortium spearheading the Nabucco project said that it had signed an agreement with the European Investment Bank, European Bank for Reconstruction and Development, and International Finance Corporation that would initiate an appraisal process that eventually could result in a financing package worth more than \$5 billion.<sup>434</sup>

Soon after the KRG-RWE deal was announced, the GOI Ministry of Oil released a statement saying that the State Oil Marketing Organization (SOMO) is the only entity authorized to sign contracts for the export of Iraq's crude oil or natural gas. The

FIGURE 4.15  
ROUTE OF PROPOSED NABUCCO GAS PIPELINE



Source: Nabucco Gas Pipeline International, "Route," [www.nabucco-pipeline.com/portal/page/portal/en/pipeline/route](http://www.nabucco-pipeline.com/portal/page/portal/en/pipeline/route), accessed 9/23/2010.

statement added that "the KRG has no such authority to export crude oil or gas or their products. And any other commitments made other than by the Ministry of Oil to export gas via the Nabucco pipeline are invalid." The KRG issued a counter-statement asserting that it would continue on its own to make deals to provide energy services in a timely manner for the people in the Kurdistan Region,<sup>435</sup> but Turkey's Minister of Energy reportedly pledged that gas from the Kurdistan Region would not be allowed to pass through Turkey without permission from the GOI.<sup>436</sup>

Earlier in the quarter, the GOI-KRG disagreement manifested itself in a different form after the *New York Times* published an article about oil smuggling on the Kurdistan Region's border with Iran. The KRG responded by saying that, other than the crude oil it exported to Turkey for a brief period in 2009, "no crude oil travels across the internal or external boundaries of the Kurdistan Region."<sup>437</sup> The KRG subsequently told SIGIR that the amount of crude oil that will be exported in the future will be determined by the KRG's Council of Oil and Gas.<sup>438</sup>

With regard to petroleum products from the three refineries in the Kurdistan Region, the KRG said that most are used within the region; when

The Ministry of Oil released a statement saying that SOMO is the only entity authorized to sign contracts for the export of Iraq's crude oil or natural gas.

The KRG told SIGIR that the amount of crude oil that will be exported in the future will be determined by the KRG's Council of Oil and Gas.

there are surplus products, the KRG said it “conducts open and competitive tendering” for their export. The statement added that fuel oil produced in the GOI’s large refineries is sold to the local private sector at a significant discount. “The KRG is aware of the fact that profiteers in fuel oil refined outside Kurdistan have exploited Kurdistan’s international borders,” the statement said. “The KRG is committed to working with the Federal Government to eliminate permanently all such profiteering in fuel oil, not only in the KRG but also along the entirety of Iraq’s international borders.”<sup>439</sup>

U.S. law provides for the imposition of sanctions on persons who knowingly sell refined petroleum (valued at \$1 million or more, or valued in the aggregate at more than \$5 million during a 12-month period) to Iran.<sup>440</sup>

### Attacks on Oil and Gas Infrastructure

There were three reported attacks this quarter on oil and gas facilities, compared with four last quarter. According to USF-I, none of this quarter’s attacks caused significant damage or led to prolonged periods of disruption to the oil or gas networks, and no specific group or organization took credit for these attacks. The first attack occurred on July 3, when an improvised explosive device caused minor damage to the Pipeline Exclusion Zone along the Iraq-Turkey pipeline, halting the flow of oil for one day. On July 12, an oil pump was attacked in the Rashidiya area of Baghdad, causing a small fire but no damage. The third attack, an explosion on a liquefied petroleum gas line that supplies a bottling plant in Taji, also resulted in no damage.<sup>441</sup>

### Private-sector Development in Non-hydrocarbon Areas

The creation of a strong private sector and diversification of industries beyond the oil and gas sector are the emphasis of development plans and programs adopted by the GOI and its international development partners. Iraq’s NDP, the United Nations

Development Group’s UNDAF, and the IMF SBA all identify an attractive investment climate; a dynamic labor market; and improved performance and productivity of sectors such as agriculture, transportation, religious tourism, industry, construction and housing, and other non-oil sectors as areas for development.<sup>442</sup> Many of these goals were included in the GOI-led (now defunct) *International Compact with Iraq* (ICI). In its Interim Strategy Note (2009–2011), the World Bank emphasized that Iraq’s ability to achieve economic development goals faces significant implementation risk as it relates to the “political and security situation” in Iraq as well as “fiduciary risks” related to the GOI.<sup>443</sup>

### Support for Financial Sector Development

The IMF and U.S. development agencies have said that Iraq’s financial sector is key to achieving a productive private-investment environment. They cite several objectives for development and reform, including satisfying the demand for formal credit, attracting foreign capital, and providing mechanisms for entrepreneurs to expand their businesses and generate long-term employment opportunities.<sup>444</sup>

Support from the U.S. Treasury, USAID, and World Bank have largely focused on macro changes. These top-down projects include work with the CBI, the creation of the Iraqi Company for Bank Guarantees (a guarantor of loans to small and medium enterprises, or SMEs), a Non-Banking Financial Institution, and the Iraqi Company for Financing SMEs, as well as capacity development initiatives to strengthen the legal and regulatory environment for the financial sector and to improve access to credit. At the other end of the reform spectrum, two USAID programs are designed to strengthen Iraq’s financial sector by providing broader access to credit and lending services.<sup>445</sup>

### Iraq Financial Sector Development Program

In July, USAID awarded a new five-year contract to AECOM Technology Corporation to implement the Iraq Financial Sector Development Program.

Iraq’s financial sector is key to achieving a productive private-investment environment.

Funded by \$53 million of the ESF, the program is intended “to improve the soundness of the private financial sector through institution building and targeted reforms, and improve the quality and availability of finance and business education.”<sup>446</sup>

Anticipated activities include strengthening private industry associations, which could serve as private-sector advocates to the GOI on policy as well as legal and regulatory reform. The stated goal is to forge a strong, professional industry association that can effectively represent the interests of the financial sector with the CBI, CoR, and other government entities, as well as with the Iraqi citizens. The program is expected to help develop credit bureaus, a training institute, and bank training capacity.<sup>447</sup>

### Tijara

As of September 30, 2010, USAID’s Provincial Economic Growth Program (*Tijara*, Arabic for “trade”) had expended all but about \$1 million of the \$85 million allocated to support direct outreach programs and donor funding for Microfinance Institutions (MFIs)—an activity that has expanded rapidly since first introduced in 2003. Between 2007 and 2010, USAID reports that the industry had a cumulative growth rate of 53%.<sup>448</sup> Through the first quarter of 2010, Iraqi MFIs recorded annual portfolio increases of 32% and 42% in their active client bases.<sup>449</sup> As shown in Table 4.8, MFIs are currently present in all 18 of Iraq’s provinces.

Iraq’s microfinance subsector is small compared to others in the Middle East. With a market penetration of less than 1%—including unrealized markets among the approximately 7 million people living and working in rural areas—the potential for growth is great.<sup>450</sup>

Ongoing *Tijara* MFI activities include work to develop demand-driven lending streams (such as value-chain financing) and cultivate the supply of credit by securing donor assistance for lending. *Tijara* also provides institutional support for maturing MFIs, formalizing an MFI network, introducing new technology applications for MFI providers and users, and developing human resource capability

TABLE 4.8  
MICROFINANCE OUTREACH ACROSS IRAQ, AS OF 4/2010

PROVINCE	NUMBER OF OUTSTANDING LOANS	VALUE OF OUTSTANDING LOANS (\$US)	AVERAGE AMOUNT OF OUTSTANDING LOANS (\$US)	PERCENTAGE OF VALUE OF ALL OUTSTANDING LOANS
Baghdad	8,298	10,709,240	1,290.58	12.68
Sulaymaniyah	6,960	10,176,616	1,462.16	12.05
Basrah	4,054	6,434,922	1,587.30	7.62
Babylon	4,138	6,262,905	1,513.51	7.42
Erbil	4,127	6,256,876	1,516.08	7.41
Tameem	4,303	5,586,560	1,298.29	6.62
Kerbala	4,053	5,550,048	1,369.37	6.57
Anbar	3,771	4,633,635	1,228.75	5.49
Najaf	2,992	4,517,886	1,509.99	5.35
Ninewa	3,099	4,242,529	1,369.00	5.02
Wassit	4,204	3,975,850	945.73	4.71
Dahuk	1,942	3,446,369	1,774.65	4.08
Diyala	2,527	3,368,911	1,333.17	3.99
Qadissiya	1,452	3,098,515	2,133.96	3.67
Thi-Qar	1,320	2,345,238	1,776.70	2.78
Muthanna	1,239	1,830,981	1,477.79	2.17
Salah Al-Din	1,055	1,001,509	949.30	1.19
Missan	1,925	991,920	515.28	1.17
<b>Total</b>	<b>61,459</b>	<b>84,430,510</b>		<b>100.00</b>

Number of Provinces Served: 18  
 Number of Microfinance Institutions: 14 (2 International NGO-MFIs and 12 National NGO-MFIs)  
 Number of Active Clients: 62,901  
 Percentage of Loans to Women: 15%  
 Interest Rates: 12%–18% per year

### CUMULATIVE RESULTS, 2004–4/2010

Number of Loans Disbursed: 197,335  
 Total Value of Loans Disbursed: \$453.3 million

Source: USAID, “State of Iraq’s Microfinance Industry,” 6/2010, [www.imfi.org/?q=en/node/169](http://www.imfi.org/?q=en/node/169), accessed 10/1/2010.

and local industry best practices. USAID offered as an example of developing both the goals of small-enterprise development and MFI credit availability the Small Business Development Center (SBDC) Network. The 15 *Tijara*-funded SBDC’s in Iraq provide a range of services, including training in business planning and management, microfinance, and business-to-business networking. SBDCs also work to connect entrepreneurs to SME financing opportunities through private lending.<sup>451</sup>

Despite progress, MFIs remain dependent on donor assistance. As the microfinance subsector

establishes itself as a mature credit source, USAID has said that the true test of its sustainability will be access to market-sensitive financing vehicles.<sup>452</sup>

The Iraqi Youth Initiative, supported by \$12 million from the ESF-funded Ambassador's Targeted Development Program, has expanded to operate out of USAID's SBDCs. This 18-month program brings MFI financing together with the financial services of the SBDCs to create new business enterprises for Iraq's youth. USAID expects to engage more than 5,000 young Iraqis through the program and create more than 2,500 jobs with a recyclable portfolio of more than \$4.4 million in individual and group loans.<sup>453</sup>

### Transitioning Iraq's State-owned Enterprises

#### Road Map for Restructuring SOEs

The GOI Task Force for Economic Reforms, with assistance from the United Nations and World Bank, recently prepared its *Roadmap for Restructuring State Owned Enterprises in Iraq*, which is to be submitted to the Council of Ministers for approval.<sup>454</sup> Of the 177 SOEs, most operate under four ministries: Ministry of Industry and Minerals (67), Oil (16), Finance (13), and Construction and Housing (11).<sup>455</sup> According to the GOI's task force, the SOEs currently employ about 633,000 people, including long-time employees, "former political dissidents and other special groups for whom provision of jobs has been... a way of achieving social peace and stability over the past few years."<sup>456</sup>

Reducing GOI budgetary support for SOEs is a large structural reform item, considering that such payments comprise an estimated 5% of current and projected GOI expenditures for 2010.<sup>457</sup> Additionally, off-budgetary support for SOEs in 2008 and 2009 may have added an additional 25% to annual outlays, with even larger amounts in 2005 and 2006.<sup>458</sup>

The GOI task force has recommended a transitional process in two steps. The first step would separate the SOEs from ministries (a corporate



Members of the Missan PRT evaluate a building as part of a project to reopen the Missan Plastics Factory, which had been a major producer of PVC pipe before 2003. (DoD photo)

restructuring) with a corresponding financial separation that provides time for restructuring to take place. Once the instruments for an SOE are in place, the GOI envisions a two- to three-year transition period (operational restructuring) to reach a market-based, competitive performance model.<sup>459</sup>

Implementation of the SOE reform and restructuring process is likely to be disruptive in the short term. The GOI task force has agreed with the UNDAF's assertion that the transition of SOEs will require mitigating investments to retrain workers and to help them find jobs in other, sustainable economic sectors. Over the longer term, successful execution of the SOE reform strategy will likely result in parallel changes that are seen as essential to transitioning SOEs to a new business model and attracting new commercial investors, including reform of the banking and financial service industries and modernization of commercial law.<sup>460</sup> Although all SOE conversions are not expected to be successful, GOI officials have indicated that some industries, such as construction and textiles, are seen as having a strong possibility of success.<sup>461</sup>

An indication of the commercial viability of some SOEs was evident in the privatization of the GOI-owned Kerbala Cement Plant. On October 2, private equity group MerchantBridge—identified as the largest private equity investor in Iraq—announced a deal to operate and manage the plant under a 15-year lease. Together with its France-based

Implementation of the SOE reform and restructuring process is likely to be disruptive in the short term.

partner LaFarge, the Kerbala Cement Plant is anticipated to increase annual production from 300,000 tons to about 2 million tons.<sup>462</sup>

## Task Force for Business and Stability Operations

DoD established the Task Force for Business and Stability Operations (TFBSO) in 2006 to help revitalize and stabilize Iraq's economy, including providing assistance in the restart or expansion of production at Iraq's SOEs. TFBSO's budget from FY 2007 through FY 2010 totaled \$545.6 million, of which \$368.6 million has come from CENTCOM operations and maintenance funds, \$174 million from the Iraqi Freedom Fund (IFF), and \$3 million from the Emergency and Extraordinary Expense Fund.<sup>463</sup> Of the \$100 million in FY 2007 and FY 2008 IFF funding it received, TFBSO reported that it had obligated \$85.7 million and expended \$52.6 million for its reindustrialization project as of September 30, 2010. TFBSO also reports that 41 SOEs have been able to reopen or substantially increase production as a result of its IFF-funded investments and that it has helped dozens of other factories throughout Iraq restart or expand without use of these appropriations. Although it reports remaining engaged in dozens of investor projects, TFBSO has said that security concerns, corporate confidentiality requirements, and the unavailability of data in Iraq prevent it from providing measurable results of its recent activities.<sup>464</sup> Although revitalizing SOEs has been part of TFBSO's core mission, it is unclear what role, if any, it had in the development of the new *Roadmap for Restructuring State Owned Enterprises in Iraq*.

## Agriculture

A distant second in its contribution to government revenues behind oil, agriculture is a small but historically important part of Iraq's economy. Once agriculturally self-sustaining, Iraq now imports the vast majority of basic foodstuffs consumed. Still, agriculture plays a critical role in providing employment.<sup>465</sup>

The Ministry of Agriculture controls two-thirds of agricultural land, which is leased or granted to farmers, providing the GOI with significant

influence over industry modernization, production increases, and improvements in farm incomes.<sup>466</sup>

The GOI's Agricultural Initiative is focused on legal, natural resource allocation, as well as plant and husbandry planning; and it has identified irrigation, seed inputs, storage, commercial farming, and applied expertise in dairying, poultry, and organics as areas of desired investment.<sup>467</sup>

## U.S.-funded Agriculture Programs

USAID's *Inma* (Arabic for "growth") Agribusiness Program is approaching the completion of its funding cycle. All of the \$144 million allocated to it from the ESF has been obligated, and \$36.2 million remains to be expended.<sup>468</sup> Among *Inma*'s accomplishments this quarter, USAID noted that hatchery courses conducted by *Inma* successfully spawned the 1,900 brood stock of Hungarian carp provided to the private sector and GOI hatcheries—a first step toward a sustainable aquaculture program.<sup>469</sup>

To launch a new initiative that focuses on reforming Iraq's agricultural policy, USAID issued a solicitation this quarter to contractors for the Rural and Agricultural Incomes with a Sustainable Environment (RAISE PLUS) program. After receiving no bids for this indefinite-quantity contract, USAID decided to redesign the activity in consultation with the U.S. Department of Agriculture's Foreign Agricultural Service.<sup>470</sup>

## Housing and Construction

Iraq's NDP identifies new housing construction as a "critical need."<sup>471</sup> High population growth rates, increasing urbanization, and returning refugees and internally displaced persons contribute to increased demand. Current estimates indicate that an additional two million units could be constructed by 2015.<sup>472</sup> Housing could be a key driver of a sustainable construction sector (including related industries)—one which would provide an opportunity for successful SOE restructurings as well as private-sector growth.<sup>473</sup>

Although a recent survey of 360 senior international business executives indicated that a majority

Housing could be a key driver of a sustainable construction sector.

(64%) still consider Iraq too dangerous for doing business, 43% viewed construction and real estate as the most promising non-energy sector in the Iraqi economy.<sup>474</sup> SIGIR's recent discussions with Investment Commission officials in the KRG and in Mosul indicated that sizable housing development projects in those areas are under way.<sup>475</sup> This quarter, several large deals were announced:

- Iraq's National Investment Commission chose 35 international firms to build one million new housing units throughout Iraq, including 244,000 units in Baghdad, 100,000 in Mosul and 80,000 in Basrah. Final contracts are expected to be signed next quarter, with construction slated for completion in two years at a cost of \$50 billion.<sup>476</sup>
- An Iraqi-Jordanian real estate company, Amwaj International, plans to construct 3,500 apartments, a hotel, an office tower, and a shopping mall as part of the "Baghdad Gates" development. The \$238 million project is planned to be completed in 2014.<sup>477</sup>
- Iraq's first "mini-city"—a village of businesses about 30 minutes from Baghdad—is slated to include offices, restaurants, hotels, banks, stores, car rentals, and government branches. According to the Baghdad Investment Commission, the \$250 million mini-city is being built to attract direct foreign investment, which has been discouraged by fears over security and instability. The project is slated to be complete in three to five years.<sup>478</sup>
- A UAE-based company agreed this quarter to build a residential compound in Kerbala province that will include a commercial mall, and has also expressed interest in building tourist and hotel projects in the future.<sup>479</sup>

of trade policy reform needed for World Trade Organization (WTO) accession and to support the drafting of laws and the procedures needed to implement them. Since its application in 2004, Iraq has worked through a series of preparatory requirements, including meeting with the WTO Accession Working Party in 2007<sup>480</sup> and providing follow-up on a series of related questions.<sup>481</sup> Throughout this process, the WTO Accession team of USAID has provided technical, logistical, and administrative support for the GOI.<sup>482</sup>

The continuing scope of activities in support of the WTO project, however, appears in question after public comments by the Minister of Labor and Social Affairs in August raised doubts about the GOI's interest in accession.<sup>483</sup> In response to the minister's public statements, USAID said that it will await the appointment of a new Council of Ministers and lobby the next appointed Minister of Trade to champion WTO accession efforts. Meanwhile, USAID ministry advisors continue to attend meetings on the service offers and ready the documentation that must be submitted, should the new Trade Minister re-engage with the WTO.<sup>484</sup>

## U.S. Trade Missions

### U.S. Department of Commerce Trade Mission

According to the Department of Commerce, "the U.S.-Iraq bilateral relationship is entering a new phase of commercial engagement" aimed at bringing business expertise into Iraq at a critical time. This quarter, as a follow-on to the October 2009 U.S.-Iraq Business and Investment Conference held in Washington, D.C., the department led its first trade mission to Iraq. Held in Baghdad during October 4–6 and led by the Under Secretary of Commerce for International Trade, the mission hosted 14 U.S. companies, representing industries from aviation and telecommunications to engineering and construction.<sup>485</sup> Participants received firsthand market information and access to government decision makers, in addition to one-on-one meetings with potential agents, distributors, and partners.<sup>486</sup>

USAID said that it will lobby the next appointed Minister of Trade to champion WTO accession efforts.

## Trade Development

### WTO Accession

*Tijara's* International Trade and WTO Accession Project is helping the GOI to identify all areas



Under Secretary of Commerce for International Trade Francisco Sánchez (left) with Ambassador Jeffrey and Iraq's Minister of Trade, Dr. Safa Al-Din Muhammad al-Safi, in Baghdad. (U.S. Embassy-Baghdad photo)

In a meeting with the chairman of Iraq's National Investment Commission while in Baghdad, the Under Secretary reiterated the benefits of GOI ratification of the Trade and Investment Framework Agreement, Overseas Private Investment Corporation Investment Incentive Agreement, and Memorandum of Understanding for Cooperation on Supporting Reform and Capacity Building in the Agricultural Sector. Signed in 2005, these agreements were meant to assist Iraq in expanding regulatory reforms to promote investment.<sup>487</sup>

## U.S. Chamber of Commerce Mission

The U.S. Chamber of Commerce's Iraq Business Initiative (IBI) conducted a one-week mission to Iraq in July–August 2010 to discuss ongoing and future rebuilding needs. The mission visited Baghdad and Basrah provinces, where several high-level GOI leaders took part in meetings—including the governor of Basrah, the senior advisor for the Iraqi Ministry of Trade, and deputy directors general from the Foreign Economic Relations Department, Private Sector Development Department, Iraq Grain Board, State Company for Construction Materials, and State Company for Food Stuffs.<sup>488</sup>

Advisors from the Chamber of Commerce have emphasized the need to build on the momentum of gains in political stability and security. The summer tour was a prelude to a series of Iraq-related events that IBI had scheduled for 2010, including meetings held in Washington, D.C., in September with U.S. and Iraqi trade officials, as well as a third trade mission to Iraq in November. The upcoming mission will feature events in Baghdad, Basrah, and Erbil.<sup>489</sup> ♦

## PUBLIC SERVICES

### Electricity

As of September 30, 2010, the United States had obligated \$5.06 billion and expended \$4.95 billion to improve Iraq's generation, transmission, and distribution of electricity.<sup>490</sup>

#### Supply and Demand

This quarter, Iraq's average supply of electricity, its estimated demand for electricity, and the gap between supply and demand all were higher than ever. Averaging 6,540 megawatts (MW), this quarter's supply (which includes imports) on Iraq's national grid was about 102 MW, or less than 2%, above the previous record high set during the same quarter last year. Over that same one-year period, average electricity demand increased by 2,378 MW, or 23%, to reach 12,604 MW. This quarter's supply met 52% of estimated demand, compared with 63% during the same quarter last year.<sup>491</sup>

#### Production and Imports

Power plant production averaged 5,894 MW this quarter, up 8% from last quarter and 2% from the same quarter last year. Increased output from hydroelectric plants was the most significant factor. Hydroelectric production rose by 244 MW (56%) over the past year and reached its highest level in three years; and output from diesel plants increased by 134 MW (85%), primarily because the "power-ship" in Basrah came online. These increases were partially offset by decreased output from combustion turbine and thermal power plants. Compared with the same quarter last year, combustion turbine production decreased by 65 MW (2%), while thermal dropped by 188 MW (9%), primarily because of unplanned outages.<sup>492</sup>

Electricity imports this quarter averaged 646 MW, down 100 MW (13%) from last quarter and 23 MW (3%) from the same quarter last year. Electricity



Increased sales and use of electrical appliances have contributed to the widening gap between electricity supply and demand.

generated in Iran accounted for 77% of this quarter's imports.<sup>493</sup> The remainder was imported from Turkey into Dahuk in the Kurdistan Region. The agreement for the Turkish imports is set to expire by the end of 2010, and a decision to renew it will likely be influenced by how soon the new, 500 MW privately owned power plant under construction in Dahuk starts operating. The Kurdistan Regional Government currently expects that two of that plant's four units will be on line by the end of the year and that the other two will be operational in February 2011.<sup>494</sup>

#### Growth in Demand

The growth in electricity supply has not kept pace with demand. Ever since 2003—when the United Nations lifted economic sanctions on Iraq, the Coalition Provisional Authority raised expectations that Iraqis would soon have ample power, and the United States and the international community began working with Iraq to rebuild its infrastructure and economy—demand for electricity has steadily risen. Electrical appliances have flowed into Iraq from around the world, and Iraqis have been buying new televisions, refrigerators, heaters, and air conditioners. Construction of new water treatment plants, hospitals, schools, and

The growth in electricity supply has not kept pace with demand.

commercial buildings has also added to the load on the national grid. And the oil and gas industry, Iraq's largest industrial consumer of electricity, may be on the verge of rapid growth. Moreover, not only is the price of electricity from the national grid kept artificially low by government subsidies, but the Ministry of Electricity (MOE) lacks the needed systems including electric meters for billing customers. The record demand this quarter reflects all these factors, exacerbated by the summer heat.<sup>495</sup>

According to the Electricity Master Plan prepared by Parsons Brinckerhoff in consultation with the MOE, demand will likely rise approximately 10% annually for the next 5 to 10 years, roughly tracking estimated growth in GDP. The plan also estimates that the opportunity cost to Iraq of unrealized economic growth due to electricity shortages is approximately \$42 billion per year.<sup>496</sup>

For quarterly averages of domestic production and imports, relative to estimated demand, since July 2009, see Figure 4.16. For quarterly supply and demand since January 2004, see the Insert that accompanies this Report.

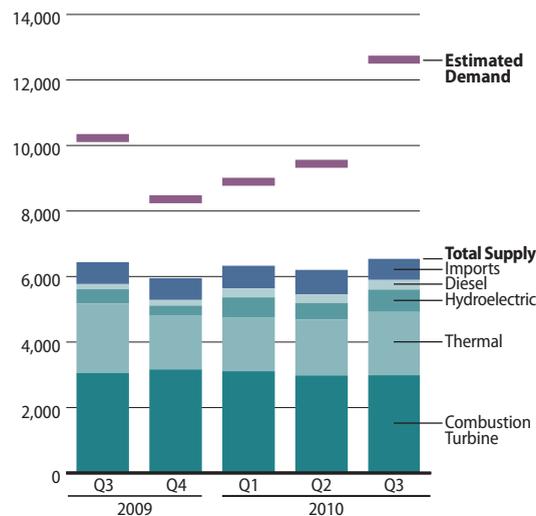
## Attacks on Electricity Infrastructure

The number of reported attacks on the electricity infrastructure in 2010 has continued to rise—from 2 in the first quarter, to 16 in the second, to at least 32 in the third. According to USF-I, 13 of this quarter's attacks caused some damage. One of them, an August 12 attack on the Mosul Gas power plant, halted production at the plant for two days, disrupting supplies on the national grid:



Most attacks this quarter appear to have targeted transmission towers, and needed repairs were generally completed within a few days. According to USF-I, although no specific group or organizations have taken credit for these attacks, al-Qaeda in Iraq has attacked electricity towers over the past few

FIGURE 4.16  
ELECTRICITY SUPPLY AND ESTIMATED DEMAND,  
BY QUARTER, 7/2009–9/2010  
MW



Sources: ITAO/ESD, *Electric Daily Performance Reports*, 7/1/2009–9/28/2010.

months as part of an extortion campaign to raise operating funds for the organization.<sup>497</sup>

## Efforts To Increase Supplies

USACE reports that it has completed more than 600 electricity projects in Iraq.<sup>498</sup> When asked this quarter when Iraqis could expect to have electric power 24 hours per day, the commander of USACE's Transatlantic Division estimated that Iraq would not have the infrastructure in place—including generation, transmission, and distribution facilities—to meet the 2010 level of demand until 2013 or 2014 at the earliest. Moreover, he acknowledged that Iraq's economic growth would continue to push demand above today's level.<sup>499</sup>

## Electricity Master Plan

According to U.S. Embassy-Baghdad, the U.S.-sponsored Electricity Master Plan's *Generation Report*, released on August 24, makes several recommendations to the MOE for addressing the supply-demand gap. Among them, the report calls for continued importation of electricity from

The number of reported attacks on the electricity infrastructure in 2010 has continued to rise.

The report calls for continued importation of electricity from foreign sources.

foreign sources and for accelerated implementation of the MOE's current engineering, procurement, and construction (EPC) contracting process for the General Electric (GE) and Siemens turbines purchased under the "Mega Deal." The report also recommends that the MOE transition to natural gas as a fuel for generators once the necessary transportation infrastructure exists, but it estimates that the MOE will have to rely primarily on heavy fuel oil for three to five years. The report suggests that renewable energy offers little immediate potential because it is not economically competitive.<sup>500</sup>

### New Generation Capacity

U.S. Embassy-Baghdad reports that there were no notable new developments this quarter regarding the MOE's "Fast Track Deal" to build three new power plants using combustion turbines purchased from GE. URUK Engineering Services, the contractor for the Taji site, commenced work in May 2010. SNC-Lavalin and IFC, the contractor consortium for the Hilla and Kerbala sites, have started site clearing but have not fully mobilized to the sites pending resolution of a letter-of-credit issue.<sup>501</sup>

The letters of credit for the 72 combustion turbines included in the Mega Deal with GE and Siemens are fully funded. The MOE is currently engaged in an EPC contracting process for installation of 20 of the 125 MW GE turbines at three sites: al-Khairat, Qudas, and Ninewa. In August, the MOE accepted 32 technical bids for those sites, and it subsequently narrowed the list to four bidders per site. U.S. Embassy-Baghdad expects that final awards will be made in late October and that work will begin at the sites in early 2011 and be completed in about two years. After these turbines come on line, they will add a total of 2,500 MW of nameplate generation capacity to the Iraqi grid. According to the Embassy, the MOE's plans to contract additional EPC sites for GE and Siemens units in the future are unclear at this time. The MOE expects to issue a tender for bids on four independent power producer projects with GE units from the Mega Deal in late October. This process is behind schedule.<sup>502</sup>

Primarily as a result of U.S.-funded projects, combustion turbine plants now generate the largest share of Iraq's electricity. In terms of output, however, the largest single power plant now operating in Iraq is the al-Musayab thermal plant, which has 1,200 MW of nameplate capacity and produced, on average, 687 MW this quarter. In terms of nameplate capacity, the largest plant is the Baiji thermal plant (1,320 MW of capacity, but only 309 MW of production).<sup>503</sup> This quarter, there were at least two announcements regarding plans to build new thermal plants that could equal or dwarf the capacity of the al-Musayab and Baiji plants:

- The acting Minister of Electricity signed a memorandum of understanding in July with French engineering company Alstom for three electricity infrastructure projects, including development of a turnkey 1,200 MW oil-fired thermal power plant in Basrah.<sup>504</sup>
- In September, the Council of Ministers (CoM) approved a request by the MOE to expand the capacity of a new thermal plant that Shanghai Electric has been building in Wassit province. When construction began in 2008, the plant's capacity was to be 1,320 MW. The additional generating units authorized by the CoM would almost double the planned capacity. At 2,540 MW, the Wassit thermal plant would be the largest power plant in Iraq.<sup>505</sup>

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

USACE reports that it completed six electricity projects, with a combined value of \$15.3 million, this quarter. All were funded by the ESF. The largest was a \$5.8 million project to construct overhead and underground transmission lines between Abasiya and Hurriya in Najaf province.<sup>506</sup>

As of September 30, 2010, 19 USACE electricity projects with a combined value of \$122.4 million were ongoing. The two largest—construction of the Farabi and Jamila substations in Sadr City and construction of another in Ramadi—are USACE's last IRRF-funded electricity projects. Both projects

were initiated in 2006, and they are now expected to be completed by January 2011 for a total cost of \$83.9 million. The other ongoing projects, totaling \$45 million, are funded by the ESF.<sup>507</sup>

According to USF-I, 29 electricity projects funded with FY 2010 appropriations to the Commander's Emergency Response Program (CERP) were underway at the beginning of this quarter. These projects had a combined value of \$11.9 million and ranged from \$13,500 to \$745,484. Of the six ongoing projects valued at more than \$500,000, four were for the design, installation, and testing of feeder lines in different areas of Diwaniyah; together, they were expected to cost more than \$2.5 million. The other two large CERP projects (one costing \$667,000 and the other \$600,000) were for substation maintenance in Wassit.<sup>508</sup>

## Water and Sanitation

Water and sanitation service has improved for many Iraqis since 2003, but a substantial portion of the population still lacks adequate access to these essential public services. According to the Iraqi Ministry of Municipalities and Public Works, Iraq now has 251 functioning water treatment plants and an additional 2,330 smaller compact-water and reverse-osmosis units.<sup>509</sup> Roughly 80% of Iraqis living outside of Baghdad and the Kurdistan Region have access to potable water, while the number has climbed to 89% in Baghdad; and more than 40% of Iraqis now have access to wastewater treatment.<sup>510</sup> To help address unmet demand, the GOI has called for \$5.5 billion in water and sewage projects.<sup>511</sup>

As of September 30, 2010, the United States had obligated \$2.65 billion and expended \$2.56 billion to rehabilitate Iraq's water and sanitation sectors.<sup>512</sup> According to U.S. Embassy-Baghdad, U.S.-funded water projects have provided potable water for almost 9 million Iraqis.<sup>513</sup> While Iraqi officials have told SIGIR that they are pleased with a number of "good" U.S.-funded water projects, they also



Workers in Iraq drill a drinking-water well. (USAID photo)

complained that some projects were executed without GOI supervision and that others were poorly constructed or left unfinished.<sup>514</sup>

A SIGIR evaluation of two IRRF-funded water treatment plants released this quarter supported this mixed message:<sup>515</sup>

- On the one hand, SIGIR found that the \$185 million Ifraz Water Treatment Plant in the Kurdistan Region functioned at near 100% capacity, that 88% of the people serviced by the plant were satisfied with water availability, and that 85% were satisfied with water quality.
- On the other hand, SIGIR found that the \$277 million Nassiriya Water Treatment Plant was producing water at only 61% of capacity (a number that fell to 20% whenever the plant relied on generators because of electricity shortages), that 23% of the people serviced by the plant were satisfied with water availability, and 5% were satisfied with water quality.

For an overview of SIGIR's evaluation of these two plants, see Section 5.

Iraqi officials complained that some projects were executed without GOI supervision and that others were poorly constructed or left unfinished.

### Water Availability

Increased rainfall has resulted in a rise in the Tigris-Euphrates Watershed by 150%–300% through the first half of this year, but Iraq still suffers from a lack of sufficient water for irrigation and drinking. Reservoir levels for 2010 are expected to be equal to or higher than last year's levels, but it will take time for Iraq to recover from the lingering effects of a prolonged drought. In March, Ministry of Water Resources officials predicted that water availability would be worse in 2010 than in previous years, despite increased rainfall, because more than 70% of Iraq's water originates outside Iraq. Talks on water-sharing with Iraq's neighbors have not yet yielded results. Iraqi officials reported that they cannot buy enough water to make up the shortfall. Adding to these problems, a low flow of water in the Shatt Al-Arab waterway in southern Iraq has caused significant backflow of highly saline water from the Persian Gulf; technical problems at the Mosul Dam have reduced the amount of water that can be controlled and stored at the site; and some irrigation systems waste water because of poor design.<sup>516</sup>

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

USACE reported that as of September 30, 2010, it had completed 924 water-related projects for \$1.5 billion.<sup>517</sup> This quarter, it completed nine projects with a combined value of \$28.9 million, including the following:<sup>518</sup>

- The \$10 million ESF-funded **Garma Water Reverse Feeding** project in Basrah province upgraded the existing compact-unit water treatment system.
- The \$4.7 million O&M program—funded by Provincial Reconstruction Development Council (PRDC) monies—at the **Dokan-Sulaymaniyah Water Network** increased the longevity of the infrastructure and improved sustainability of the operational system.
- The \$4.9 million IRRF-funded **Falluja Sewer System Pump Station F5** is a segment of the ongoing Falluja Waste Water Treatment System

project, a \$98 million effort to provide sewerage service to residents in Anbar province.

- The \$4.1 million ESF-funded **Water and Sewage Master Plan** for Babylon province was completed in September.

At the end of the quarter, USACE had 30 ongoing water and sanitation projects with a combined value of \$151.7 million.<sup>519</sup> The three largest were funded by the IRRF, including:

- **The Eastern Euphrates Drain.** Originally slated for completion in January 2009, this \$38.5 million project is now expected to be finished by December 31, 2010. The project aims to boost Iraq's irrigation capabilities by reclaiming more than 58,000 hectares of agricultural land and removing excess saline water from more than 400,000 hectares of irrigated land. The project has been delayed by real estate issues and the need for an additional crossing.<sup>520</sup>
- **The WS/Falluja Sewer System.** The \$31.7 million project is the “backbone” of the Falluja Waste Water Treatment System. Started in 2006, construction of the system has been subject to multiple delays due to design complexity, a lack of available skilled labor, and what a USACE official called a “kinetic” security situation. Completion of this segment of the project—previously slated for April 2010 following the announcement of scaled-down plans—is now expected in December 2010. Sewage connections to 9,300 Iraqi homes are set to be completed in March 2011.<sup>521</sup>
- **Meshkab Water Supply Project.** Completion of this \$23.6 million project to build a water treatment plant in Najaf province is now set for the end of the year. The facility is designed to provide clean drinking water to about 200,000 residents.<sup>522</sup>

Among USACE's other ongoing projects are construction of the **al-Kibla Sewer and Storm Network** and the **al-Abbas Sanitation Network**, both in Basrah province. These two ESF-funded

It will take time for Iraq to recover from the lingering effects of a prolonged drought.

projects each cost slightly more than \$11 million and are expected to be completed in the spring or summer of 2011.<sup>523</sup>

As of the beginning of this quarter, there were 106 ongoing water and sanitation projects funded with FY 2010 CERP appropriations. They had a combined value of \$20.42 million, and three were valued at greater than \$500,000. Two of them (one costing \$989,000 and the other \$650,000) were for refurbishment of the **Diwaniyah Water Treatment Facility** in Qadissiya province. The third was a \$905,500 sewage treatment project in Anbar province.<sup>524</sup>

## Transportation and Communications

As of September 30, 2010, the United States had obligated \$1.13 billion and expended \$1.06 billion to rehabilitate Iraq's transportation and communications sectors.<sup>525</sup>

### Ports

Work continued this quarter on construction of the \$53 million, GOI-funded Umm Qasr Pier and Seawall. USACE reported that construction of supporting facilities at the port—a \$46 million piece of the project that includes power distribution, water supply and distribution, refueling infrastructure, road access, and lighting—was 98% finished and due to be completed by October 17, 2010.<sup>526</sup> Additionally, a \$498,000 CERP-funded project to

provide 10 steel navigation buoys at the port was ongoing at the beginning of this quarter.<sup>527</sup>

Meanwhile, the U.S. Department of Transportation (DoT) worked with Iraqi officials to improve the shipping capacity at Umm Qasr, which has been constrained by silting of the waterways and remaining war debris.<sup>528</sup> With the completion of debris clearing at Quay 4, Iraq's Ministry of Transportation (MOT) reported that both the Umm Qasr port and the al-Zubair channel are now clear.<sup>529</sup> Port infrastructure—including cranes, rail lines, and road connections—has been rehabilitated, and the port authority has issued commercial contracts for a number of berths.<sup>530</sup>

With the way cleared for larger vessels, the MOT announced the opening of new container loading stations at Umm Qasr, as well as new contracts with firms from Germany, France, Kuwait, Great Britain, and the United Arab Emirates to reconstruct more stations.<sup>531</sup>

### Roads and Bridges

USACE reported it had completed 297 village roads and expressways as of September 30, 2010, and an additional 16 projects were ongoing this quarter. Grant funding for three large projects in Salah Al-Din province expired before they were complete. The al-Sharqat Bridge, originally an \$8 million IRRF-funded project, was 88% complete when the grant expired. The other two projects, each valued at \$7.8 million, were for construction of two segments of a 40-kilometer highway called the Baghdad-Kirkuk Carriageway. The northern segment was three years behind schedule when

There were 106 ongoing water and sanitation projects funded with FY 2010 CERP appropriations.



Cargo sits at the Iraqi port of Umm Qasr in Basrah province. (GOI photo)



Work on the southern segment of the Baghdad-Kirkuk Carriageway was stopped when the project was 89% complete. (USACE photo)

work was stopped; the southern segment was 89% complete when work on it stopped.<sup>532</sup>

## Railroads

Efforts to expand Iraq's railroad service continued this quarter. Following an inaugural trip in February of this year, the Iraqi Republic Railway Company (IRR) began offering regular weekly service between Mosul and Turkey, and Iraqi officials continued intermittent negotiations to establish rail links with Kuwait, Jordan, and Saudi Arabia in a bid to complete a continuous Euro-Gulf rail route.<sup>533</sup>

U.S.-funded O&M training also continued this quarter for the railway's \$48.1 million communications-based train control system, known as the Digital Microwave Radio Communications Network (DMRCN). The first phase of training, an \$826,000 project, ended this quarter, and the second phase, funded at \$3.71 million, is scheduled to end next year. Training covers on-site corrective and preventative maintenance, system security and continuity, and other O&M skills. Segments of the track will use the communications network as IRR workers become familiar with the digital system.<sup>534</sup>

## Airports

Transfer of air traffic control to the Iraq Civil Aviation Authority (ICAA) proceeded on schedule this quarter as the ICAA took control of airspace above 15,000 feet in the northern half of Iraq on September 1, 2010. The next phase of transfer is slated for November 2010, when the ICAA is scheduled to take control of air traffic above 15,000 feet in the southern half of the country. The ICAA had previously been in control of airspace only above 24,000 feet. Total control of airspace is slated to transition to Iraqi controllers at various times throughout 2011, depending on communication, navigation, and surveillance improvements.<sup>535</sup>

On August 1, 2010, the ICAA stopped relying on DoS to oversee Iraq's air traffic control services contract, and instead has contracted with the Washington Consulting Group for services through



Germany inaugurated its first Lufthansa flight to Erbil International Airport earlier this year. (KRG photo)

December 31, 2010. In addition to that change, the ICAA continued this quarter toward its goal of meeting International Civil Aviation Organization (ICAO) standards by requesting a security audit program and a safety oversight audit program, moves described by U.S. Embassy-Baghdad as “positive steps” toward aviation independence. Additionally, a U.S.-funded UNDP contractor has begun training ICAA personnel in air traffic services, aviation security, and flight safety and standards. To help enable the ICAA to rely less on expatriate workers, 27 Iraqis began training at the Pan Am International Flight Academy in Miami, Florida, on October 3, 2010.<sup>536</sup>

Meanwhile, international air travel to Iraq continued to increase as several European and Arab carriers resumed commercial flights to Iraq. Religious pilgrims, tourists, and business travelers now have expanded options on budget and premium carriers.<sup>537</sup> The Erbil International Airport's new terminal and runway opened for business in September, and commercial flights between Dubai and both Erbil and Sulaymaniyah began this quarter. Germany's Lufthansa, Austrian Airlines, and a subsidiary of Air France are in discussions with the ICAA to begin commercial flights to Baghdad. Iraq's MOT announced this quarter agreements with Saudi Arabia and Yemen to resume commercial flights between the two countries for the first time since the first Gulf War.<sup>538</sup> For an overview of air carriers operating commercial flights to Iraq, see Table 4.9.

International air travel to Iraq continued to increase as several European and Arab carriers resumed commercial flights to Iraq.

## Telecommunications

The completion date for construction of the \$18.3 million al-Mamoon Exchange and Telecommunications Center in Baghdad is now estimated to be June 2011. USACE reported that as of October 2, 2010, the IRRF-funded project was 53% complete. Construction of the tower previously had suffered from lack of progress by the contractor, and the project was re-awarded in July 2009.<sup>539</sup>

The total cellular lines in Iraq exceeded 21 million in March 2010, and cell-phone use continued to grow this quarter, as Zain, a Kuwaiti telecom company with a 15-year license to operate in Iraq, announced plans to launch operations in northern Iraq in January 2011. The company said it expects to gain 2 million subscribers by the end of 2011. Zain is currently Iraq's biggest telecom provider and competes primarily with Asia Cell and Kurdish-run Korek for market share of Iraq's mobile phone industry.<sup>540</sup>

## Health Care

### U.S.-funded Construction of Health Care Facilities

USACE estimated that as of September 30, 2010, its completed projects had enabled Iraqi hospitals to treat approximately 6.6 million inpatients and 4.6 million outpatients each year.<sup>541</sup> This quarter, USACE continued to oversee three ESF-funded health care projects, the largest of which is construction of the Missan Surgical Hospital, described below. The others included construction of an \$8 million surgical wing at Ba'quba General Hospital in Diyala province and upgraded facilities at the Ibn Sena Cardiac Center in Mosul, Ninewa province, at a cost of \$4 million.<sup>542</sup>

As of the beginning of this quarter, there were 31 ongoing health care projects funded with FY 2010 CERP appropriations. They had a combined value of \$4.3 million, and the largest was a \$980,000 project to refurbish a wing of the Hammad Shehab Hospital in Baghdad province.<sup>543</sup>

TABLE 4.9

FOREIGN AIRLINES WITH FLIGHTS INTO IRAQ, AS OF 10/2010

AIRLINE	AIRPORTS OUTSIDE OF KURDISTAN REGION			AIRPORTS IN KURDISTAN REGION	
	BAGHDAD	BASRAH	NAJAF	ERBIL	SULAYMANIYAH
Air Berlin				✈	
Air Sweden				✈	
Atlas Jet				✈	
Austrian Airlines	✈			✈	
Cham Wings Airlines	✈		✈		
Etihad Airways	✈			✈	
Flydubai				✈	
Gulf Air	✈	✈	✈	✈	
Lufthansa	✈			✈	
Mahan Air			✈		
Middle East Airlines	✈			✈	
Qatar Airways	✈				
Royal Jordanian	✈	✈		✈	✈
Turkish Airlines	✈				
Viking Airlines	✈			✈	✈
Zozik Air					✈

Note: List may be incomplete or may change.

Sources: The websites of each airport and airline.

### Missan Surgical Hospital

The Missan Surgical Hospital project has suffered problems and delays since construction to build the 80-bed hospital began in November 2007. U.S. Embassy-Baghdad reported that costs for both phases of construction were \$13.8 million, but USACE reported that both phases were slated to cost \$12.6 million.<sup>544</sup>

U.S. Embassy-Baghdad reported that the project has been hampered by limited skilled labor, interference in hiring by a local Iraqi leader, a high water table on site that required significant unexpected work, attacks on security personnel, and the inability of a local contractor to incorporate the high-tech designs originally planned for the hospital. The plans were modified so that Iraqis would be able to sustain hospital operations after the facility is transferred to their control. SIGIR's



The Missan Surgical Hospital under construction in Missan province. (USACE photo)

2009 inspections of the facility revealed a workforce too small for the job, poor construction, and a lack of design drawings for water supply and wastewater facilities. This quarter, USACE reported that the project schedule was to be revised by the contractor and that some designs were still not up to acceptable standards for hospital construction. The completion date is now set for June 2011.<sup>545</sup>

According to U.S. Embassy-Baghdad, the Ministry of Health (MOH) has begun to identify potential staff sufficiently trained to operate the hospital, but has opted not to order necessary equipment or furniture until outstanding construction issues are resolved.<sup>546</sup>

### Basrah Children's Hospital

The \$165 million Basrah Children's Hospital was inaugurated in May 2010, nearly five years behind schedule, but did not open until September 20—and then only for one day, due to problems with the electricity supply—according to U.S. Embassy-Baghdad. It re-opened for pediatric outpatient care on September 27. Although the hospital's connection to the electricity grid is complete, frequent outages and voltage fluctuations disrupt operations. The hospital has generators, but they do not provide the steady output required to run high-performance equipment.<sup>547</sup>

The MOH had planned to open the hospital incrementally, with the goal of having a fully functioning pediatric oncology hospital operating within two years. It was unclear how the lack of steady electricity might affect that schedule. On

October 4, the MOH transferred 40 patients from an area maternity and children's hospital to the Basrah facility to receive inpatient treatment.<sup>548</sup>

Construction of the 94-bed hospital took significantly longer to build than originally planned because of inadequate contractor performance, unrealistic schedules, security issues, and unreliable GOI follow-through. It was also significantly more expensive than the original estimate of \$37 million. Ultimately, the United States contributed \$103.9 million to build the hospital, according to U.S. Embassy-Baghdad data provided this quarter. Spain (through the UNDP Trust Fund), the MOH, and Project HOPE contributed the remainder.<sup>549</sup>

### USAID Health Care Projects

USAID projects have focused on immunizing children against childhood diseases, renovating and equipping hundreds of primary health care centers, training staff, and distributing iron supplements to pregnant women.<sup>550</sup> Iraq still suffers from a lack of doctors, and USAID has been working to alleviate the physician shortage by encouraging hospitals to rely on other health care professionals, such as nurse practitioners.<sup>551</sup>

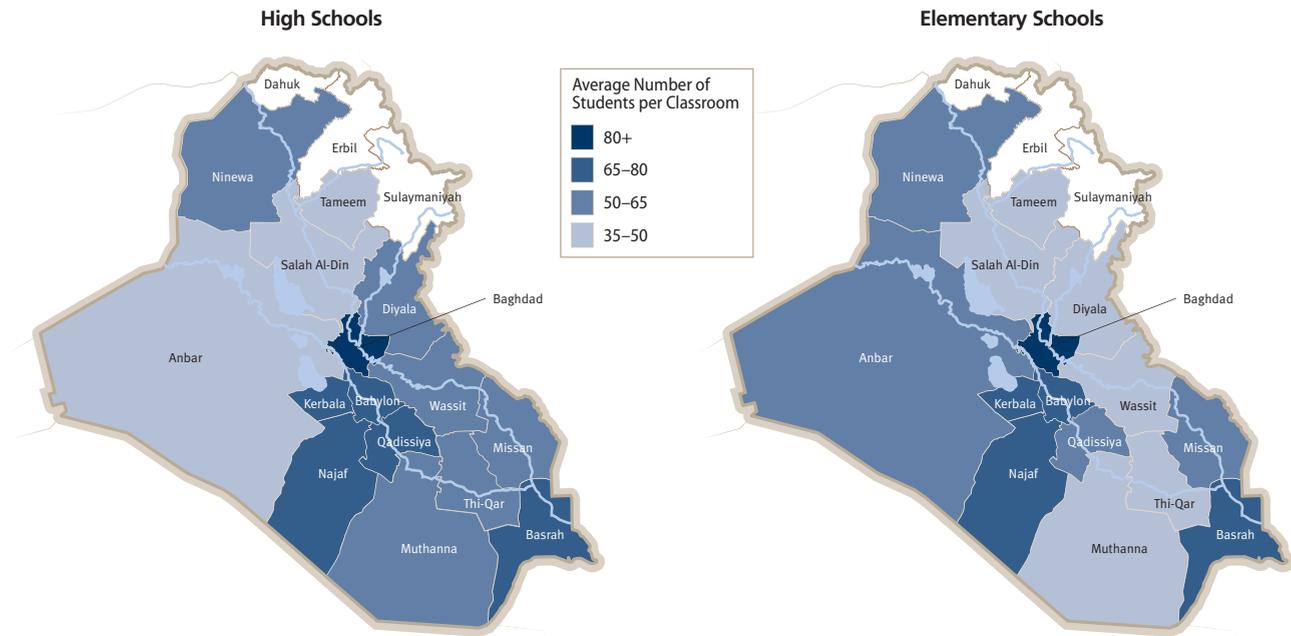
USAID's \$5 million Health Promotion Program in Iraq aims to help the MOH design, implement, and evaluate programs to improve public awareness of health issues, such as malnutrition and childhood obesity. As of September 30, 2010, \$2.5 million had been expended, and USAID is currently considering an extension of the program.<sup>552</sup>

### Education

Iraq's Ministry of Education IG reported severe overcrowding in Iraqi schools, with classes conducted in shifts at many schools that would otherwise hold 80 to 100 students per classroom. Some schools are built of mud, classes are held in tents, and many schools lack bathrooms, according to

Although the hospital's connection to the electricity grid is complete, frequent outages and voltage fluctuations disrupt operations.

FIGURE 4.17  
CLASSROOM DENSITY IN IRAQ'S PUBLIC SCHOOLS



Note: Information is not available for the Kurdistan Region.

Source: GOI, Ministry of Education, response to SIGIR data call, 10/12/2010.

the official.<sup>553</sup> Figure 4.17 shows the average number of students per classroom in the 15 provinces outside the Kurdistan Region.

The ministry plans to build 12,000 additional schools in the next five years to address current shortages as well as expected population growth. However, according to the ministry's IG, the education sector does not receive sufficient capital budget allocations, and there have reportedly been problems obtaining land deeds for planned sites. Notwithstanding the long-term need for larger budget outlays to serve Iraq's school children, the ministry's IG reported that bureaucracy and corruption contributed to poor budget execution last year. Moreover, many schools under construction remain unfinished because contractors are not equipped to fulfill building contracts. Teachers' salaries remain low, which has discouraged recruitment to meet

increased staffing needs. Although thousands of Iraqi schools have computers, demand outpaces supply, and many cannot be operated because of electricity shortages.<sup>554</sup>

To address some of these issues, the IG reported that his office inspected 432 schools this year, held 15 seminars on integrity and anticorruption, audited 95 ministry contracts, and evaluated 10 of 40 departments and general directorates. Of 921 cases received by the IG, 220 are under investigation.<sup>555</sup>

### UN Reports on Literacy

This quarter, the UN Inter-Agency Information and Analysis Unit (IAU) released a report claiming that one in five Iraqis between the ages of 10 and 49 cannot read or write. The IAU found that illiteracy was more prevalent among women (24% vs. 11% for men) and Iraqis living in rural areas (25% vs. 14% for urbanites).<sup>556</sup>

The ministry's IG reported that bureaucracy and corruption contributed to poor budget execution last year.

### U.S.-funded Education Projects

USACE reported that as of September 30, 2010, it had completed 1,159 construction projects in the education sector, including three ESF-funded 12-classroom schools costing more than \$1 million that were finished this quarter in Qadisiya, Thi-Qar, and Babylon provinces. In addition, it had 27 ongoing projects to build or rehabilitate schools.<sup>557</sup>

There were also two ongoing non-construction PRDC projects: a \$245,000 ESF-funded segment of a \$5.6 million nationwide project to provide one-on-one mentoring to Iraqi engineers and a \$2.6 million ESF-funded segment of a \$4.8 million project to train professional engineers. USACE oversees both projects, which are scheduled to end in March 2011.<sup>558</sup>

According to data provided by USF-I, there were 133 CERP-funded education projects valued at nearly \$16.1 million ongoing at the beginning of this quarter. The largest was a \$498,000 project to build a youth center in Thi-Qar province. There was also a \$490,000 project to provide medical supplies to the Baghdad Veterinary College. Dozens of elementary and secondary schools were under construction, including at least 59 in Diyala province, where the GOI has funded ethnosectarian reconciliation.<sup>559</sup>

The DoS-run PRT program provides support for the sector through more than \$4 million in Quick

Response Fund grants for a wide range of activities, including educator training and projects to provide books, equipment and distance-learning technology.<sup>560</sup> DoS also supports Iraq's Fulbright Foreign Student program—the largest in the Middle East—through the Visiting Scholars Program. This summer, 25 Iraqi professors, administrators, and deans spent 10 weeks at U.S. universities.<sup>561</sup>

### Public Distribution System

Iraq's Public Distribution System delivers a basket of goods to Iraqis, providing a safety net for approximately 2.8 million people who rely on the rations for subsistence.<sup>562</sup> This quarter, the head of the Iraqi Grain Board, under the Ministry of Trade, announced that the country will have enough wheat reserves to distribute to the public through the end of this calendar year. The board, which purchases and allocates staple crops and distributes them through a rationing program, plans to solicit tenders to rice suppliers to ensure that the staple crop meets Iraqi demand until next year.<sup>563</sup> The board continued to import rice from Vietnam and elsewhere, and claimed that Iraq remained unaffected by Russia's August decision to ban grain exports through December 2010.<sup>564</sup> ♦

The Iraqi Grain Board announced that the country will have enough wheat reserves to distribute to the public through the end of this calendar year.